

Trade union participation in public policy-making: the rise and demise of Australia's national retirement income regime

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**TRADE UNION PARTICIPATION IN PUBLIC
POLICY-MAKING: THE RISE AND DEMISE
OF AUSTRALIA'S NATIONAL RETIREMENT
INCOME REGIME**

by

Diana Shaw

Submitted in fulfilment of the requirements for
the degree of Doctor of Philosophy

School of Sociology, University of NSW

November, 1992

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DECLARATION OF ORIGINALITY

I hereby declare that this thesis is my own work, and that, to the best of my knowledge and belief, it contains no material previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma of a university or other institute of higher learning, except where due acknowledgement is made in the text.

(Signed). _____
Diana Shaw

ABSTRACT

Australia's Federal Labor Government was elected in 1983 on a social democratic platform, promising Swedish and West German style social and industrial reforms. New relations developed between government and unions in which the latter became an increasingly powerful participant in neo-corporatist arrangements. Through reform of the national retirement income regime, unions gained new power together with some control of large occupational superannuation funds, occasioning a major shift in the ownership of capital in Australia. These are unique developments in this country's history with far-reaching political, economic and social consequences.

Empirical research undertaken during the progress of these changes, and the researcher's own professional involvement in the field, provide the basis for this first detailed sociological analysis of both the social forces and political dimensions involved, and of the resultant re-alignments of social power and political authority in contemporary Australian society. Three propositions were explored -- direct union participation in public policy-making benefits the wage-dependent; union participation in neo-corporatist arrangements socialises the processes of national economic planning and public policy-making; incorporation of unions in neo-corporatist arrangements demobilises the unions and their members.

The main findings do not support any simplistic or optimistic view of these developments. While unions were the instigators of these policy changes, the dynamic processes of strategic neo-corporatist policy formation, political and industrial expediency, enduring economic vulnerability and a new political rationality intervened to produce policy patterns and institutional arrangements that diminished the benefits of these changes for the wage-dependent. There has been no socialisation of the processes of national economic planning or policy-making. Rather, Australia's emerging neo-corporatist arrangements are unrepresentative, undemocratic, and biased towards the

interests of capital, particularly finance capital. Class mobilisation, direct industrial action, demands for job protection, industrial democracy and radical social change have all become marginal issues for the unions. Moreover, union leaders' commitment to electoral and economic priorities have increased their alienation from their members, and the general lack of participatory democracy in neo-corporatist arrangements has further demobilised unions and their members alike. Even so, a 'window of opportunity' can still be identified that may yet permit progress towards economic democracy.

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The very nature of words on paper that comprise the final dry academic research report make it hard to see the connection with, and between, the vibrant living people of its fabric. Yet my hope is that they will be able to see in this thesis the closeness of their connection with each other. The thesis is an academic photograph of a dance. It captures a reality of one moment that cannot be perceived by those participating. It also illuminates nuances that otherwise would vanish unobserved. I hope my thesis will be widely read, for thereby all those who played a part will be recognised and acknowledged.

I thank those people who gave so much to me personally - my daughter Suzanne and my husband Danny who suffered and rejoiced with me through each and every chapter. My friends Anna, Bernice, John, Roberta and Irving, I thank you all sincerely.

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GLOSSARY

Accumulation Fund	A superannuation plan where the employer and/or employees contribute a set amount that accumulates and earns income for the benefit of the members.
Allocated Pension	A pension where members have their own account against which pension payments are debited and to which any investment earnings are credited.
Annuity	A private pension for a fixed term or for life usually bought with a member's Eligible Termination Payment (ETP). An annuity can be bought so that regular repayments are made back to the member in the form of a pension.
Approved Deposit Fund (ADF)	A tax-effective method of investing a member's ETP. The lump sum payment and the earnings on it remain tax free while in the fund. An ADF has to be withdrawn by age 65.
Award Based Contributions	Contributions determined by Industrial Tribunal paid by the employer to a superannuation plan for all eligible employees.
Beneficiary	The person who receives the benefit from a superannuation plan, annuity, pension, death or disability pension.
Capital Guaranteed Fund	The original capital and sometimes declared investment return, are guaranteed.
Capital Stable Fund	These funds have slightly more risk than capital guaranteed funds because, in addition to low risk fixed interest assets, they often include investments in low risk equities or shares.
Defined Benefits Fund	A superannuation fund that contracts to pay a member a fixed or defined amount of money that is linked to the salary level.
Dependency Ratio	Proportion of non-workers (defined as those under 15 and over 65) to those of working age.

Eligible Termination Payment (ETP)	The lump sum paid to a member upon retirement, job termination or death. It includes superannuation contributions and accrued sick leave, but not holiday pay or long service leave. ETP's can be rolled over into approved rollover funds (ADFs and DAFs).
Equities	Stocks and shares not bearing fixed interest.
Friendly Society	A society which by voluntary subscriptions provides for the relief or maintenance of its members and their families in sickness, old age.
Fund Administrator	The person nominated by the fund trustees to receive contributions, and on their instructions, make payments to retirees and transfer assets to the fund manager for investment.
Fund Manager	The person nominated by fund trustees to invest the assets of a superannuation fund.
In-House Asset	An investment made by a superannuation fund in the company sponsoring the superannuation plan, that is, the company which is employing the contributors to the fund.
Life House	A firm which sells life insurance and other insurance products, for example, life cover, superannuation bonds, annuities and superannuation.
Lump Sum Payment	A benefit paid out in a single cash payment.
Master Trust	A trust arrangement which allows a single trustee appointed by the promoters of funds to administer and manage the superannuation funds of a number of employers.
Occupational Superannuation	Pension or retirement benefit arising from an employment contract.
Portability	Allowing a superannuation plan to be transferred from one fund (or one employer) to another.
Preservation	Maintenance of a member's entitlements in a superannuation fund until a specified minimum age (usually at least 55 or 60.).

Prudential Controls	The measures instituted to supervise and control activities in the superannuation industry to ensure the security of contributor's funds.
Reasonable Benefits Limit (RBL)	The maximum limit on the amount a member can receive from superannuation, ADFs or DAFs, with preferential taxation treatment. The limit can be calculated from a member's highest average salary.
Rollover	When a member changes jobs and takes an ETP from a superannuation fund, ADF or DAF, this lump sum can be transferred to other schemes without losing the tax advantage.
Securities	Financial instruments which are evidence of debt or of property. Bonds, certificates of stock and shares are documents which indicate the existence of a security.
Surplus	Those assets of a superannuation fund that represents the excess of accrued earnings and contributions over the fund's accumulated liabilities.
Superannuation Fund	Fund designed to produce retirement benefits for members. to attract tax concessions, it must have these characteristics: a) be indefinitely continuing and b) be maintained solely for following purposes: provision of benefits or fund members, or for dependants of each member in the event of death, or any other purpose allowed by the Insurance and Superannuation Commission in writing.
Unfunded Superannuation	A superannuation plan where no fund has been established but superannuation benefits have been defined; and the employer meets the costs of benefits as they arise.
Trust	A fiduciary relationship in which one person (the trustee) holds the title to property for the benefit of another (the beneficiary).
Trust Deed	Formal document setting out rules governing how a fund operates.

Trustee

The person or persons responsible for carrying out the rules of a Trust Deed.

Vesting

The established entitlement of a member to his or her own contributions to a superannuation fund, the employer's contributions, and accrued interest.

LIST OF ABBREVIATIONS

ABS	Australian Bureau of Statistics
ACM	Australian Chamber of Manufactures
ACOSS	Australian Council of Social Services
ACSPA	Australian Council of Salaried and Professional Associations
ACTU	Australian Council of Trade Unions
ADF	Approved Deposit Fund
AFCO	Australian Federation of Consumer Organisations
AGPS	Australian Government Printing Service
AIDC	Australian Industry Development Corporation
AIRC	Australian Industrial Relations Commission
ALP	Australian Labor Party
ALRC	Australian Law Reform Commission
AMC	Australian Manufacturing Council
AMP	Australian Mutual Provident Society
ARF	Australian Retirement Fund Pty Ltd. (Sponsoring organisations are the ACM and ACTU)
ASC	Australian Securities Commission
ASFA	Association of Superannuation Funds of Australia
ATO	Australian Taxation Office
AWE	Average Weekly Earnings
BCA	Business Council of Australia
BLF	Builders' Labourers' Federation
BURP	Building Unions' Rectification Payments
BUS	Building Unions' Superannuation Fund for employer bodies and unions in the building industry together with the ACTU
BWIU	Building Workers' Industrial Union of Australia
CAGEO	Council of Australian Government Employee Organisations

CAI	Confederation of Australian Industry
CEDA	Committee for Economic Development of Australia
CIS	Centre for Independent Studies
Corporations Law	The Corporations Law, set out in the <u>Corporations Act 1989</u>
DA	Deferred Annuity
DAF	Development Australia Fund
DEET	Department of Employment, Education and Training
DIR	Department of Industrial Relations
DSS	Department of Social Security
EPAC	Economic Planning and Advisory Council
ETP	Eligible Termination Payment
FEDFA	Federated Engine Drivers' and Firemens' Association
FSPU	Federated Storemen & Packers' Union
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
HESTA	Health Employees' Superannuation Trust Australia which administers the industry scheme for health employees.
HOSTPLUS	Host Plus Pty Ltd is the superannuation scheme for persons in the hospitality and liquor industries.
IMF	International Monetary Fund
IPA	Institute of Public Affairs
ISC	Insurance and Superannuation Commission
Jacques Martin	Jacques Martin Pty Ltd
LIFA	Life Insurance Federation of Australia
LIS	Luxembourg Incomes Study
LUCRF	Labour Union Co-operative Retirement Fund
MLC	MLC Ltd
MTIA	Metal Trades' Industry Association
NML	National Mutual Life Association of Australasia Limited.

OECD	Organisation for Economic and Commercial Development
OSSA	Occupational Superannuation Standards Act 1987
PAYE tax	Pay-as-you-earn tax
RBA	Reserve Bank of Australia
RBL	Reasonable Benefits Limit
REST	Retail Employees' Superannuation Trust (an industry superannuation fund primarily for employees in the retail and pharmacy industries)
RSSS	Research School of Social Sciences
SGC	Superannuation Guarantee Charge
STA	Superannuation Trust of Australia (whose Trustee is Employer Union Superannuation Pty Ltd)
TPC	Trade Practices Commission
TUC	British Trades' Union Council
WETTANK	Womens' Economic Think Tank

LIST OF INDUSTRY-WIDE OCCUPATIONAL SUPERANNUATION FUNDS

AUST	Allied Unions' Superannuation Trust
AUST QLD	Allied Unions' Superannuation Trust Queensland
AMIS	Australian Meat Industry Super
ARF	Australian Retirement Fund
ASSET	Australian Superannuation Savings Employment Trust
AUSTSAFE	Farmers and Rural Employees' Superannuation Fund
AIST	Aviation Industry Superannuation Trust
BUS	Building Unions' Superannuation Scheme
BUS QLD	Building Unions' Superannuation Scheme Queensland.
C+BUS	The newly merged BUS and AUST fund
CARE	Clerical Administrative & Retail Employees' superannuation fund
CLUB PLUS ACT	Registered Clubs' Superannuation ACT
CLUB PLUS NSW	Registered Clubs' Superannuation NSW
CTRF	Combined Trade Union Retirement Fund
COSAF	Coal Industry Superannuation Fund
FIRST	Furniture Industry Retirement & Superannuation Trust
HESTA	Health Employees' Superannuation Trust Australia
HOST - PLUS	Hotel Employees' Industry Superannuation Fund
INSUPER	Insurance Industry Superannuation Fund
JEST	Joint Entertainment Superannuation Trust
JUST	Journalists' Union Superannuation Trust
LUCRF	Labour Union Co-operative Retirement Fund
NCSF	National Catholic Superannuation Fund
NGSSF	Non-Government Schools' Superannuation Fund
PLUS	Liquor Industry Superannuation Fund
PISF	Printing Industry Superannuation Fund

PHESF	Private Hospitals Employees' Superannuation Fund
PPWFA	Pulp & Paper Workers' Federation
REST	Retail Employees' Superannuation Trust
SMART	Sugar Industry Superannuation Fund
SST	Statewide Superannuation Trust General Industry Fund
SERF	Stevedoring Employees' Retirement Fund
SUNSUPER	General Manufacturing Industries' Fund Queensland
SSAU	Superannuation Scheme for Australian Universities
STA	Superannuation Trust of Australia-Manufacturing General Industry Fund
TESS	Tertiary Education Superannuation Scheme
TISS	Timber Industry Superannuation Scheme
TREES	Training and Education Employees' Superannuation
TWU	Transport Workers' Union Fund
VISTA	Vehicle Industry Superannuation Trust Australia

CHAPTER ONE

CONSENSUS POLITICS AND INTEREST REPRESENTATION

1.1 INTRODUCTION

In March 1983, the Australian Labor Party (ALP), under the leadership of Bob Hawke, came to power as Australia's federal government on a social democratic platform, with a declared commitment to full employment, economic reinvigoration and social equity as the cornerstones of its electoral and economic strategies, and consensus-style pluralist interest representations as a focus of its policy-making.¹ The expressed aim of the government was 'growth, equity and efficiency, in order that all Australians could have legitimate hopes for a better life in a fairer and more efficient society'.² The Hawke Government's close co-operative working relationship with the peak union body, Australian Council of Trade Unions (ACTU), formalised in a social contract known as the 'Statement of Accord by the ALP and the ACTU Regarding Economic Policy' (the Accord)³, was to provide the emancipatory strategies and economic efficiencies whereby these advances were to be achieved. The wage restraint offered by the Accord in return for social wage, taxation and industrial benefits was to allow the incoming

¹ The Hawke Government consensus-style politics was epitomised by the National Economic Summit, convened by the Hawke Government shortly after taking office in 1983. The intentions of the Summit, as set out in the Summit Communique, were to formally embrace a spirit of co-operation and information sharing in public policy-making between government and community representatives. National Economic Summit Conference, Communique, Canberra, AGPS, 1983, pp.169-196. In pluralist interest representation in policy-making, coalitions or associations represent interests generated autonomously within society. Interest organisations are multiple, voluntary, competitive and not specifically licensed or regulated by public authority. There is an extensive literature on interest group pluralism as political process and as a basis of public planning and policy-making. See for example Robert A. Dahl, A Preface to Democratic Theory, Chicago, University of Chicago Press, 1956.

² Prime Minister, Bob Hawke, Address to National Economic Summit Conference, Record of Proceedings, Canberra, AGPS, April 11-14, 1983.

³ Australia Labor Party/Australian Council Of Trade Unions (ALP/ACTU), 'Statement of Accord Regarding Economic Policy', February, 1983.

government to address the debilitating stagflation and unemployment which had bedevilled the Australian economy since the mid-1970s.⁴

Prime Minister Hawke's commitment to consensus-style public policy-making became the basis of the government's new form of political rationality and the establishment of a new system of pluralist interest representation in policy-making. This, in particular, was to open up the channels of decision-making in the corridors of power for those representing the interests of labour. While not a platform of socialism, a clear commitment to social democratic objectives was evident in the new government's commitment to restructure the industrial relations system. The expansion of industrial democracy was a high priority - government-funded nationwide research projects were immediately established in preparation for promised legislative reforms. Economic democracy was very much on the agenda, as a new band of policy advisers and consulting academics to the government, ACTU and major trade unions laid out the blueprint for the emergence of social democracy in Australia along the lines of Scandinavian models.

As we approach the mid-1990s, clearly much has changed. The Australian economy languishes in the midst of 'a recession that Australia had to have',⁵ unemployment persists at the highest levels since the Great Depression of the 1930s, and government policy-making is dominated by economic rationalism and conservative free market-oriented economic orthodoxies. The institutional-cum-political consensual policy-making of the government, capital and the labour movement has failed to achieve the Hawke Government's promised objectives. Restrictive economic policies have predominated, growth-stimulating strategies have been undervalued, and government policies have failed to stimulate national economic vitality. Government policy-making now gives primacy to private

⁴ At March 1983, unemployment in Australia had reached 9.9% of the workforce and inflation was a record 11.5%.

⁵ The then Federal Treasurer Paul Keating's ill-advised comment on the release of the September 1990 quarterly Australian national accounts figures. Treasurer, Statement, No 115, Canberra, November 29, 1990.

sector profitability, supports free and unregulated market tendencies, increasingly privatises public infrastructure, accepts continuing high levels of unemployment, and reduces and restricts social welfare provisions.

Australia has moved increasingly towards a corporate state,⁶ as federal and state governments integrate public with private enterprises, proceed to abolish the old distinction between the public service and the government, amalgamate policy-making with political programmes, and 'develop vertical unities of labour and capital'.⁷ The public affairs of the country are administered in a manner which increasingly reflects the operations of a hierarchically-ordered privately-operated business corporation. To gain acceptance of these changes, and to ensure socio-political and economic stability, the Federal Labor Government⁸ and its federal administrative departments have adopted a neo-corporatist approach to public policy-making.⁹ They have established reciprocal relationships between the state and major organised interests, and have provided institutionalised and extensive representation for those interests in important areas of policy-making, restricting the rights of voluntary, competitive and independent pluralist interest intervention in policy-making. Interest representation in Australia's policy-making is now mediated through those

⁶ The corporate state refers to the idealised vision of an organic, hierarchical society with a state bargaining between various functional interests. This is seen as the antithesis of both liberal-democratic and socialist ideal-typical political forms. See Otto Newman, The Challenge of Corporatism, London, Macmillan, 1981, pp.3-39; and Peter Williamson, Varieties of Corporatism, Cambridge, Cambridge University Press, 1985, pp.19-80.

⁷ Doug White, 'The Corporate Push', in Arena, 81, 3-9, 1987.

⁸ The Federal Labor Government referred to in this thesis is the ALP Government elected in March 1983, and re-elected in 1984, 1987 and 1990. Bob Hawke served as Prime Minister from 1983 to December, 1991. On his resignation, the Treasurer Paul Keating became Prime Minister on December 20, 1991, a post he continues to hold at the completion of this study in November, 1992.

⁹ The neo-corporatist approach represents a departure in Australia from the previous parliamentarist processes of policy-making, modelled on the Westminster model of responsible government which is the basis of Australia's political system. The parliamentarist system presumes elected government ministers, either individually or collectively, will decide on a policy issue, drawing to some extent on advice formulated by their senior public servants, and will secure the approval or sanction of parliament, and transmit their decisions to the administrative departments whose duty it is to implement their policy as faithfully as possible and without partisanship of any kind. Rules and conventions govern the relations of ministers with other institutions in the process, the object being to ensure that ministers are individually or collectively responsible to parliament - for their decisions and also in control of the execution of them - through administration. Hal Colebatch, 'Corporatism: Building Middle-Order Theory for Political Analysis', paper presented at the Australian Political Studies Association Conference, Armidale, University of New England, August, 26-28, 1988.

significant organised interests, which are constituted on the basis of their members' functions within the division of labour, notably trade unions representing employees and employer associations representing employers.

There is a need to explain this apparent about-face in Australia's national economic planning and policy-making. Changes in the world economy, in the structures of international business and finance, have assuredly played their part. Within Australia too, major macroeconomic changes are implicated. But, policy-making has become increasingly and unexpectedly predicated upon a political rationality which is far from the expressed intentions and social democratic platform of the ALP, or the explicit objectives of the trade union movement. This is despite the new close relationship between trade unions and government, and the involvement of the peak trade union body, the ACTU, in policy-making arenas.

In particular, there have been far-reaching changes in policy-making concerning Australia's national retirement income policy regime. The previously largely government-provided retirement income system has been substantially privatised. As its preferred policy option for the future provision of retirement income, over other alternative policy choices, the Hawke Government shifted the policy focus to privately-provided occupational superannuation, giving particular public status to occupational superannuation funds. There has been extensive theoretical and empirical analysis of policy-making during the tenure of the Hawke Government with regard to labour market and industry policies, as discussed later. But the direct participation of unions in social policy-making, in particular the major changes in retirement income policies have not been studied. There is an abundance of theoretical critiques of neo-corporatist developments in Australia and overseas, as discussed later in this chapter. But there is only a small amount of empirical research on the nature, extent, and particularly the consequences of the institutionalised incorporation of unions in the political order. Most empirical studies have focussed on neo-corporatist developments

which have been short-lived, or have been restricted to meso-level or micro-level arrangements, often sectorally confined to the industrial relations arena.¹⁰

Transformation of the national retirement income regime has far-reaching political, economic and social dimensions for national economic planning, for the future lifestyles of this country's retirees, and for the patterns of investment of the vast new repository of domestic savings accumulated in the quasi-private superannuation funds. These are important issues for the community, as well as for government, for business and for organised labour. Under the new social contract between unions and government, unions directly participated in the process of these policy changes, and were granted public status as joint owners, with employers, of the large new superannuation funds. These are unique developments in this country's history. Powerful strategic actors made the political choices which determined the direction of these developments. This thesis examines the processes of these choices, and the new structures and dynamic relations which developed between the union movement and institutionalised political authority during the period of the Hawke and Keating Federal Labor Governments. My field research during the actual progress of these changes, and my own role in the field, gave me opportunities for unique insights into the social forces and political functions of these developments, and to consider their implications for the relationships between social power and political authority in contemporary Australian society.

This chapter has seven parts. Following the introduction, part two discusses the emergence of a new political rationality in western societies which has led to significant and widespread changes in public policy-making in many advanced capitalist countries. Part three examines the attendant incorporation of major organised interest groups into the framework of national economic planning and public policy-making in western societies. Part four reviews some of

¹⁰ See for example the studies in Wolfgang Streeck & Philippe Schmitter (eds.), Private Interest Government, London, Sage, 1985.

the complex and wide-ranging debates which are salient to my argument from the large body of literature on the incorporation of major organised interests in the political order of western capitalist societies. Part five considers Australia's move to a corporate state. Part six discusses the adoption of neo-corporatist strategies in Australia. Part seven presents three propositions to be explored in the thesis, as well as an outline of the structure of the thesis and the ensuing chapters.

1.2 POLITICAL RATIONALISM AND WESTERN POLICY-MAKING

The 1980s and early 1990s have seen significant changes in the political and economic circumstances of western advanced capitalist societies. As governments across the world pursue objectives of international competitiveness, most western liberal democracies have been restructuring their economies in ways which have led to a reduction in direct state intervention, and an erosion of state provision of services and benefits - a virtual reversal of that universal trend of post-war decades which led theorists to coin the term the 'interventionist state'.¹¹ The aims of this reversal have been, very broadly, to strengthen the market, increase individual self-provision, and reduce the directly distributive role of the state. Encel argues that the welfare state has been under attack from both the left and the right, and that their combined criticisms 'have done much to erode the moral consensus on which it depends'.¹² They variously charge that inequality has not been reduced, that state intervention has increased social divisiveness, that the middle classes derive more benefits than do the poor, that state enterprises are inefficient and involve wasteful cross-subsidisation, and that welfare legislation serves primarily to support capitalist accumulation and contain working class opposition. This onslaught has supported the ascendance

¹¹ Lois Bryson, 'Economic Rationalism and the Welfare State: Implications for Theory and Practice', paper presented at Policy For Our Times Conference, New Zealand, Wellington, Massey University, July 17-19, 1991.

¹² Sol Encel, 'Colder Than Charity: Welfare And The Politics of Economic Rationalism', in Social Policy In Australia: What Future For The Welfare State, SWRC Reports and Proceedings of the National Social Policy Conference, No 79, November, 1989, p.23.

and extraordinary mobilisation of new right doctrines, and the emergence of a new political rationality which has resulted in extensive changes to policy-making by conservative and non-conservative governments alike.¹³ This new rationality or form of economic liberal political ideology has become the governing consensus of strategic elites in the public and the private sectors, forging alliances between politicians and free market economists, united by their preoccupation with the size of the public sector. It constitutes a shift in prevailing political discourse to the right, advocating the reduction of government expenditures and supposedly consequent tax cuts, support for economic competitiveness, economic growth and private profitability, an obsession with the control of inflation, support for the free-market and compensation for market failures. The need to contain industrial and social conflict usually requires limitations on trade union power and permanent state management of the economy, controlling here, deregulating elsewhere. According to Bryson, this worldwide trend results in a public policy-making rhetoric in a discourse of economic models, rationality and rationalisation which is best defined as 'economic rationalism'.¹⁴ Encel suggests the strength of the ideological fervour of economic rationalism, makes it more appropriately termed 'economic moralism'.¹⁵

Almost every area of policy-making is affected by this new form of political rationality which, in the opinion of German scholar Claus Offe, ruptures the previously prevailing notion of the separation between the political and the socio-economic spheres of public policy-making.¹⁶ According to Offe, the emergence of this new form of political rationality within the state does not result

¹³ Multilateral economic institutions such as the Organisation for Economic and Commercial Development (OECD), the International Monetary Fund (IMF) and the General Agreement on Trade and Tariffs (GATT) have consistently pressed for a liberal international economic order which encourages free and open trade and a reorganisation of production and finance on a world wide scale.

¹⁴ Bryson, 1991, op. cit., p.3.

¹⁵ Encel, 1989, op.cit., p.26.

¹⁶ Claus Offe, *Disorganised Capitalism*, J. Keane (ed.), Cambridge, Cambridge Polity Press, 1985.

from a particular alliance of a particular government with particular classes, nor does it result from any political ploy of the capitalist class to gain such representation to pursue its class interest.¹⁷ He argues that for its own sake, the state is committed to sustaining capitalist profitability and accumulation. Given that governments require electoral victory and the financial wherewithal to implement policy, they are forced increasingly to intervene to manage economic crises. The growing pressure for intervention, however, is contradicted by capitalists' concern for freedom of investment and their resistance to state efforts to control productive processes, seen for example in efforts by business to avoid 'excessive regulation'. The state therefore faces contradictory imperatives. It must intervene to maintain the accumulation process, but must not either undermine private accumulation or the belief in the market and the legitimacy of the liberal democratic social order. Hence, according to Offe, the state must intervene, but conceal its purpose.¹⁸

Schmitter suggests this change in ideological orientations of elite decision-makers in most western state bureaucracies is an analytical lodestone, variously explicable according to one's political and philosophical orientations. He argues that conservatives see it as a decline in the state's 'real historical mission' to pursue distinctively public or civic goals, attributing its cause largely to a change in the pattern of recruitment to state bureaucracies, whereby:-

...ambitious, self-serving, middle class professionals have displaced disinterested and public-minded aristocrats in the control of state agencies.¹⁹

Conversely, traditional liberals point to the unprecedented growth in the volume and variety of state activities. They argue that subsidisation and the sheer complexity and fragmentation of state regulation reinforces the domination of

¹⁷ Offe defines the capitalist state a) by its exclusion from accumulation b) by its necessary function for accumulation c) by its dependence upon accumulation and d) by its function to conceal and deny a), b) and c). Claus Offe & V. Ronge, 'Theses on the Theory of the State', in New German Critique, 6, 1975, p.144.

¹⁸ *ibid.*

¹⁹ Philippe Schmitter, 'Neo-Corporatism and the State', in Wyn Grant (ed.), The Political Economy of Corporatism, London, Macmillan, 1985, p.34.

economic rationalism within and between each state agency, as those in decision-making positions compete for power, status and scarce budget shares.²⁰ For Marxists, the explanation lies not in behavioural or institutional factors, but in the fact that capitalism, at this stage in its development, requires a functional state apparatus that is capable of ensuring continued capital accumulation and social cohesion. Therefore, the state must forge unity within the dominant class and extract consensus from subordinate classes, co-opting and/or manipulating their partial interests.²¹

Feher and Heller see the domination of economistic ideologies as attendant, and resulting from, the symbiosis of democracy, capitalist organisation of socio-economic life and the industrialisation and universalisation of market relations.²² They argue that as long as the economy (and the society) as a whole is capitalistically organised, the state can only accomplish its tasks if it follows the interests, while not necessarily the will of the bourgeoisie. A state based on a capitalist socioeconomic establishment would become dysfunctional if the state were to act other than in keeping with capitalist principles.²³

Castoriadis argues that economic rationality has become the central activity of society, dominating the decisions of governments, of firms and of individuals.²⁴ He ascribes its pervasive international dominance to what he calls 'the capitalist imaginary' or 'imaginary social significations', which are consubstantial with a group of theoretical and practical postulates, of which he suggests the most important are:-

1. the virtual omnipotence of technology
2. the 'asymptomatic illusion' relating to scientific knowledge

²⁰ M.L. Harrison (ed.), Corporatism and the Welfare State, England, Gower, 1984.

²¹ Bob Jessop, 'Materialism and Social Bases of Corporatism', in B. Jessop (ed.), State Theory, Oxford, Polity Press, 1990.

²² Ferenc Feher & Agnes Heller, 'Class, Democracy, Modernity', in Theory and Society, Vol 12, 217-234, 1983, p.217.

²³ *ibid.*, p.234.

²⁴ Cornelius Castoriadis, 'Reflections of 'Rationality' and 'Development'', in Thesis Eleven, No 10/11, 1984/85, pp.26-31.

3. the rationality of economic mechanisms by which all phenomena appear to be measurable
4. various assumptions about humanity and society, which have changed with time, but which all involve either that humanity and society are naturally destined to progress and grow (*homo economicus*, the 'hidden hand', liberalism and the virtues of free competition), or that humanity and society can be manipulated by various means in order to be led to progress and growth

Castoriadis states that all institutions embody these imaginary social significations, and that behind all this can be found the hidden hypothesis of total separability, as much within the domain of economics as between this domain and historical, social and even natural processes.²⁵

The lack of public resistance to this shift and constraints on social citizenship and democracy are a focus of a wide literature, and cannot be canvassed in this thesis.²⁶ Suffice it to say that there has been an overwhelming, though poorly conceptualised, emergence of market populism in the 1980s, which has promulgated the acceptance of such changes by the community. Stuart Hall insists that:-

Lying at the core of these contradictions within social democracy and the key to the whole rightward shift in the political spectrum are the labour movements' acceptance worldwide of corporatist practice, which requires that the indissoluble link between party and class be used not to advance but to discipline the class and the organisations it represents.²⁷

In his view, the rhetoric of 'national interest' is the principal ideological form by which a succession of defeats has been imposed on the working class by social democracy in power.

²⁵ Castoriadis uses the term 'institution' in the broadest possible sense, for example language is an institution, as are arithmetic, the ensemble of instruments within society, the family, law, 'values'. *ibid.*, p.26.

²⁶ See for example, Walter Korpi, Working Class and Welfare Capitalism, London, Routledge & Kegan Paul, 1978.

²⁷ Stuart Hall, 'The Great Moving Right Show', in S. Hall & M. Jacques, The Politics of Thatcherism, London, Lawrence & Wishart, 1983, pp.26-7.

This is necessarily a brief explanation of the shift in political orientation amongst those in powerful positions within the state and governments, and the prevalence of this new, and now dominant, form of political rationality. Specific discussion of the adoption of this new political rationality in Australia is included in part four of this chapter. Such discussions invoke a plethora of debates about relations between economic and political power, and the state and its relation to the capitalist mode of production, whether the state is simply a capitalist state as Poulantzas contends (a state determined by class power²⁸), or a state in capitalist society as Miliband argues (a state which preserves political power free from immediate class interests²⁹). What is central is to accept that while the state is an institutional ensemble or 'structured field of action' central in national and international formations³⁰, the orientations of those in powerful positions who make decisions within the state and government are ineluctably immersed in the political culture and social context of contemporary society. These debates are not considered further here, but this discussion provides indications of long term changes in the cultural and ideological contexts of public policy-making in many western advanced capitalist societies.

1.3 INSTITUTIONALISED INCORPORATION OF ORGANISED INTERESTS

In order to avoid the socio-political, economic and industrial upheavals which may ensue as a result of this new political rationality in policy-making, many western capitalist states have institutionally incorporated major organised interests in national economic planning and public policy-making.³¹ Schmitter argues that although the power of the state in western capitalist societies has expanded greatly in recent decades, this has been less the growth of an all-

²⁸ Nicos Poulantzas, *Political Power & Social Class*, London, NLB, 1968.

²⁹ Ralph Miliband, *The State in Capitalist Society*, London, Quartet, 1973.

³⁰ Jessop, 1990, op. cit., p.278.

³¹ While it is incorrect to say that, as an abstraction, 'the state accommodates', it is in reality state actors who hold interests and who act. For reasons of brevity of presentation, I resort at times to reification. Hopefully, however, the more precise influence of human agency will be evident from the wider discussion of the thesis.

powerful coercive central authority than the capacity of the state to penetrate society with its policies, legitimated by the development of processes and structures of intermediation between the public and the private sectors.³² The so-called 'franchise state'³³ or 'private interest government'³⁴ aims to encourage co-operation between government and private interests, which would have otherwise resisted what they would have perceived, in these far-reaching public policy changes, to be excessive state intervention.

The means by which governments and their administrative infrastructures in most western advanced industrialised societies have achieved these policy changes without political, social and economic chaos have been to enter into formal reciprocal relationships with major organised interests, and to establish new systems of interest representation and mediation to resolve conflict among competing interests.³⁵ By entering into consensual agreements with major organised interests representing capital and labour, governments have sought to control the demands on state distributional and social policy programmes. Governments and their bureaucratic administrations require that these demands must now be reconciled with the imperatives of economic modernisation, economic growth and international competitiveness. Acceptance of public policy changes and avoidance of socio-political and industrial conflict are considered particularly crucial in the economic arena. Hence, the most far-reaching interest representation in public policy-making is provided in the economic order. Areas particularly affected are the reorganisation of the labour process, industrial regeneration, welfare programming, infrastructural provision, incomes policies and economic planning. According to Jessop, these are areas in which policy changes cannot readily be effected without the co-operation of capital and/or

³² Schmitter, 1985, op. cit., p.34.

³³ A. Wolfe, The Limits of Legitimacy, New York, Free Press, 1977.

³⁴ Schmitter, 1985, op. cit., p.47.

³⁵ Offe, 1985, op. cit., pp.221-258.

labour, and changes cannot be readily accomplished through rational-legal administrative means.³⁶

Offe attributes the incorporation of major organised interest groups into public policy-making in advanced western capitalist societies to increasing bargaining power and political influence of organized interests, which have undermined responsible parliamentary government based on political parties.³⁷ Traditional pluralist representation in advanced capitalist states leads to 'over-participation' and excessive demands on state resources, or an 'overload' of unresolved issues from the point of view of the 'big' actors. This causes an intolerably high rate of inflation and/or fiscal strain, interferes with states' attempts at long term and comprehensive social and economic planning and creates social and political instability. Offe argues that conflict among the most powerful interest groups is settled quite frequently at the expense of social categories that are poorly organised and hence are economically and/or politically vulnerable, such as the unemployed, people not in the workforce, and women either in or out of the workforce. The emergence of a post-pluralist 'realism' in the state has demanded urgent institutional changes in the framework of interest representation and the conduct of politics. Consequently, capitalist states have institutionalised and attributed public status to major organised interests to participate directly in national economic planning and public policy-making.³⁸

Almost all modern societies have at some time in the past 20 years adopted similar strategies for major interest group incorporation in the political process. These strategies are referred to variously as corporatist, quasi-corporatist, liberal-corporatist or societal corporatist, and sometimes tripartist. Increasingly, such developments are referred to as neo-corporatist. There is an antipathy by some theorists to use of the term 'corporatist', because of resonances

³⁶ Jessop, 1990, op. cit., p.125.

³⁷ Offe, 1985, op. cit., p.227.

³⁸ *ibid.*, p.228.

of similar political processes in fascist and authoritarian regimes.³⁹ Most writers, however, have accepted that the use of the term 'neo-corporatist' is sufficient to delineate contemporary processes from such negative connotations. For the purposes of this thesis, I have chosen to use the term 'neo-corporatist' to describe the processes through which monopolistic and hierarchically organised interest groups were granted institutionalised public status in public policy-making by the Federal Labor Government as part of the political process in Australia between 1983 and 1992. I believe the term is so widely used that adoption of another, less widely understood term may obfuscate the immediate recognition of the arrangements I describe.

1.4 A REVIEW OF NEO-CORPORATIST DEBATES

Perhaps the most extensive debates about neo-corporatism derive from the lack of agreement on the meaning of the concept. Canadian political scientist, Leo Panitch, commented in 1980 that:-

The first thing that strikes one as one reads through the recent literature on modern corporatism is the profound lack of agreement on what the concept actually refers to.⁴⁰

Twelve years later, not only is there still a lack of unanimity, but the conceptual and theoretical debates about neo-corporatism have become ever more complex and wide-ranging. There is a large body of literature on the incorporation of major organised interests in the political order of western capitalist societies. Many of these analyses make global generalisations that neo-corporatist arrangements are the ineluctable imperative of contradictions at a certain stage of capitalist development or the inevitable outcome of bureaucratised rationalisation at similar stages of organised complexity.

³⁹ For example, Australian political activist and academic John Mathews categorically refuses to use the term, arguing that it is so ideologically loaded with connotations of Italian fascism. He opts rather to extend the term 'associational', first used by Schmitter and Streeck in 1979, to cover all such procedures and structures where interest groups come to form part of the political process in a binding framework. See John Mathews, *Age of Democracy*, Melbourne, Oxford University Press, 1989(a), p.228.

⁴⁰ Leo Panitch, 'Recent Theorisations of Corporatism: Reflections On A Growth Industry', in *British Journal of Sociology*, Vol 31, pp.161-187, 1980.

Capitalist development (both national and international) and organisational rationalisation are important to understanding the evolution of neo-corporatist arrangements in national economic planning and public policy-making, and are linked to such major issues as the nature of the state, the scope and content of public policy, the extent of governability of democratic regimes, the shifts in the balance of class forces, the stage of capitalist development, the degree of international economic competitiveness, the swings in the business cycle, and the legitimacy of neo-corporatist structures in liberal, democratic, individualistic societies. Much of the literature is highly critical of neo-corporatist analytical models. Marxists and neo-Marxists ridicule the lack of class analysis, empiricists argue that evidence in western societies shows that predicted neo-corporatist systems have failed to develop, and pluralists argue that neo-corporatism is just another variant on the pluralist spectrum. Grand theoretical analyses are not the focus of this thesis, but middle range theoretical models which conceptualise neo-corporatism as a 'mode of policy formation' or as a 'mode of interest intermediation' provide valid and analytically rigorous heuristic tools for examining the substantive developments which are the focus of this thesis.⁴¹

Formal incorporation of major interest associations or organisations into the political process has long, and at times chequered, antecedents, and the power of large organisations and interest groups and their role in the policy-making process have long been prominent political issues.⁴² Historically, theorists suggest that different types of neo-corporatism correspond to different

⁴¹ P. Schmitter & G. Lehmbruch (eds.), Trends Towards Corporatist Intermediation, London, Sage, 1979.

⁴² Corporatism is a very old phenomenon, reaching back to Roman and mediaeval times. Its appropriation in the modern world stems from Hegel's advocacy of corporatism as a legitimate basis for governability in democratic society. For Hegel, the corporations of civil society perform an essentially reconciliatory function 'the single person attains his actual and living destiny when he becomes a member of a corporation, a society'. Marx was a trenchant critic of Hegel's corporatist proposition, arguing that corporatism merely replayed the un-freedoms of pre-modern societies insofar as political activity was circumscribed by the systems requirements of rational administration. Membership of the corporations, a prerequisite for political activity, not only excluded those who had no corporate status (the working class, labourers, the poor etc.) but also narrowed the scope of political activity to action in conformity with an already given social systemic order. See Peter Williamson, 'The History of Corporatism', in P. Williamson, Corporatism In Perspective, London, Sage, 1989, pp.21-48.

stages in the development of capitalism, differing state regimes, and/or different forms of economic and political crisis.⁴³ Contemporary discussions of neo-corporatism arose in the early 1970s, as political economists and social theorists sought to conceptually clarify and analyse, from a variety of theoretical and ideological perspectives, the institutionalised incorporation of major organised interests in the political order in many western democracies, as discussed earlier in part three of the chapter.

Schmitter's conceptual specification became the most widely-accepted formulation of contemporary neo-corporatist practices:-

Corporatism can be defined as a system of interest representation in which the constituent units are organised into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognised or licensed (if not created) by the state, and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports.⁴⁴

Adopting a functionalist perspective, he argues that neo-corporatist interest representation is related to certain basic imperatives or needs of capitalism to reproduce the conditions for its existence and to continually accumulate further resources.⁴⁵ Neo-corporatism develops out of the imperative necessity for a stable bourgeois-dominant regime, due to the processes of concentration of ownership, competition between national economies, expansion of the role of public policy and rationalization of decision-making within the state to associate or incorporate subordinate classes and status groups more

⁴³ According to Jessop, 1990, (op. cit.), neo-corporatism first emerged as a politico-ideological critique of liberal capitalism in Europe, reflecting movements among feudal and traditional petty bourgeois classes (artisans and yeoman farmers), Catholic and/or other religious groups and some intellectual circles. They criticised the individualism, social disorganisation and open class conflict which accompanied the transition to capitalism and the period of extensive accumulation. They called for the restoration of social order through co-operation between professional and vocational associations, orientated to a universalistic, harmonistic state and society. Nevertheless, this organic corporatism failed to halt the rise of *laissez-faire* liberal capitalism, the dominance of market forces and the rise of mass democracy based on individual suffrage. Corporatist approaches gained negative connotations from their use in fascist and authoritarian regimes such as Mussolini's Italy, where 'corporations' of major interest groups became auxiliary and dependent organs of the state. Mathews argues that trade union involvement in such 'corporations' were a sham. Mathews, 1989(a), op. cit., p.230.

⁴⁴ Philippe Schmitter, 'Still the Century of Corporatism?' in The Review of Politics, Vol 36, No 1, 87-93, 1974, p.93.

⁴⁵ *ibid.*, pp. 87-93.

closely within the political process.⁴⁶ Yet, he accepts that practices resembling different forms of neo-corporatist public policy-making vary across different countries and different issue arenas. Hence, global generalisations suggesting that neo-corporatist approaches are the ineluctable imperative of capitalist contradictions at a certain stage of their development (usually their last stage), or the inevitable outcome of bureaucratised rationalisation at similar stages of organised complexity (usually its highest stage) have limited explanatory value. They are best regarded analytically as ports of departure, rather than points of arrival.

This move to neo-corporatist arrangements in policy-making is clearly not something a polity has, or does not have. The nature, the extent and outcomes of neo-corporatist developments, the relationship of institutional forms of neo-corporatist enterprises to the state, and the internal governance of these organisations are contingent and vulnerable, and at the same time are vested in the political culture and social context, the power and social relations of the countries in which these arrangements are embedded. Anderson argues that neo-corporatist developments were largely unsuccessful in Great Britain and North America because the restrictions on entry of newcomers into the political process, and the limitations of choice between alternative, competing forms of expression violated deeply-held traditional norms of democratic conduct in those countries.⁴⁷ Schmitter agrees, arguing that the emphasis in neo-corporatist arrangements on collective solidarity, professionalised representation, passive membership, vicarious satisfaction and proportional inequality does not coincide with the civic ideal of active, individualistic citizenry and publicly accountable institutions in those countries. Socialised normative support and explicit

⁴⁶ Schmitter makes a clear distinction between state corporatism, which he argues was the model avowedly claimed as corporatist by Fascist states during the second world war, and societal corporatism, as practised in postwar capitalist societies seeking to resolve systemic problems through administrative-rational public policy formation. P. Schmitter, 'Still the Century of Corporatism?' in Schmitter & Lehmbruch, 1979, op. cit., pp.21-22.

⁴⁷ Charles Anderson, 'Political Design and the Representation of Interests', in Schmitter & Lehmbruch, 1979, op. cit.

ideological justification are crucial to the persistence of neo-corporatist arrangements.⁴⁸

Francis Castles argues that neo-corporatist political arrangements are contingent on institutionalised political responses to economic problems, and that these vary cross-nationally.⁴⁹ Economic problems imposed by endemic external vulnerability profoundly influence the nature and extent of neo-corporatist developments. He suggests that countries experiencing chronic and enduring vulnerability are those which are most likely to have the incentive to transform initially temporary policy compromises into institutional arrangements to cope with the high probability of future dislocation. Differences in the size of the country affect their ability to withstand endemic external vulnerability and the corresponding tenacity of neo-corporatist developments. This was a reason for the brevity of neo-corporatist arrangements in the UK and the USA, 'for the perception of external threat tends to fade more rapidly in the larger states'.⁵⁰ Accordingly, sociological analyses of the historical logics and patterns of institutionalised political choices, the political culture and social context, popular legitimacy, and differences in structural attributes of Australia's neo-corporatist arrangements will prove to be a rewarding approach to empirical analysis of the nature, extent and outcomes of these developments in Australia. A discussion of conceptual frameworks of the empirical research is included in the following chapter.

Many writers postulate that to constitute the neo-corporatist model, arrangements must necessarily conform to tripartite models of interest representation. They argue that neo-corporatism is essentially the process of interest intermediation between government, capital and labour.⁵¹ Cox argues

⁴⁸ Philippe Schmitter, 'Reflections on Neo-Corporatism', in G. Lehmbruch & P. Schmitter (eds.), Patterns of Corporatist Policy Making, London, Sage, 1982, p.267.

⁴⁹ Francis Castles (ed.), Comparative History of Public Policy, New York, Oxford University Press, 1989(a).

⁵⁰ *ibid.*, p.31.

⁵¹ Williamson, 1989, *op. cit.*

that bipartite relationships should be seen rather as examples of 'private interest government',⁵² a concept discussed earlier in this chapter. Jessop argues otherwise.⁵³ He states that neo-corporatism can also be defined as a distinctive combination of political representation and state intervention, mediated through a system of public 'corporations', which are constituted of major organised interests on the basis of their members' function within the division of labour. State intervention occurs through these same corporations and/or administrative agencies which are still formally accountable to government. Thus, whereas representation and intervention are typically institutionally separated in parliamentary-bureaucratic systems, in neo-corporatism they tend to be institutionally fused. This is particularly appropriate in Australia's neo-corporatist experiences. Government continues to expand the power and scope of public authorities and regulatory agencies or 'corporations', while ostensibly deregulating, and thereby the state is represented and able to intervene through neo-corporatist arrangements. This has long been the case in Australia's unique industrial relations system (as explained later), and is particularly apposite in the transformation of Australia's national retirement income policies. Hence, this thesis accepts Jessop's broader formulation of neo-corporatism.

Many writers see neo-corporatist developments merely as a variety of contemporary liberal-pluralist interest representation.⁵⁴ They conceive them as intensive consultations between the state and competing interest groups, in which the state shares its authority in order to build support for the enactment and implementation of its policies.⁵⁵ The state thereby grants privileged participation

⁵² Andrew Cox & Noel O'Sullivan, The Corporate State: Corporatism and the State Tradition in Western Europe, Gower, Aldershot, Edward Elgar, 1988, p.41.

⁵³ Jessop, 1990, op. cit., pp.110-143.

⁵⁴ For a recent review of these debates see Williamson, 1989, Chapter 3, 'The Debate Between Corporatism and Pluralism', op. cit., pp.49-63. Some writers argue that neo-corporatism is simply a variant of pluralism, albeit, according to Ross Martin, a more formalised outgrowth of pluralism. See the debate between Ross Martin, 'Pluralism and the New Corporatism', and Colin Crouch, 'Pluralism and the new Corporatism: a rejoinder', in Political Studies, Vol 31, pp.86-102 & pp.452-462, 1983.

⁵⁵ An important idea in the pluralist model is that of polyarchy (literally rule by the many) which emphasises rule by competing interests with different power bases, rather than rule by *a or the* majority.

to a sufficiently powerful sectoral interest group in order to deliver the support of its benefiting constituency.⁵⁶

Gerhard Lehmbruch argues that neo-corporatist sub-systems established in the arena of economic policy-making are instances of the increasing structural differentiation and functional specialisation of the political system, brought about by certain requirements of consensus-building specific to contemporary economic policy-making.⁵⁷ He contends that in western advanced capitalist societies, political parties are either unable to build sufficient consensus within a short time-span or produce irrational decisions. Hence, they orientate their decision-making to electoral competition, rather than to economic performance in office, and therefore shift responsibility for such matters as incomes and business cycle policies to a neo-corporatist sub-system involving organised interests and the permanent state administration, thereby freeing themselves for electoral and parliamentary politics. Lehmbruch calls these arrangements 'liberal corporatist', and says they are most significant in societies where organised labour is integrated into politics through the dominance of a social democratic party.⁵⁸ He predicted in 1977 that increasingly there would be a spillover of neo-corporatism from incomes and business cycle policies to policies affecting the organisational and institutional framework of the economy, and suggested that the spillover would result from successful demands for just such an extension from trade union leaders. There is acceptance amongst liberal neo-corporatist theorists of a continuum away from direct parliamentarism, through pluralism towards neo-corporatism, in which only certain interest groups are recognised by government for regular and extensive consultation. They argue that only certain interest groups gain state assistance in consolidating their own positions, and only certain interest groups are called upon to participate. The focus of

⁵⁶ J. Chubb, Interest Groups and the Bureaucracy, Stanford, Stanford University Press, 1983, p.26.

⁵⁷ G. Lehmbruch, 'Liberal Corporatism and Party Government', in Comparative Political Studies, Vol 10, No 1, April, 1977, pp.91-126.

⁵⁸ *ibid.*, p.111.

theoretical dissent in this body of literature concerns the distinction and the validity of the differences between pluralism and neo-corporatism.

While recognising that there are inequalities in influence among different interests, many contemporary pluralist theorists argue that influence is dispersed.⁵⁹ These formulations assume an idealised vision of an organic society, with a state bargaining between various functional interests, groups representing their members' interests upwards to government, thereby pursuing group interests. Pluralism is an alternative representation to parliamentarist formulations of the political process in the liberal democratic state, in which citizens are perceived as participating directly in the policy-making of an elected government through their exercise of voting and related political rights.⁶⁰

In contemporary societies, the establishment of neo-corporatist arrangements is not merely an important issue in academic debates. The power of large organisations and interest groups and their role in the policy-making process are issues of major concern for political, business and community leaders, mass media commentators and the general public in many western nations. Political conservatives decry neo-corporatism as institutionalising authority structures away from the free market to the state, liberals decry the reduction in the sovereignty of citizens, and those on the left criticise neo-corporatism as a means of maintaining the hegemonic control of dominant capitalist interests. Questions are raised about the choice of neo-corporatism over other means of coping with interest conflicts in liberal democratic societies.⁶¹

Most debates about neo-corporatism include underlying theoretical assumptions about the role and functions of the state, focus on neo-corporatism as a form of articulation of political representation and state intervention, and use

⁵⁹ Williamson, 1989, op. cit., p.54.

⁶⁰ Jessop, 1990, op. cit.

⁶¹ Suggested alternatives are indicative planning, public ownership of productive assets, selective subsidisation, state regulation, control of the money supply and centralised executive authority as alternative strategies for dealing with these conflicts and contradictions. Cox & O'Sullivan, 1988, op. cit.

neo-corporatist frameworks to analyse different state forms in varying regimes and economic orders, from fascism to social democracy.⁶² Much of the discussion concerns whether neo-corporatism is 'an agent of, or an obstruction to, political and social transformation'.⁶³ Many authors have attributed the emergence of neo-corporatist systems of interest representation to some grand political design of the state, or some hegemonic class fraction, acting in the interests of capital. Neo-corporatist theories of the state emphasise the area of production, the economic arena, and the general need to support accumulation strategies as motivating factors for states in fostering neo-corporatist arrangements. Marino Regini argues that the interest in involving unions in the state and its policy processes stems from the state's attempts at unified control - not so much because unions are a significant source of indirect political decisions, but because they can provide governments with the legitimacy necessary for such a strategy of unified control.⁶⁴

Peter Williamson criticises liberal neo-corporatism, arguing that competition among interest associations is not open. He claims that these associations become to some degree institutionally dependent on the state, and consequently have to check their behaviour. Members are bound to the organisations through pressures to join, and the absence of other channels of representation. This itself suggests that members are under some form of control by the leadership, that associations are no longer purely private but quasi-public in their functions, and that group politics are mediated through hierarchies of authority, rather than structures based on the sovereignty of the constituents.

⁶² Debates concerning state theories and corporatism have been led by Jessop, 1990, op. cit.; Offe, 1985, op. cit.; Cox & O'Sullivan, 1988, op. cit.; R. Pahl & J. Winkler, 'The Coming Corporatism', in *New Society*, pp.72-76, October, 1974.; Alan Cawson, *Corporatism and Political Theory*, Oxford, Blackwell, 1988(a), [First edn, 1986].; and Wyn Grant, *The Political Economy of Corporatism*, Hampshire, Macmillan, 1985(a). They draw on Marxist, neo-Marxist, structuralist, functionalist, radical Weberian and more recently elite and managerial perspectives.

⁶³ Rob Watts, 'In Fractured Times: The Accord and Social Policy Under Hawke, 1983-87', in Richard Kennedy (ed.), *Australian Welfare: Historical Sociology*, South Melbourne, Macmillan, 1989, p.113.

⁶⁴ Marino Regini, 'Changing Relationships Between Labour and the State in Italy: Towards a Neo-corporatist System?' in Lehmbruch & Schmitter, 1982, op. cit., p.122.

Not only are neo-corporatist developments problematic for the political order, but their effects on the major organised interests which are party to such arrangements are a major focus for debate in the literature. Critics claim that neo-corporatism is a process which provides for the mediation of interests only at the level of the leadership of government, unions and employers, without the participation of those they represent. Organisations engaged in neo-corporatist arrangements become part of a political establishment that makes decisions; but they are not accessible or accountable to the citizenship in the extent that political parties are.

Critics argue that, for the labour movement in particular, neo-corporatism is a major obstacle to working class participation and mobilisation.⁶⁵ As well, the lack of internal participatory democracy within many labour organisations means that they are generally not very effective intermediaries in representing the interests of their constituencies. Alan Cawson suggests that they:-

...can only claim legitimacy for their role in determining policies if they can demonstrate their commitment to internal democracy.⁶⁶

It is not just a matter of the internal formal decision-making structures of organisations, but is also and perhaps above all a matter of access and accountability for members. The legitimacy and representative nature of Australia's trade union participation in neo-corporatist developments is a particular focus of this study. Hence, a discussion of prominent debates concerning the representative nature of neo-corporatist developments is specifically addressed in the following discussion of theoretical debates concerning the outcomes achieved by parties to neo-corporatist arrangements.

⁶⁵ See for example Leo Panitch, 'The Impasse of Social Democratic Politics', in Socialist Register, London, Merlin Press, 1985/86, and Colin Crouch, Class Conflict and the Industrial Relations Crisis, Atlantic Highlands, Humanities Press, 1977.

⁶⁶ Alan Cawson, 'Functional Representation and Democratic Politics: towards a corporatist democracy', in G. Duncan (ed.), Democratic Theory and Practice, Cambridge, Cambridge University Press, 1983, p.183.

I) Gains and Losses in Neo-Corporatist Arrangements

Neo-corporatist arrangements have benefits and costs. The principal institutional forms of neo-corporatism are tripartite government and semi-government bodies, national economic advisory councils, industry councils, quasi-autonomous national government organisations (quangos), and commissions of inquiry - comprising representatives of the three key functional groups of capitalist society - labour, capital and the state. The benefits for these parties are explicit, the costs are more difficult to estimate. Organised labour gains institutionalised status in decision-making at the highest levels and, in return, undertakes to control their constituencies, and deliver member compliance to nationally adjudicated consensus. 'Capital' surrenders untrammelled sovereignty of the market in the interests of general economic growth, in return for participation in public policy formation. Governments gain prior acceptance by major parties to policy changes, their commitment to endorse and implement policies, achieve political and economic stability and avoid political and social conflict and overt resistance to policy changes. These are not the only gains for government. Pahl and Winkler argue that, by adopting neo-corporatist strategies, governments can control all important business decision-making, impose targets and priorities, and in the name of economic order regulate the market system.⁶⁷

The costs however appear extensive, with critics arguing that neo-corporatist agreements take account only of the policy interests of government and major organised interests involved in these developments, and that thereby other broader community interests are sacrificed. Direct parliamentary representation of citizens in public policy-making and voluntaristic representation of multiple, dispersed, non-hierarchical pluralist interest associations are drastically reduced. Increasingly, representation is mediated through a system of public 'corporations', which are constituted, according to

⁶⁷ Pahl & Winkler, 1974, op. cit., p.73, describe the corporatist approach as 'fascism with a human face'.

Jessop, on the basis of their members' functions within the division of labour.⁶⁸ There is a growth of a relatively institutionalised and permanent relationship between government, business and labour interests at the policy-making level of the state. Parliament gives up some of its political authority to those institutionalised interest groups by giving a relatively permanent and preferential treatment to key functional groups in the formulation and implementation of policy. This diminishes the sovereignty of legislative and territorial forms of decision-making, threatening the parliamentarism upon which liberal-democratic regimes are supposedly based.⁶⁹ Neo-corporatist arrangements impose increasing control of interest organisations by government, and disrupt the structure of democratic interest representation.⁷⁰ Olsen warns that:-

Liberal democracies are heading for a corporatist era, where integrated organisational participation replaces parties, electoral systems, and legislatures.⁷¹

The bias of neo-corporatist arrangements is recognised by both conservative and radical analysts. Jones, a conservative politician and advocate of neo-corporatist arrangements in Britain, accepted that neo-corporatist structures served only to maintain existing capitalist class relations, although for him this was an advantage of the system:-

Authority remains with the employer, it is he who still controls. But those who are controlled are taken into his confidence. Their views are solicited and so the control, becoming less of an imposition, is made to operate more effectively.⁷²

Consequences of the participation by labour organisations in neo-corporatist arrangements is of particular concern. Incorporation of labour organisations into the executive branch of government is seen to lead to bargaining over policy outcomes, often resulting in the leadership of these groups

⁶⁸ *ibid.*, p.120.

⁶⁹ Cox & O'Sullivan, 1988, *op. cit.*, p.28.

⁷⁰ See for example Pahl & Winkler, 1974, *op. cit.*

⁷¹ Johan Olsen, Organised Democracy: Political Institutions in a Welfare State, the case of Norway, Bergen, Oslo, New York, Columbia University Press, 1983, p.187.

⁷² A. Jones, Industrial Order, London, Falcon, 1950, p.31.

entering into agreements with their co-partners which necessitates them disciplining their own members, thereby diminishing their commitment to the pursuit of unallied group self-interest. The most sustained and influential warnings of the disadvantages of labour movement incorporation within neo-corporatist processes come from Panitch as well as from Offe. They argue that trade union involvement in neo-corporatist public policy-making is self-defeating class collaboration and co-option. Panitch, for more than 20 years an influential left critic of neo-corporatism, is adamant about the risks and hidden agendas of neo-corporatist arrangements. In his view, the neo-corporatist paradigm is best understood as:-

A political structure within advanced capitalism which integrates organised socio-economic producer groups through a system of representation and co-operative mutual interaction at the leadership level, and of social control at the mass level.⁷³

He emphasises that neo-corporatism as a process provides for the mediation of interests only at the level of the leadership of government, unions and employers, without the opportunity for active participation of those they represent. This disempowers union rank and file members, as well as acting as a major obstacle to working class mobilisation and radical social change.

The manifest processes of this alleged inherent bias in neo-corporatist arrangements require explanation. Panitch argues that the bias of the system is less attributable to direct pressure from business than to the logic entailed in state planning in a capitalist economy.⁷⁴ Assuming the capitalist state's prior acceptance of prevailing capitalist logics of accumulation and the persistence of capitalist authority structures in the economy and in industry, neo-corporatist economic planning in capitalist liberal democracies requires that parties to these arrangements accept that there are definite constants in the economic process.⁷⁵

⁷³ *ibid.*, p.66.

⁷⁴ Leo Panitch, 'The Development of Corporatism in Liberal Democracies', in Comparative Political Studies, Vol 10, No 1, 61-90, April, 1977.

⁷⁵ I recognise that this is a generalised and determinist assumption. As Heilbroner argues, it is important not to assume that configurations and institutions typical of capitalism in any one country can be generalised to apply to all countries. There are a wide range of temporal variations,

These include the persistence of capitalist logics of production, investment and profitability, the maintenance of capitalist authority structures which continue to accord to capital and management the primary, discrete, specialised and hierarchical function, and acceptance of managerialist ideologies and discourses.⁷⁶ As the success of neo-corporatist economic planning rests upon all neo-corporatist participants reaching agreement within these economic constants, all parties, according to Panitch, end up speaking the same language as management. Indeed, Panitch states:-

One of corporatism's main functions appears to be a matter of diffusing this language among the union leadership, who have often been willing apprentices, since without it, their concerns appear to be irrelevant, if not hostile, to the planning exercise. It is in this manner, as much as through the overt pressure of particular capitalist interests, that corporatism within liberal democracies has become a powerful vehicle for reinforcing class dominance.⁷⁷

Concern at the co-option of trade union leaders into capitalist authority structures and managerialist cultures is not new. C Wright Mills, in an early essay on labor leaders and the power elite, observed that if the union becomes a political machine, the leader is a political boss. Similarly, in neo-corporatist processes unions develop a kind of:-

...pro-capitalist syndicalism from the top. They seek in the first instance greater integration at the upper levels of the corporate economy, rather than greater power at the lower levels of the work hierarchy, for in brief it is their expressed desire to join with owners and managers in running the corporate enterprise system and influencing decisively the political economy as a whole.⁷⁸

Robin Marris, too, writes of the colonising force of managerialist morals and motives, the 'other-directedness' of those who become involved with the power realities of people in strata above them.⁷⁹ More recently, Lois Bryson, Anna

intraproduct national differences, and differences in political, economic and social formations which introduce elements of indeterminacy into analysis of the nature or logic of the capital system, and which 'collide head-on with the positive approach that prevails in contemporary mainstream economics. Robert Heilbroner, The Nature and Logic of Capitalism, New York, Norton, 1985.

⁷⁶ Panitch, 1979, op. cit.

⁷⁷ Panitch, 1977, op. cit., p.81.

⁷⁸ C.Wright Mills, Power, Politics and People, New York, Oxford University Press, 1963, p.109.

⁷⁹ Robin Marris, The Economic Theory of 'Managerial' Capitalism, London, Macmillan, 1964.

Yeatman and Sol Encel identified the emerging dominance of bureaucratic and managerialist morals and motives in elite decision-making arenas as the governing consensus in both the public and the private sectors in Australia, as discussed later in the chapter.⁸⁰

In addition to becoming co-opted into capitalist world views, leaderships of interest organisations become divorced from the memberships they ostensibly represent, as neo-corporatist processes for negotiation and decision-making progressively become the province of the leaderships of interest organisations, with scant participation of the membership.

According to Panitch, union leaders become divorced from their members.⁸¹ However, Offe's arguments more fully address the complex nature of the process.⁸² His view is that the neo-corporatist process is more insidious and that union leaders virtually become bigamists as their interests become married to those of their neo-corporatist partners as well as to their own members. The assignment of political status to interest groups is always two-sided in its effects. Any attribution of status means that, on the one hand, groups gain advantages and privileges, although on the other they have to accept certain constraints and restrictive obligations. In a typical case, access to government decision-making positions is facilitated through the political recognition of an interest group, but the organisation in question becomes subject to more or less formalised obligations, for example to behave responsibly and predictably, and to refrain from any non-negotiable demands or unacceptable tactics.

It is here that the asymmetry and class bias of neo-corporatist arrangements is most evident, according to Offe.⁸³ The power of trade unions rests entirely on their ability to maintain the solidarity of the collective interests

⁸⁰ Lois Bryson, 'Women and Management In The Public Sector', in Australian Journal of Public Administration, Vol 46, No 3, 259-272, September, 1987.; Anna Yeatman, Bureaucrats, Technocrats, Femocrats, Sydney, Allen & Unwin, 1990.; Sol Encel, Equality and Authority, A Study of Class, Status & Power in Australia, Melbourne, Cheshire, 1970.

⁸¹ Panitch, 1979, op.cit..

⁸² Offe, 'The Attribution of Public Status to Interest Groups', 1985, op. cit. pp.221-258.

⁸³ *ibid.*

of workers, whereas organisations representing employers and investors do not need to depend upon a unified interest, but can mobilise their interests independently or sectionally. This asymmetry constitutes the inherent bias of neo-corporatism which in practice requires that unions deliver the disciplined adherence of their members to neo-corporatist arrangements, while employer representatives are under no such pressure. By accepting that capital organisations do not have substantial control over the actions their members choose to pursue, neither governments nor interest groups (even the unions) expect that employer member units will regard their leaders' commitments as necessarily binding. This has direct consequences on the type of demands made, and on the intensity and unity by which demands are supported. Hence, control of institutional form under neo-corporatist developments means at least partial control of political content and demands - in the case of labour, but not in the case of capital.⁸⁴ According to Offe:-

The traffic runs in one direction because the viewpoint of organised capital can be transmitted to the political system, but the spokesmen (sic) of these groups make no binding commitments, and seem to have no more than a highly informal and unreliable influence on the behaviour of their member units. In contrast, institutionalisation in the case of unions means an exchange transaction in which co-operation is traded for formal participation in policy decisions, in return for imposed 'democratic' organisational rules.⁸⁵

The only pressure that governments can impose to ensure the willingness and compliance of employers to honour neo-corporatist commitments is to design policies that are most conducive to profits (the only channel by which employers and investors are to be controlled), and ensure the support of organised labour for such policies. Offe argues that, only with this qualification, can we speak of neo-corporatism as implying a 'shift from a supportive to a directive role for the state in the economy'.⁸⁶

⁸⁴ *ibid.*

⁸⁵ *ibid.*

⁸⁶ *ibid.*

Increasingly too, leaders of labour organisations perform a regulatory function over their members on behalf of the state. According to Offe, by being attributed public status, the group ceases to be exclusively determined in its actions and accomplishments by the interests, ideologies, and need perceptions of its members, as well as by the relative strength it enjoys in relation to other groups with whom it is engaged in competition or alliance.⁸⁷ The major threat to the autonomy of organised labour derives from the removal of the complete determination of the organisation's behaviour by its constituent members, and increasing state control on the autonomy of the organisation, either through the positive conferral of rights and status or by a negative process whereby the state withholds or removes rights and status.⁸⁸ Williamson concurs, arguing that neo-corporatism gives a semblance of political parity to organisations of labour and capital, but because labour and capital organise according to different logics of collective action, where organisation is vastly more important to the former than the latter, constraints on associational activity have a far greater impact on labour.⁸⁹

Regini argues that neo-corporatist relations are designed to perform a stabilising function, and they involve labour unions only in a subordinate way.⁹⁰ The power of unions always remains sectoral and confined, lest they gain control over the economy by participating in the whole process of state policy-making. Jessop agrees, suggesting that while Keynesianism and the welfare state involve only the accommodation of organised labour and its direct or virtual representation in parliament, bilateral corporatism and/or tripartism involve the

⁸⁷ *ibid.*

⁸⁸ For instance, subsidies may be taken away from an interest group; its representational status may be reduced by a restrictive definition of the substantive areas in which organisational activities are allowed to take place; and an organisation's rules may be altered so as to make the achievement of internal consensus more time consuming and more complicated. *ibid.*, p.238.

⁸⁹ Williamson, 1989, *op. cit.*, p. 94. See also Claus Offe & Helmut Weisenthal, 'Two Logics of Collective Action; Theoretical Notes of Social Class and Organizational Forms', in M. Zeitlin (ed), Political Power and Social Theory, Vol 1, New York, J.A.I. Press, 1980. and Offe, 1985, *op. cit.* pp.248-253.

⁹⁰ Regini, 1982, *op. cit.*, p.124.

full integration of organised labour into executive decision-making and administration, so that the labour movement becomes a virtual arm of the state.⁹¹

As well, while ostensibly representing the interests of their members, the incorporation of interest associations into neo-corporatist processes can change or distort the perceived and actual interests of their constituents, according to Cawson. The association can come to be influential in the determination of the members' interests, rather than the other way around:-

Groups no longer merely reflect or represent interests, but are part of the process of forming them.⁹²

Citizens not represented by major organised groups are excluded from participation in policy-making with the move to neo-corporatist arrangements. Korpi consistently criticises the lack of citizen participation in neo-corporatist arrangements in Scandinavian countries,⁹³ and this continues to be a focus of contemporary theoretical debates. Offe suggests that in a developed neo-corporatist system, a second circuit is added to the machinery of the democratic representative polity. The institutional order, in which periodic elections, political parties and parliamentary government are the main elements, is supplemented by a political arrangement consisting of major organized interest groups, their relative procedural status set within bodies of consultation and reconciliation. This results in the emergence and coexistence of two circuits of representation. While neo-corporatist modes of interest representation offer advantages over parliamentary democratic representation in depoliticising conflict, such arrangements restrict the scope of the participants in conflict and the scope of strategies and tactics that are permitted in the pursuit of conflicting interests.

Offe charges that neo-corporatist structures are unrepresentative, that members of working class organisations and the new demands of

⁹¹ Jessop, 1990, op. cit., p.132.

⁹² Cawson, 1988(a), op. cit., p.12.

⁹³ Korpi, 1978, op. cit.

environmental, women's and other special interest groups are unrepresented at peak level neo-corporatist negotiations. He states that there is no possibility that neo-corporatism carries with it progressive or even emancipatory promises. The limitation on representational rights to certain key functional groups entails a permanent marginalisation of the needs and interests of women (either in or out of the workforce), the unemployed, the poor, welfare recipients and other disadvantaged groups.⁹⁴

II) Outcomes for Unions of Neo-Corporatist Participation

This thesis proposes that the gains and losses to the parties in neo-corporatist arrangements, to wider interests and the community are historically contingent and empirically variable. It is therefore necessary to examine previous assessments of outcomes of union involvement in neo-corporatist developments, in order to evaluate the consequences of Australian developments.

Empirical studies of gains and losses for trade unions which result from their engagement in neo-corporatist arrangements are few. Following a survey of postwar experiences with income policies in Britain, Panitch concluded that union members have usually suffered as a result of social contracts and income policies, negotiated and forced upon them by their leaderships.⁹⁵ By contrast, in a longitudinal cross-national study of policy outcomes which neo-corporatist unions had achieved for their members, Colin Crouch concluded that neo-corporatist developments significantly influence macroeconomic performance. Using index-based analyses of trade-offs between union objectives, he found that neo-corporatist industrial relations systems were negatively and significantly associated with industrial conflict (1965-80), peak inflation rates (mid-1970s), the rise in the inflation rate (mid-1960s to mid-1970s), and the

⁹⁴ Offe, 1985, op. cit., p 247.

⁹⁵ Leo Panitch, Social Democracy and Industrial Militancy. The Labour Party, The Trade Unions and Incomes Policy 1945-1974, Cambridge, Cambridge University Press, 1976.

index of 'discomfort' or 'misery' index (1965-1980).⁹⁶ Other writers, too, have shown that increased neo-corporatism is strongly negatively correlated with rates of unemployment and is negatively correlated with rates of inflation.⁹⁷ Hence, unions participating in neo-corporatist arrangements benefit as a result of lower levels of inflation and unemployment.

Castles extended these findings in a cross-national analysis of policy outcomes which could be seen as advantageous to unions exercising wage restraint in their participation in neo-corporatist arrangements.⁹⁸ He undertook a two stage study. First, he separately considered four policy objectives which trade unions might consider worthwhile trade-offs for wage sacrifices. Second, he analysed joint measures of the extent of trade union gain across more than one objective. He examined policy outcomes over three different time periods between 1960 and 1984 in order to control for the potentially confounding influence of temporal and conjunctural shifts, particularly the influence of economic recession or affluence on the discrete priorities, preferences and choices which, he argued, 'trade unions as complex organisations with multiple goals must make'.⁹⁹ By separately analysing rank order indicators of economic stability, full employment, economic growth and a high social wage, Castles concluded that unions gain a modest degree of protection from unemployment as a result of their neo-corporatist wage restraint. In the apogee of neo-corporatism in the 1970s, he said, unions had gained from lower inflation and

⁹⁶ Colin Crouch, 'Conditions for Trade Union Wage Restraint', in L. N. Lindberg & C. S. Maier (eds.), *The Politics of Inflation and Economic Stagnation*, Washington, The Brookings Institution, 1985(a), pp.105-139. The discomfort or misery index is generally created by adding the absolute values of unemployment and inflation. Castles argues that this can only be justified in statistical terms by the fact that in recent times both rates have been of roughly comparable magnitude. Francis Castles, 'Neocorporatism and the 'happiness index', or what the trade unions get for their cooperation', in *European Journal of Political Research*, 15, 381-393, 1987, p.393.

⁹⁷ See M.G. Schmidt, 'The Role of Parties in Shaping Macroeconomic Policy', in F. G. Castles (ed.), *The Impact of Parties: Politics and Policies in Democratic Capitalist States*, London, Sage, 1982, pp.97-176; and M. Bruno & J. Sachs, *Economics of Worldwide Stagflation*, Cambridge, Mass., Harvard University Press, 1985. Peter Gourevitch, A. Martin, G. Ross, C. Allen, S. Bornstein & A. Markovits, *Unions and Economic Crisis: Britain, West Germany and Sweden*, London, Boston, Allen & Unwin, 1984.

⁹⁸ Castles, 1987, op. cit., pp.381-393.

⁹⁹ *ibid.*, p.387.

unemployment and higher government outlays. In the second stage of his analyses, Castles devised joint measures of the variability of the two or more outcomes which are, hypothetically, being traded off by unions for neo-corporatist participation. He created two joint measures - one a misery index (as earlier discussed), and an obverse index which he called a happiness index¹⁰⁰ - ostensibly, he said, to deflect the conflation of social sciences with the dismal discipline of economics.¹⁰¹ He concluded that neo-corporatism appears to pay off for trade unions:-

...not by offering the best of all possible worlds of full employment, low inflation and high social wage outcomes, but rather by providing a favourable trade-off between these three objectives which varies from country to country in a way which reflects a balance between the preferences of trade unions and other organisational actors.¹⁰²

Castles calls for further examination of gains and losses for trade union participation in neo-corporatist arrangements, and stresses the need for historical contextualisation and analyses of organisational and cultural factors which influence the diverse choices and preferences of parties to such developments. This thesis accepts his challenge.

III) Future Trajectories Of Neo-Corporatist Arrangements

As we move into the 1990s, many countries, even those Scandinavian countries on which contemporary neo-corporatist developments are modelled, are increasingly moving away from neo-corporatist political structures. Scott Lash and John Urry, John Goldthorpe and others document the disorganisation of existing neo-corporatist structures, claiming that economic pressures, reductions in trade union power, and the dominance of conservative governments produce a return to political and economic liberalism and dualism in industrial relations.¹⁰³

¹⁰⁰ Castles' 'happiness' index is an additive index designed to tap the trade-off between the extent of full employment and the enhancement of the social wage (measured in terms of the extent of total government outlays), *ibid.*, p.388.

¹⁰¹ *ibid.*, p.388.

¹⁰² *ibid.*, p.390.

¹⁰³ Scott Lash & John Urry, *The End of Organised Capitalism*, Oxford, Polity Press, 1987, and John Goldthorpe (ed.), *Order and Conflict in Contemporary Capitalism*, Oxford, Clarendon Press, 1984, p.315-343.

Nevertheless, institutionalisation of many tripartite bodies of interest representation is expected to ensure the persistence of neo-corporatist intervention in public policy-making, notably in the economic arena.

Schmitter hypothesises that neo-corporatism is a fair-weather product, its emergence greatly facilitated by the most protracted boom in real wages, productivity and total output in the postwar period in Western Europe.¹⁰⁴ He postulates that once these expansionary conditions disappear (and they have by and large done so), those centralised, monopolistic and bureaucratised intermediaries and their concerted policy arrangements will go with them - breaking down under the impact of grass roots dissatisfaction and/or the sheer difficulty of achieving compromise outcomes. Alternatively, having built up a stock of associational resources and co-operative skills during the good times, it will be easier for interests to share losses in a conjuncture of economic decline and/or to negotiate reforms in structurally obsolescent sectors of production, thereby greatly enhancing the legitimacy and persistence of neo-corporatist systems. The demise of neo-corporatist systems in Western Europe at the end of the 1980s (even in Sweden, that citadel of neo-corporatism¹⁰⁵) demonstrates that mutually acceptable agreements become far more difficult to reach in periods of scarcity and when social democratic governments lose office. Yet, neo-corporatist arrangements have been shown to continue to offer particular advantages for crisis management in the containment of conflict without resort to more confrontational measures. Working class, professional and sectoral interests continue to be represented by hierarchical, bureaucratised, monopolistic associations, on the basis of their being able to guarantee the compliance of their respective members to the agreements reached at the top.¹⁰⁶ They, in turn, are

¹⁰⁴ Lehmbruch & Schmitter, 1982, op. cit., p.277.

¹⁰⁵ Scott Lash, 'The End of Neo-Corporatism? The Breakdown of Centralised Bargaining in Sweden', in British Journal of Industrial Relations, Vol 23, No 2, July, 1986, p.190.

¹⁰⁶ Lehmbruch & Schmitter, 1982, op. cit.

willing to bargain co-operatively and concertedly within the confines of a capitalist economy in recession.

The high cost for organisations engaging in pluralist pressure techniques in the 1990s make it unlikely that they will threaten the continued existence of neo-corporatist arrangements.¹⁰⁷ Trade union movements in particular have supported the persistence of neo-corporatist arrangements as unions experience economic pressures and strains in advanced capitalist nations. Forced to confront the changing economic conditions and frequently changing political and social circumstances in the dynamic global environment, most trade union movements have adopted reformist rather than revolutionary strategies, opting to continue to engage in a variety of neo-corporatist arrangements with governments and employers.

Yet the popular legitimacy of neo-corporatist arrangements amongst union members may pose problems and destabilise the system, regardless of the intentions of union leaders. Panitch warns that neo-corporatist one-dimensional rationality depends upon its legitimate acceptance by employees and their continuing wage restraint. Hence, trade union leaders may eventually be forced by their members to withdraw from incomes policy structures, and abstain from co-operative behaviour in broader economic planning structures:-

The legitimisation and union action which the state needs, in other words, delegitimises the union leadership in the eyes of their base.¹⁰⁸

In a more developed analysis, Offe argues that three outcomes are possible for neo-corporatist tripartite structures of interest intermediation.¹⁰⁹ The first is a stabilisation of the structures in such a way that they favour capital over labour. As discussed earlier, he asserts that in neo-corporatist arrangements, there is a marked asymmetry between the organisations of labour and the organisations of

¹⁰⁷ Social movements are finding it increasingly difficult to sustain their operations in the strained economic circumstances of the 1990s. For example Greenpeace in 1991 in Australia suffered a 50% decline in membership subscriptions.

¹⁰⁸ Lehmbruch & Schmitter, 1982, op. cit., p.82.

¹⁰⁹ Offe, 1985, op. cit. pp.253-258.

capital, and organisations of labour are inhibited in the extent to which they pursue their interests relative to the interests of capital. The second outcome is the development of an unstable associational structure resulting from a development towards an institutional core (unions and employers) and a margin of social groups, community interests and single-issue campaigns which grow increasingly hostile to the 'system', and generate social unrest, violence and repression. Offe speculates that this formation is potentially unstable, and could precipitate a third outcome which is favourable to labour. Institutionalisation of the capital-labour conflict, but the non-institutionalisation of other competing interests, could precipitate a process in which, in order to maintain the loyalty and allegiance of their rank and file members, union leaders will insist on demands and strive for accomplishments that are impossible to achieve unless the inherent bias of the asymmetry of power relations in neo-corporatism is overcome. In order to keep peace with their membership, union leaders in neo-corporatist formations will demand more radical and equitable commitments, and force employer representatives to make commitments which are binding on employers as well, regardless of whether employers find it individually profitable to comply with such programmes. This would represent a major incursion into property rights of capital and would be fiercely resisted, but such developments would 'shake the economic system at its foundations'.¹¹⁰ Esping-Andersen, too, argues that the associational neo-corporatist mode presents radical possibilities. Predicting that neo-corporatist arrangements have the capacity for bringing class struggle into the heart of the state, and that the outcome cannot be predicted in advance, he states:-

Corporatism is an internally contradictory mode of incorporating the working class. The premise of a corporatist strategy is that the inclusion of...working class organisations in formal state planning processes will reduce working class opposition to state policies without requiring massive concessions to popular demands. If however, the leadership maintains close ties to the working class and

¹¹⁰ *ibid.*, p.257.

remains a legitimate instrument of real working class organisations...(this will) undermine the planning function of corporatism and bring class struggle into the administrative heart of the state apparatus.¹¹¹

Schmitter states that there are potential contradictions which menace the persistence of neo-corporatist developments. On the one hand, the monopolistic structures, greater organisational resources and more centralised co-ordinated mechanisms of neo-corporatist structures probably give them a resilience unmatched by more pluralist arrangements. Hence, it is unlikely that those involved will opt for more voluntaristic and autonomous arrangements, 'not wishing to sacrifice the official recognition, devolved authority, public subsidies, and compulsory contributions of neo-corporatist arrangements'.¹¹² Yet, he acknowledges that the legitimate persistence of neo-corporatist developments could be destabilised by changes in the particular political culture in which they are embedded. Challenges could come either from the divergent and contradictory interests of classes, sectors and professions differentially located in the division of labour and distribution of property, or alternatively from new or re-emergent lines of cleavage outside pre-existing, functionally defined sectional interests. These schema provide conceptual frameworks for a hypothetical discussion of likely consequences and future trajectories of Australia's neo-corporatist arrangements in the final chapter of the thesis.

While Australia has long had various forms of neo-corporatist arrangements, they have largely been sectorally confined and involved in policy implementation rather than policy development. The next part of the chapter considers structural and cultural changes and the conjunctions of socio-political, economic and industrial pressures to which the Federal Labor Government responded by embracing neo-corporatist arrangements in national economic planning and policy-making.

¹¹¹ G. Esping-Andersen, R. Friedland, & E.O.Wright, 'Modes of class struggle and the capitalist state', in *Kapitalistate*, 4-5, 190-191, 1976. Cited in Offe, 1985, op. cit. p.257.

¹¹² Schmitter, 1982, op. cit., p.266.

1.5 AUSTRALIA AND THE CORPORATE STATE

Australia is a country which in the past 20 years has encapsulated many of the socio-political, economic and ideological shifts discussed above. Yet while many changes reflect conditions in the transnational realm, the institutionalised political choices in national economic planning and policy-making are distinctly Australian. In the 1970s and 1980s, there arose a growing acceptance in government of the need for Australia to become competitive and interdependent in the international economy.¹¹³ The Federal Labor Government came to power in 1983 on a platform of national unity, consensus-style politics and industrial relations and promised economic growth. Its commitment to join its constituency in a new relation to capital gradually led to their acceptance of new free-market and economic liberalist approaches to policy-making which were becoming part of the governing consensus among strategic elites in Australian society. Permanent state management, controlling here, deregulating elsewhere, was considered increasingly indispensable.¹¹⁴ Despite being bombarded with demands for more direct and authentic forms of participation, particularly from its Accord partners, the ACTU, the government reshaped ALP policies, sought to reduce government expenditure, established corporate management structures in government and increasingly moved to become a corporate state.¹¹⁵

The government's move to a corporate state was a response to a conjunction of structural and cultural changes. Brief overviews of major structural and cultural shifts in Australian society are presented here as an overarching contextual background for the discussion. Issues which are

¹¹³ See, for example, Michael Keating & Geoff Dixon, Making Economic Policy in Australia, 1983-1988, Melbourne, Longman Cheshire, 1989.

¹¹⁴ White, 1987, op. cit., p.5.

¹¹⁵ Becoming a corporate state involves substantial devolution of public authority and parliamentary accountability. Public structures are transformed into hierarchical organisations, modelled along private enterprise lines, with executive boards and managerial forms of authority and responsibility. Their effectiveness and efficiency is judged according to estimations of output and economic cost benefit analyses. Therefore issues of planning, programme and performance budgeting and profitability become prime considerations, rather than considerations of social needs, social justice and social equity.

particularly apposite to retirement income policy changes are examined in more detail later in the thesis. Australia is a country which is extremely vulnerable to international markets for a significant proportion of its economic activity. The weakness of world commodity markets, the high levels of imports of manufactured products, and a high rate of overseas borrowings, led to a severe deterioration in Australia's balance of payments in the 1980s, with a relative current account deficit larger than virtually any other OECD country. Manufacturing industries were in a state of serious decline, and a lack of investment in productive development led to a gradual but persistent decline in permanent long term employment opportunities. The 'domestic' financial system was deregulated, and Australia's economy became a small but integral part of the world's financial system. Continuing its traditional reliance on foreign investment, high levels of foreign borrowing (particularly by private entrepreneurs) resulted in a massive foreign debt that threatened the country's economic wellbeing. Policy-makers confronted changes which were unique in Australia's history, and affected all sectors of economic activity in both the public and the private sectors.

Historic compromises and coalitions of interests had long influenced public policy-making, resulting in high levels of domestic compensation and domestic defence for major organised interests under the aegis of what Castles calls Australia's 'wage-earners' welfare state'.¹¹⁶ Despite its external vulnerability, Australia had previously had a closed economy.¹¹⁷ Policy-makers protected and subsidised primary industries and protected and sustained local manufacturing growth from the vagaries of world markets as a means of ensuring full employment and high wages and national corporate profitability. Hence,

¹¹⁶ Francis Castles, *The Working Class and Welfare*, Sydney, Allen & Unwin, 1985, pp.102-109.

¹¹⁷ Francis Castles, 'Social Protection by Other Means: Australia's Strategy of Coping With External Vulnerability', in F. Castles (ed.), *The Comparative History of Public Policy*, New York, Oxford University Press, 1989(a), pp.16-55.

Australia's workforce were protected from the exigencies of external upheavals, as will be discussed in Chapter Three.¹¹⁸

Australia's new vulnerability to international markets produced extensive structural changes in the national economy, creating new relations between finance capital and industrial capital and government and unions. Joseph Halevi and Peter Kriesler argue that the government found it difficult to respond to the increased vulnerability to external forces, which resulted from the abovementioned breakdown of the system of regulatory forces which had governed the Australian economy until the early 1970s.¹¹⁹ These included reductions in tariff trade protection, removal of immigration restrictions and the Treasury-led de-regulation of the dollar and financial markets, which had contributed to a continuing economic downturn and balance of trade problems. Halevi and Kriesler maintain that instead of being concerned with long term questions of the structure of the national economy, that the Hawke Government was more concerned with short-run problems relating to maintaining steady macroeconomic performance so as to ensure electoral victory. Problems caused by financial and exchange rate deregulation, the balance of payments crisis, high interest rates, poor capacity utilisation of productive enterprises and a decline in private fixed investment were inadequately addressed in government policy-making. Boris Frankel argues that globalising corporate practices made national 'state-steering' strategies much harder to sustain.¹²⁰

Concurrent to these macroeconomic problems were structural changes within Australian society. There was a changed relationship of classes within the nation, as a result of new conditions of production and marketing, the growth of personal consumption and private indebtedness. Changes in traditional forms of

¹¹⁸ Castles, 1989(a), op. cit., p.47.

¹¹⁹ Joseph Halevi & Peter Kriesler, 'Australian Economic Growth: A Structural Perspective', in *The Economic and Labour Relations Review*, Vol 2, No 2, 131-142, December, 1991, p.137.

¹²⁰ Boris Frankel, 'Habermas meets C Wright Mills in Canberra', in *Arena*, 98, 1992, pp.157.

association and institutional structures, such as the family, created new demands on state administration.

These widespread social and economic changes imposed extensive new demands on the public sector. Their policy responses to these demands were substantially influenced by changes in the ideological orientations and institutionalised political choices of powerful elites in Australia's public sector in the period under consideration. There was continued pressure from central federal government departments (particularly the Departments of Treasury, Finance and Prime Minister and Cabinet) to reduce government expenditures. This appeared resolvable in the eyes of both federal and state governments only by reductions in state expenditures, privatisation of state-owned enterprises, and privatisation or reductions of welfare services. In both the public and the private sectors, the globalisation of production and markets, structural changes in labour and product markets associated with new technologies of production and labour management, the maw of meta-national finance capital, short term investment patterns, and a revival of political conservatism presented entirely new challenges for government and the bureaucracy, for the corporate sector and for unions and their members.

Following a study of Australia's Senior Executive Service (the highest echelon of Australia's federal state bureaucracy), Michael Pusey concluded that drastic changes in public policy outcomes in Australia were the result of a pre-eminence of certain ideological and philosophical positions amongst strategic elites in Australia's co-ordinating departments in the 1980s.¹²¹ According to Pusey, this shift in Australia's political orientation to economic rationalism, supply-side and input 'efficiencies' and managerialism permeated both the public service and the government. It eroded nation-building state priorities which had held sway in Australia for almost a century.¹²² He argues that the

¹²¹ Michael Pusey, *Economic Rationalism in Canberra: A Nation-Building State Changes Its Mind*, Cambridge, Cambridge University Press, 1991(a).

¹²² *ibid.*

social welfare system was especially vulnerable to the ravages of economic rationalist approaches. Even before the cuts which took place in 1985 and 1986, Australia already had the most underfunded and poorly developed welfare system of Western OECD countries.¹²³ By the middle of the 1980s, the vast majority of Australia's professional politicians and senior bureaucrats no longer believed that the political process could be governed by morally binding interpretations of social needs.¹²⁴ Within the political decision-making arena, there now existed an hierarchical order of reality and causation that gave primacy to the 'economic system qua system', second place to politics and third place to a residual view of society that was seen as some kind of 'stubbornly resisting sludge that variously inhibits and obstructs the economy'.¹²⁵ Pusey suggests that the accorded primacy of 'the market' as the arbiter of all value produced an arbitrariness that superficially at least meant that modern economics had become a game of strategies to help the 'strategic visionaries of the business world win against an idealised opponent that is society itself'.¹²⁶

However, the dominance of an ethos of economic rationalism, while important, does not adequately explain the extensive transformations in Australian political culture in the 1980s. According to Peter Beilharz, the prevailing political rationality and political discourse in Australia had shifted to the right.¹²⁷ Bryson argues that in public policy-making, particularly in areas of welfare or social policies, economic rationalist free-market policy-making involved a sustained attack on those elements of the social structure which had previously acted to modify the naked play of the market, and had protected the interests of subordinate groups and produced comparative income equality and

¹²³ Michael Pusey, 'The Impact of Economic Ideas on Public Policy', in M. Johnson, P. Kriesler & A. Owen (eds.), Contemporary Issues in Australian Economics, South Melbourne, Macmillan, 1991(b), p.257.

¹²⁴ Pusey, 1991(a), op. cit., p.9.

¹²⁵ *ibid.*, p.236.

¹²⁶ *ibid.*, p.238.

¹²⁷ Peter Beilharz, 'The Australian Left: Beyond Labourism', in The Socialist Register, London, Merlin Press, 1986(a).

social protection.¹²⁸ Broader ideological changes arose out of an increasing acceptance of neo-liberal ideologies of anti-collectivism and anti-statism, encouraged by the spread of such ideologies overseas. In my view, these ideological positions gained pre-eminence within the labour movement by reason of what Beilharz sees as the traditional entrapment of Australia's political and industrial labour movement in a culture of labourism, by the pragmatism which Hugh Collins considers is part of a 'Benthamite utilitarianism' in Australian political culture, and by changes in the labour movement itself which are discussed in Chapter Four.¹²⁹ Anti-statism, according to Hall, has been refurnished by the advance of monetarism as the most fashionable economic credo, assuming the status of a sacred orthodoxy.¹³⁰

Such ideologies became powerful and influential in the institutional apparatuses of government and the state bureaucracy, in the research community and the universities, as well as among strategic elite groups in the labour movement, both in the ALP and the unions, as well as gaining prominence in the private sector. Alex Carey clearly documents the dissemination and sustained promotion of these new right credos in Australia throughout the 1970s by organisations like the Committee for Economic Development of Australia (CEDA), the Institute of Public Affairs (IPA), and Enterprise Australia.¹³¹ More recently, employer associations such as the Business Council of Australia (BCA) and the Confederation of Australian Industry (CAI) joined the campaign. Even the Federal Treasury sought to influence public debate on economic policy in Australia, actively refurbishing, promoting and legitimating the gospel of neo-classical economics and the free

¹²⁸ Bryson, 1991, op. cit., p.1.

¹²⁹ Beilharz, 1986(a), op.cit.; Hugh Collins, 'Political Ideology in Australia: The Distinctiveness of a Benthamite Society', in S. R.Graubard (ed.), Australia: The Daedalus Symposium, Sydney, Angus & Robertson, 1985.

¹³⁰ Stuart Hall, The Hard Road to Renewal. Thatcherism and the Crisis of the Left, London, Verso Press, 1988, p.50.

¹³¹ Alex Carey, 'Managing Public Opinion: The Corporate Offensive', paper presented at the Union Strategy and Industrial Change Conference, Sydney, March 20, 1986.

market. In widespread public dissemination of Treasury statements, Treasury officers announced plans and forward projections for the competitive application of free market forces throughout the economy, in one area after another of the public sector.¹³² These ideas gained increasing weight in decision-making arenas of public policy-making, and a monetarist version of neo-classical economics came to provide the accepted frame of reference for economic debate. Economic journalists helped to make this revolution in ideas acceptable in the general media and the financial press, and increasingly this became the accepted view, not only in the boardrooms of the private sector, but in the committee rooms of the public sector and the meeting rooms at ACTU headquarters.

Michael Muetzelfeldt argues that changes in the social context contributed to the rapid shift in the prevailing wisdom of politics and policy-making towards economic rationalism and an associated decline in articulated effective opposition to this newly dominant view.¹³³ He identifies a strategic mobilisation of organisational resources and a cultural ascendance of free-market ideologies within the state and senior elite decision-makers which validated the political mobilisation of the economic rationalist discourse and legitimated its practice. This mobilisation drew on, and was further validated by, social and cultural changes in Australia during the 1980s which gave many people a range of experiences that lent a plausibility to notions of contractual individualism and market rationality.¹³⁴

Hence, Australia's move to a corporate state was legitimated and gained political, social and industrial acceptance, the government gave priority to major organised interests in national economic planning and policy-making, and excluded the intervention of other interests. Along with economic restructuring,

¹³² See the discussion in Chapter Four.

¹³³ Michael Muetzelfeldt, 'Economic Rationalism In Its Social Context', in M. Muetzelfeldt, *Society, State and Politics in Australia*, Leichhardt, Pluto Press, 1992, pp.187-215.

¹³⁴ *ibid.*, p.209.

major industrial restructuring was a focus of government policy-making through changes in industry, wages and labour market policies. The Accord agreement between the ALP and the ACTU, was a bold and wide-encompassing document for social change, which provided a particular form of neo-corporatist participation for unions in macroeconomic decision-making. Neo-corporatist strategies, laced with a modicum of putative power-sharing, proved a potent nostrum for pacifying the unions. These developments are considered in detail in Chapter Four, but are introduced here to situate the emergence of neo-corporatist strategies in macroeconomic planning. The establishment of tripartite structures such as the Economic Planning and Advisory Council (EPAC), and the Hughes, Garnaut and Australian Manufacturing Council's Global Challenge reports released at the end of the 1980s were part of the broad consensual acceptance of the Federal Labor Government's corporate state strategies.¹³⁵ Policy formation became increasingly the preserve of institutionalised neo-corporatist consultation, and policy implementation proceeded largely through neo-corporatist interest intermediation.

1.6 NEO-CORPORATISM IN AUSTRALIA

Social scientists in Australia had been sceptical about neo-corporatism becoming prevalent in this country. In 1979 Encel argued that, although corporatist tendencies have a long history in Australia, that there was little support at that time for general trends towards a corporate state.¹³⁶ Loveday argued in 1983 that unity in government and an effective hierarchy in the interest group structure of any society was essential for extensive use of neo-corporatist strategies. He suggested that, although in Australia there is collective government through cabinet, that federal ministers often do not pull policies or departments

¹³⁵ See Helen Hughes, 'Australian Exports: Performance Obstacles and Issues of Assistance', Canberra, AGPS, 1989.; Ross Garnaut, 'Australia and the Northeast Asian Ascendancy', Canberra, AGPS, 1990.; and Australian Manufacturing Council (AMC), 'The Global Challenge: Australian Manufacturing in the 1990s', Final Pappas Carter Evans & Koop/Telesis Report, AMC, 1990.

¹³⁶ Sol Encel, 'The Post-Industrial Society and the Corporate State' in *Australian and New Zealand Journal of Sociology*, Vol 15, No 2, July, 1979, pp.37-44.

together very well. This fragmentation in administration is reflected in a fragmentation of interest groups, for both employer associations and trade unions are racked by internal struggles and a lack of hierarchical power to control affiliates and subordinates.¹³⁷ Colebatch argues that organised interests in Australia have long been closely involved in the application of state authority in their respective areas, and current interest representation in public policy-making does not necessarily conform to the 'top-down' logic of neo-corporatist models.¹³⁸

Gerritsen argues that 'consensual corporatism' under the Hawke Government is a process of policy decision-making engendered both by a reaction to perceived past Labor policy-making failures and the context of the collapse of the long post-war economic boom in Australia.¹³⁹ He suggests that Australia is only partly neo-corporatist, because there is no true formal compulsory tripartite collaboration between government, capital and labour - that business has no peak council, government is fragmented on statutory and federal lines, and the pressure groups and the electorate are intrinsic to the system. Gerritsen suggests that rather the Australian state is engaged in two sets of bilateral relations - one more or less formal and bargained with the ACTU, and one informal, pluralist and uncertain with the pressure groups of capital. The system is also not neo-corporatist because capital and labour are not agencies of delegated enforcement. They have only influence, a force of consensual moral persuasion, over their constituents, he states. The system operates on inducements not constraints. Gerritsen argues constitutional and structural constraints impede the development of a fully neo-corporatist state, as the federal

¹³⁷ Peter Loveday, 'Corporatism and Consensus: Myth and Reality', Canberra Bulletin of Public Administration, Vol 10, 1983, p.13-14.

¹³⁸ Colebatch, 1988, op. cit., p.7.

¹³⁹ Rolf Gerritsen, 'The Necessity of 'Corporatism': The Case of the Hawke Labor Government', in Politics, Vol 21, No 1, 45-54, 1990.

system significantly decentralises state power by circumscribing or displacing the authority of the central state.¹⁴⁰

By contrast, other writers accept that neo-corporatist arrangements are becoming increasingly prevalent in policy-making in Australia, citing the Accord contract as essentially a continuing process of neo-corporatist engagement between government and the ACTU with the support of business.¹⁴¹ Much discussion focusses on whether or not, as a formal bi-partite agreement, the Accord conforms to neo-corporatist models.¹⁴² Some critics argue that too many elements of the neo-corporatist definition are left unfulfilled, yet they acknowledge that the Accord marks a new development in interest intermediation in public policy-making.¹⁴³ Others argue that since the Australian Industrial Relations Commission (AIRC) is still largely involved, the Hawke Government brand of policy-making in fact involves four parties.¹⁴⁴ Limitations of space preclude detailed consideration of these debates here. As discussed earlier, I reject the emphasis on tripartism as an essential barometer of whether developments are neo-corporatist or not.

There are theoretical discussions in the Australian literature about the consequences of neo-corporatist arrangements for the state, for social democracy and for major organised interests generally, many debates appearing in the radical social and political theory journals, *Thesis Eleven* and *Arena*. Most

¹⁴⁰ *ibid.*, p.46.

¹⁴¹ The ALP-ACTU Prices and Income Accord social contract is discussed in detail in Chapter Four.

¹⁴² See for example Frank Stilwell, The Accord...and Beyond: The Political Economy of the Labor Government, Sydney, Pluto Press, 1986(a).; Gwyn Singleton, 'The Economic Planning Advisory Council: The Reality of Consensus', in Politics, Vol 20, No 1, 12-25, 1985.; Steve Frenkel (ed.), Union Strategy & Industrial Change, Sydney, University of New South Wales Press, 1987.; Mathews, 1989(a), *op. cit.*; C. Jennett & R. Stewart (eds.), Hawke and Australian Public Policy, Melbourne, Macmillan, 1990.

¹⁴³ Margaret Gardner, 'Wage Policy', in Jennett & Stewart, *ibid.* The major reservation has been the lack of formal engagement in these processes (most notably the Accord) of industry bodies or employer associations. Although employers at the National Economic Summit in 1983 accepted the Accord, their own inability to form one representative body to speak for all employers kept them out of institutionalised incorporation in these developments. An excellent review of the National Economic Summit and the position of employers and their associations with regard to these new public policy-making developments is provided by Doug McEachern, Business Mates: The Power and Politics of the Hawke Era, Sydney, Prentice Hall, 1991.

¹⁴⁴ See, for example, Gardner, 1990, *op. cit.*

debates emanate from left labour theorists who argue either that neo-corporatist engagement will greatly augment the policy-making power of the union movement, or that participation in neo-corporatist developments is a form of class collaboration that will incorporate unions into some capitalist logic.¹⁴⁵ Dow, Clegg and Boreham argue that neo-corporatist tripartite arrangements do not necessarily mean reductions in real wages or constraints on redistributive policies, instability or state coercion.¹⁴⁶ They argue that the involvement of business and unions with the state in the development and implementation of economic policy represents an expansion, not a diminution of democratic control of the economy.

By contrast, Beilharz and Rob Watts argue that neo-corporatist developments in the 1980s in Australia have not only foreclosed the possibilities for socialism, but have served to restrict discourse about the future of socialism, particularly within the Australian political left, in the ALP and the higher echelons of the trade union movement.¹⁴⁷ They allege that business becomes an overpowering influence when incorporated with the labour movement. There is an increasing convergence of goals between the leaderships of labour organisations and capitalists in the process of neo-corporatism, and that, as a result, there has been an erosion of the traditional goals of the labour movement. Julian Triado argues that neo-corporatism has limited strategic potential because it reflects the general inequities of social forces.¹⁴⁸ It furnishes the institutional means to mediate the demands of functional interest groups in capitalist society with the aim of achieving consensus over resource allocation, investment

¹⁴⁵ See for example Winton Higgins & Nixon Apple, 'How Limited is Reformism? A Critique of Przeworski & Panitch', in Theory & Society, Vol 12, No 5, 603-630, September, 1983.; Stewart Clegg, Geoff Dow & Paul Boreham (eds.), The State, Class & The Recession, London, Croomhelm, 1983; and Peter Beilharz & Rob Watts, 'The Discourse of 'Labourism'', In Arena, 77, 97-110, 1986(a).

¹⁴⁶ Clegg et al., 1983, op. cit.

¹⁴⁷ See for example Beilharz & Watts, 1986(a), op.cit.; Stilwell, 1986(a), op. cit.; McEachern, 1991, op. cit. and P. Ewer, I. Hampson, C. Lloyd, Rainford, S. Rix & M. Smith (eds.), Politics And the Accord, Sydney, Pluto Press, 1991.

¹⁴⁸ Julian Triado, 'Corporatism, Democracy, Modernity', in Thesis Eleven, No 9, 33-51, July, 1984, p.40.

planning, and industry restructuring with an overriding conception of the national interest. He argues that the organised trade union movement does not represent the 'real' interests of the working class, and that the unions' pursuit of union interests disadvantages significant sectors of that class.

Some of the most strident criticism of neo-corporatist developments in Australia comes from feminist scholars, such as Jo-Anne Scofield and Margaret Gardner.¹⁴⁹ In their view, Australia's particular brand of neo-corporatist practice in the Accord is labourist in orientation and systematically excludes consideration of the rights and interests of female employees and women in general.¹⁵⁰ Beilharz, Watts and Triado agree, arguing that neo-corporatist arrangements, like the Accord, represent producer groups at the expense of Australian citizens, and that those who are already economically powerless are further disenfranchised.¹⁵¹ In this way, neo-corporatist arrangements benefit those who actually enter into them, but they cannot be presumed to have universally beneficial effects for the population at large.

In a period of major economic and social changes, the Federal Labor Government has adopted an increasingly neo-corporatist approach to national economic planning, policy development and policy implementation in the public administration of this country. Social-political, economic and industrial conflict has been avoided by the incorporation of major organised interest groups into the political order in various forms of neo-corporatist arrangements. The transformation of Australia's national retirement income policies is an exemplar of these processes. The participation of the union movement in these policy

¹⁴⁹ Jo-Anne Scofield, 'Freezing History: Women Under the Accord 1983-1988', Monograph No 20, University of New South Wales, Industrial Relations Centre, 1990.; Gardner, 1990, op. cit. and Jennett & Stewart, 1990, op. cit., pp.79-103.

¹⁵⁰ The prevailing political culture of labourism historically and contemporarily within Australia's labour movement, both politically and industrially, has long been an issue for feminist writers, who point out the persistent discrimination, subordination and exclusion of the rights and interests of women in labourist initiatives.

¹⁵¹ Beilharz, 1986(a), op. cit.; Watts, 1989, op. cit.; Triado, 1984, op. cit.

changes provides the opportunity to explore the following propositions:-

Proposition 1 : Direct trade union participation in public policy-making, particularly social policy-making, produces significant benefits for the wage-dependent.

Proposition 2: Incorporation of trade unions in neo-corporatist arrangements socialises the processes of national economic planning and public policy-making.

Proposition 3: Incorporation of trade unions in neo-corporatist arrangements demobilises the unions and their membership.

An outline of the structure of the thesis to address these propositions is detailed below.

1.7 STRUCTURE OF THE THESIS

This thesis argues that the incorporation of major organised interest groups in national economic planning and policy-making in Australia during the period of the Federal Labor Government requires examination and analysis. In particular, the nature, extent and outcomes of trade union involvement in the neo-corporatist transformation of the national retirement income regime offers the opportunity for theoretically informed and empirically testable analysis of union participation in neo-corporatist arrangements, both as a mode of policy formation and as a mode of interest intermediation.

Examination of the first proposition provides the opportunity to assess the nature and extent of direct union participation in social policy development under the Federal Labor Government, analysing the outcomes for unions and their members. The second and third propositions explore broader theoretical questions regarding union participation in neo-corporatist developments - whether the incorporation of trade unions in neo-corporatist arrangements socialises the processes of national economic planning and policy-making, and

whether, seemingly paradoxically, the incorporation of unions in neo-corporatist arrangements demobilises the unions and their members. The propositions are explored through sociological analysis of these developments in the context of a new analytical paradigm for public policy studies and middle range theoretical formulations of neo-corporatist models. The empirical research proceeded through a recursive process, using both qualitative and quantitative research methodologies.

This chapter has established the salience of the issues for examination and analysis. It has situated Australia's changing approaches to national economic planning and policy-making in the context of similar changes in the transnational realm, but has inferred that the pattern of institutional and ideological responses to these changes is distinctly Australian. The following chapters investigate that inference.

Chapter Two presents the conceptual theoretical frameworks by which empirical considerations of Australia's changing public policy orientations are to be examined. Middle range theoretical formulations are used to operationalise the analysis of the qualitative and quantitative field research. The developments considered here were extraordinarily dynamic, and major changes continued throughout the period of the research and analysis, and the writing of the thesis. While this is not central to the argument of the thesis, I have made some comments on the process of the empirical research and the methodological, analytical and ethical considerations of researching such a fluid and volatile issue at the end of this chapter.

Chapter Three presents an historical and sociological review of Australia's national retirement income policies from the beginnings of the century up to the election of the Hawke Government. Competing formulations of Australia's welfare state provide the context against which the historical legacies of the institutionalisation of this country's dual system of retirement income regime are examined. The importance of institutionalised political choices,

patterns of class and interest group coalitions and compromises, social and cultural discourses, popular legitimacy and class mobilisation is recognised as crucial to an understanding of contemporary developments.

Chapter Four considers the transformation of the national retirement income policies under the Federal Labor Government, as an exemplar of the unique and dynamic nature of the development of Australia's neo-corporatist policy-making. Union participation in these developments in various forms of neo-corporatist arrangements is the particular focus of analysis. Attribution of particular public status to privately-controlled occupational superannuation is investigated.

Chapter Five examines industry-wide occupational superannuation funds in order to analyse their institutional arrangements and the relationship of these institutional forms of neo-corporate enterprise to the state. Field research in the funds and case studies of the three industry-wide occupational superannuation funds, which served as models for the development of these institutionalised structures of tripartite interest intermediation, provide rich insights into the policy patterns and institutional arrangements of these structures, and the preferences, priorities and multiple goals of parties to these arrangements.

Chapter Six explores the internal governance of these organisations, analysing the legal, organisational and financial influences on parties to interest intermediation, the participatory democracy in the funds, and the power and social relations of the major organised interests institutionally joined in the funds. The chapter presents results and analysis of the national quantitative and qualitative field survey of the trustee boards of the 35 largest trade union-initiated funds.

Chapter Seven examines some consequences of the transformation of Australia's national retirement income regime, examining normative gains and losses for the parties involved and implications for the general public. In

particular, the outcomes for unions and their members are considered. A discussion of the radical potential of these developments concludes the chapter.

Chapter Eight presents the conclusions of the study, and examines the research propositions in the light of the theoretical formulations and the results and analyses of the empirical research. From these conclusions proceed an hypothetical discussion of likely future trajectories for Australia's neo-corporatist developments and identification of future research priorities.

CHAPTER TWO

EMPIRICALLY TESTABLE THEORETICAL FRAMEWORKS OF THE RESEARCH

2.1 INTRODUCTION

The increasing integration of national economic planning with all areas of public policy-making, and the rupture of the prevailing separation between the political and socio-economic spheres of policy-making in western advanced capitalist societies, was discussed in the previous chapter. Australia has moved increasingly towards becoming a corporate state, and has adopted free-market and economic liberal approaches to policy-making. While increasingly subject to the vagaries of the transnational realm, the institutional political choices which shape policy-making in this country are distinctly Australian. Socio-political, economic and industrial dislocation has been avoided by the incorporation and institutionalisation of major organised interest groups into the political order in particular forms of neo-corporatist arrangements. The participation of Australia's trade unions in the transformation of the national retirement income regime is the focus of analysis by which to explore the nature, extent and outcomes of union involvement in these processes.

This chapter presents the conceptual frameworks for the empirical study and analysis of these developments. Middle range theoretical formulations by which these frameworks are operationalised, research methodologies of the empirical research, and a discussion of the process of the field research are presented. The chapter has six parts. Following the introduction, part two proposes that theoretically rigorous and empirically testable sociological analysis presents an advance on previous public policy analyses. The sociological perspective takes account of the interrelatedness of historical, political and social factors and the impact of ideologies, values and cultural orientations in the processes of institutional

and social change. Part three discusses a new analytical paradigm or conceptual framework which I have used, which conceives of the ways in which social policies are formed, how they operate and the roles they play in the economy and society as a 'social policy regime'. The ontology of the social policy regime is examined, and the conceptual frameworks for its use as a mode for sociological analysis are detailed.

Within these conceptual frameworks, I have used middle range theoretical formulations of neo-corporatist developments to heuristically assess the modes of policy formation and interest intermediation, and these are outlined in part four of the chapter. Both Offe and Crouch view the 'neo-corporatist concept' not as the description of an existing situation, but rather as a continuum - an axis of development.¹ Political systems can be more or less neo-corporatist, and the nature of neo-corporatist arrangements may change dramatically. Accordingly, I present three models which I have developed to assess the unique and dynamic nature of Australia's neo-corporatist developments. These formulations are 'ideal-type' models and for analytical purposes present neo-corporatism as a series of static institutional and organisational arrangements. There is no expectation that interest representation in the process of policy formation conforms exactly to these definitional characteristics, or that they are necessarily discrete and temporally sequential. These typologies are heuristic devices by which to explain systematically, rather than merely describe, the interactions of power and influence in policy-making, and the strategic choices of parties in the process of dynamic policy formation. The institutional arrangements of neo-corporatist enterprises are analysed using four measures proposed by Offe, and these are operationalised using eight indicators identified by Mathews.²

A wide range of qualitative and quantitative research methodologies were used in the empirical research, and their rationale and a brief review of research

¹ L. Lindberg, R. Alford, C. Crouch, & C. Offe, Stress and Contradiction in Modern Capitalism, Lexington, Mass, Lexington Books, 1975.

² Offe, 1985, op. cit., p.237; Mathews, 1989(a), op. cit., p.95.

procedures comprise part five of the chapter. A discussion of statistical procedures used in the data analysis is included. Part six addresses the recursive process of my research. Methodological, analytical and ethical considerations of undertaking research in an entirely new area, analysing an issue which is changing rapidly and is extremely fluid and volatile are discussed. A cross-national comparative approach would have allowed me to better pattern the contours of the substantive regularities, historical trajectories and cultural norms of Australian developments, but space precluded that approach in this thesis. I have already made cross-national comparisons of these developments elsewhere.³ A more extensive and empirically-based cross-national comparison of trade union participation in national retirement income policy-making in Australia, Sweden and Finland is to be conducted by the author in 1993.

2.2 'SOCIOLOGISING' PUBLIC POLICY ANALYSIS

Public policy analysis and considerations of state intervention in the management of the economy in western capitalist societies have been favoured topics of research for more than 20 years. However, in the view of Castles, after two decades of major advances in knowledge, comparative public policy analysis or the political economy of welfare capitalism in advanced capitalist societies was characterised by a serious decline in utility, and new conceptual frameworks, research and analytical approaches were much needed.⁴ Studies of public policy-making had been dominated either by theoretical critiques of the political economy of capitalist state intervention or by increasingly sophisticated econometric aggregate data analyses. Political economists have focussed on the intervention of the state in the management of the economy and public policy-making. There is an extensive neo-Marxist literature on the the state and its relations with class interests

³ See Diana Shaw, 'Superannuation - An International Perspective', in R. Lansbury, & J. Ryan (eds.), *Superannuation and Industrial Relations: Stability or Change?* Sydney, Macquarie University, 1986(a), pp.13-21.; and D. Shaw, 'Trade Union and Worker Participation in the Control of Superannuation Funds', in E. Davies & R. Lansbury (eds.), *Democracy & Control in the Workplace*, Melbourne, Longman Cheshire, 1986(d), pp.192-217.

⁴ Castles, 1989(a), op. cit., pp.1-15.

in capitalist societies. Structural and functionalist analyses situate ebbs and flows of social policy-making and welfare state development as the product of modernisation and industrialisation or a certain stage in the development of capitalist societies or class politics.

There is an abundance of comparative cross-sectional quantitative analysis on public policy interventions, and more recently a large corpus of cross-national comparisons of policy outputs and outcomes. Yet quantitative analysis lacks the possibilities of exploring differences in the processes of policy formation and implementation and normative policy outcomes.⁵ This is not just an issue of concern to academic scholars. The econometric evaluation of public policies solely within the discourse of national accounts statistics are coming under increasing criticism by politicians, by senior policy analysts, welfare and community organisations, and by some leading media pundits.⁶ They decry the blinkered vision of economic evaluations of public policy outcomes, calling for the need to include normative matters such as social justice and social equity considerations in the assessment of macroeconomic and microeconomic policies. Despite the hegemony of economic liberalism and new right doctrines, discussed earlier, a new awareness of the long term social costs of a narrowly economic rationalist perspective is gaining momentum. Social and political critics have begun to lament the poverty and short-sightedness of such tunnel-vision, and the imminent dangers of such perspectives proceeding unchecked.⁷

According to Castles and Shaver in Australia, and Esping-Andersen and others internationally, more useful analysis is produced by broad ranging research which takes account of the interrelatedness of historical, political and social factors

⁵ The microdata sets being assembled by the Luxembourg Incomes Study (LIS) now provides reliable cross-national indicators of policy outcomes.

⁶ Former Federal Treasurer John Kerin specifically raised these issues in his speech presenting the 1991 Federal Budget. Brian Toohey in regular newspaper columns and radio commentaries, Peter Smark, Robert Haupt and Ross Gittins, Economics Editor of the prestigious Sydney Morning Herald, were all demanding, by late 1991, that public policies take account of broader social and industrial contingencies.

⁷ An extensive academic and popular literature is becoming available which criticises the hegemonic dominance of economic rationalist orientations in national economic planning, public policy-making and private enterprise in Australia, and is the source of increasing public debate.

in comparative public policy examination.⁸ They argue that historical characteristics of states play a determinate role in forging quantitatively and qualitatively different development trajectories. Castles believes that crucial aspects of political, economic and social contexts, as well as the timing and sequence of events, are often overlooked by examining reality in contemporary cross-sectional slices.⁹ Contingent factors affect public policy options and choices, and past courses of action constrain present choices.

The intention of this study is to produce a theoretically rigorous and empirically testable sociological analysis of the unique and dynamic nature of interest group incorporation in neo-corporatist policy formation and interest intermediation in Australia. The foci for analysis are the institutional arrangements of policy formation and interest intermediation, the power and social relations, the accommodations of competing organised interests and the broad array of legal, moral and social influences which bear upon the human actors who are party, and indeed the agents of, such processes. Sociologising the study of welfare states and public policy-making to take account of human agency or social action is part of the classical sociological tradition, for, as Weber argues, it is frequently the case that world images structure the way in which actors pursue their interests.¹⁰ Accordingly, sociologists consider long term historical and cultural tendencies in order to more meaningfully analyse social action as well as social order in contemporary societies. Skocpol advocates that the analytic strategy in historical sociology must encompass the search for concrete causal configurations which are necessary to account for important historical patterns.¹¹ Beilharz, too, sees an

⁸ Castles, 1989(a), op. cit.; Sheila Shaver, 'Gender, Social Policy Regimes and the Welfare State', Discussion Paper, No 26, University of New South Wales, Social Policy Research Centre, 1990.; and Gosta Esping-Andersen, The Three Worlds of Welfare Capitalism, Oxford, Polity Press, 1990.

⁹ Castles, 1989(a), op. cit., p.12.

¹⁰ Max Weber, in H.H. Gerth & C.W. Mills, From Max Weber, London, Routledge & Kegan Paul, 1947, p.63.

¹¹ Theda Skocpol, 'Emerging Agendas and Recurrent Strategies in Historical Sociology', in T. Skocpol (ed.), Vision and Method in Historical Sociology, Cambridge, Cambridge University Press, 1984, p.375.

historical sociological perspective as necessary to explicate the ways in which ideology has material effects, for he says:-

...knowledges are embedded in social practices and traditions, and such activity is structured in different constructions of knowledge.¹²

He suggests that the central actors and decision-makers in economic and political life work within ideological traditions which frame the way they see the world. This affects the possibilities of decision-makers to necessarily pursue their own interests and sometimes even they themselves are oblivious to this.¹³

Castles argues that sociological analysis considers precisely those variables which are relegated to the periphery in econometric analysis because they are not quantifiable, and thus analytically do not present the required statistical rigour.¹⁴ Most notable of these are the variables of intentionality, purpose and strategy, variables which are always central to any political and historical analysis of events and developments, but which are quite impossible to capture from quantitative data. Policy determination is never merely a function of the additive interaction of impersonal forces, but invariably involves some component of strategic choice, understanding the term strategy to imply:-

...an overall understanding, among those who exercise effective power of a set of decision premises integrating world views, goals and means.¹⁵

Castles claims that strategic choices are constrained by impersonal forces, but their impact is mediated by the perceptions of political actors and how they interpret the past, the present and the future.¹⁶ Individuals, groups and leaders interpret their experience, and take purposive action to maintain and modify the world in which they find themselves. Public policy developments, in particular, are shaped by the

¹² Peter Beilharz, 'The Labourist Tradition and the Reforming Imagination', in R. Kennedy (ed.), Australian Welfare: Historical Sociology, South Melbourne, Macmillan, 1989, p.133.

¹³ *ibid.*

¹⁴ Castles, 1989(a), *op. cit.*, p.11.

¹⁵ Cited in Castles, *ibid.*, p.11. Fritz Scharpf, 'Economic and Institutional Constraints of Full Employment Strategies: Sweden, Austria and West Germany, 1973-1982', in J. Goldthorpe (ed.), Order and Conflict in Contemporary Capitalism, Oxford, Clarendon Press, 1984, p.260.

¹⁶ Castles, 1989(a), *op. cit.*, p.11.

institutional choices made by political actors.¹⁷ He suggests that, like all large organisations, trade unions have multiple goals and that the processes of their decision-making reflects their particular diverse preferences and priorities within the bounds of what is strategically possible.¹⁸ March and Olsen argue that people act, observe the consequences of their action, make inferences about those consequences, and draw implications for future action in a process which March and Olsen identify as adaptively rational.¹⁹ Their optimistic assertions about the process of organisational decision-making provide useful criteria for assessing the institutional responses here considered, as they postulate that:-

If the information is accurate, the goals clear and unchanging, the inferences correct, the behaviour modification appropriate and the environment stable, the process will result in an improvement over time.²⁰

My sociological analysis of the organisational and institutional responses and strategic choices made by complex organisations and the people in them draws specifically on the above formulations. I focus on the broad array of overlapping and cross-cutting cleavages and coalitions of interests and social action of the parties to interest group representation. This provides important insights for explaining the important relationships between structure and human agency, which together affect the trajectories of change. Using Turner's view of structure as a process, rather than a thing, facilitates sociological analyses of existing structural parameters as processes which are produced and reproduced across time and space by individuals in interaction.²¹ This ensures that the processes of neo-corporatist developments are examined within the context of the real world of political intercourse, where ideologies and values and cultural orientations are integral to the distributional function, social action and decision-making of public policy-makers.

¹⁷ *ibid.*, p.47.

¹⁸ Castles, 1987, *op. cit.*, pp.381-393.

¹⁹ James March & Johan Olsen, Political Institutions, Macmillan, Free Press, 1989.

²⁰ *ibid.*, p 67.

²¹ Jonathan Turner, 'Analytical Theorizing', in Anthony Giddens & Jonathan Turner (eds.), Social Theory Today, Oxford, Polity Press, 1987, p.179.

2.3 SOCIAL POLICY REGIMES - A NEW ANALYTICAL FRAMEWORK

The concept of the 'social policy regime' provides a potent way for me to extend my analyses beyond descriptive accounts of the new institutional frameworks of Australia's national retirement income system. Conceiving the political, organisational, institutional and social complexities of my area of study as a social policy regime provides the frameworks for a larger scale sociological analysis of these developments. Theoretical formulations of this new analytical framework state that social policy regimes are structures which carry common logics of mediation, alleviation and regulation to resolve diverse conflicts and tensions within the capitalist social economy.²² As social policy regimes embody and mediate between interests with underlying conflicts in society, they constitute the patterns by which the social organisation of power is inscribed in the apparatuses of the state.²³ While there have been previous studies which invoked the idea of social policy regimes,²⁴ it is Esping-Andersen's systematic formulation of social policy regimes which provides the conceptual formulation for my empirical analysis of the national retirement income policy regime. He first defined welfare state regimes in 1987 as:-

...the specific institutional arrangements adopted by societies in the pursuit of work and welfare. A given organisation of state-economy relations is associated with a particular social policy logic.²⁵

Esping-Andersen extends this formulation in his book 'The Three Worlds of Welfare Capitalism' which, according to Sheila Shaver, promises to reorient our thinking about the way welfare states have been formed, how they work and the

²² Gosta Esping-Andersen, 'The comparison of policy regimes; an introduction', in M. Rein, G. Esping-Andersen & L. Rainwater (eds.), Stagnation and Renewal in Social Policy, Armonk, New York, M. E. Sharpe, Inc. 1987.

²³ *ibid.*

²⁴ Titmuss' residual, institutional and achievement models of social policy refers to a concept of this kind, as does Fraser's gender-based comparative analysis of social policy. R.M. Titmuss, Social Policy, London, Allen & Unwin, 1974.; Nancy Fraser, 'Social Movements vs. Disciplinary Bureaucracies: The Discourses of Social Needs', Occasional Papers, No 8, University of Minnesota, Center for Humanistic Studies, 1987.

²⁵ Esping-Andersen, 1987, *op. cit.*

roles they play in the economy and society²⁶. Esping-Andersen conceives social policy regimes as denoting the institutional arrangements, rules and understandings that guide and shape concurrent social policy decisions, expenditure developments, problem definitions, and even the response and demand structure of citizens and welfare consumers.²⁷

According to Esping-Andersen, the hope of finding one single powerful causal force in policy analysis must be abandoned. The task is to identify salient interaction effects, and in his view three factors are particularly important. First, the nature of class mobilization (especially of the working class); second, coalitions of class or political interests; and third, the historical legacy of regime institutionalisation.²⁸ These factors cannot be investigated meaningfully using other than historically contextualised sociological analysis, and such is the intention of this thesis.

Esping-Andersen and Patrick Dunleavy urge consideration also of the manner in which the interplay of the public and private sectors has contributed to the crystallisation of national retirement income regimes in different welfare state regimes.²⁹ They argue that it is impossible to understand the welfare state without locating its activities in relation to the private sector, and that neither markets nor the state are naturally equipped or responsible for the provision of retirement income structures and benefits. Markets are often politically created, and form an integral part of the overall welfare state regime. Accordingly, the mix of private and public provision and the interaction between these sectors are also criteria for analysis in considering Australia's national retirement income regime.

²⁶ Shaver, 1990, op. cit.

²⁷ Esping-Andersen, 1990, op. cit. p.80.

²⁸ *ibid.*, p.29.

²⁹ *ibid.*, and Patrick Dunleavy, 'The United Kingdom: The Paradox of an Ungrounded Statism' in Castles, 1989(a) op. cit.

2.4 MIDDLE RANGE CONCEPTS OF NEO-CORPORATIST DEVELOPMENTS

Despite the fact that some neo-corporatist literature explicitly seeks to 'liberate the concept from its employment in any particular ideology or system of ideas',³⁰ the nature, extent and dynamic development of neo-corporatist practices are contingent on institutionalised political choices, changes in the political order and the political and social context in which those practices are embedded. This section of the chapter presents three models of neo-corporatist arrangements which I have developed to use in Chapter Four as heuristic tools for analysing the dynamic development of neo-corporatist policy formation in Australia during the period of the Federal Labor Government. These are middle range theoretical tools by which to examine the unique and dynamic nature of processes of policy formation and the shifts in policy patterns and institutional arrangements within the diverse configurations of Australia's national retirement income regime.

These three typologies or schema are, as previously mentioned, ideal-type constructs, and it is likely that Australia's unique experience of neo-corporatism may at any time contain elements of these three modes, and that in the real dynamic progress of these changes the mix of modes varies. At various times it may be classified as predominantly one mode or another, or a conjunction of any two or all three modes. A model of the three conceptual schema I have developed for my analysis is presented below, and then discussed. These three schema are:-

- 1) Social Democratic Neo-Corporatism and Political Unionism, based on Scandinavian models, most particularly the Swedish experiences.
- 2) Liberal-Pluralist Neo-Corporatism - Organisational And Institutional Intermediation, which conceives of interest group intermediation in institutional or organisational terms, adopting a structural functionalist perspective.

³⁰ Schmitter, 1974, op. cit., p.87.

3) Managerial Neo-Corporatism: Class Compromise For Labour In Neo-Corporatist Disguise, based largely on Marxist or neo-Marxist perspectives, which postulates that the inherent bias and the asymmetry of power relations in neo-corporatist arrangements results in the class collaboration or incorporation of labour.

TABLE 2.1 - A Schematic Model of Three Variants of Neo-Corporatism

	Social Democratic	Liberal Pluralist	Managerial Post-Industrial
Role of the state	Reformist	Facilitative	Directive
Basis of Decision-making	Participatory	Law-governed	Elite, informal, private
Distribution of Power	Democratic	Pluralistic	Autocratic
Form of Legislation	Enabling	Regulatory	Mandatory
Goal Orientation	Normative	Instrumental	Pragmatic
Associated Ideology	Egalitarian, Redistributive	Economic Rationalist	Post-Industrial, Free Market
Ideological Basis	Social Democratic	Economic Liberal	Monetarist

I) Social Democratic Neo-Corporatism and Political Unionism

The neo-corporatist model which served as the blueprint for Australia's labour movement at the beginning of the 1980s was based upon the experiences of union movements in Scandinavian countries, most particularly Sweden.³¹ This model has an esteemed historical pedigree in the writings of Swedish social democrats Ernst Wigforss and Gunnar Myrdal,³² and is seen as the precursor to

³¹ The model is sometimes therefore referred to as 'Swedocentric'.
³² T.A. Tilton, 'Ernst Wigforss' conception of a Provisional Utopia', Scandinavian Studies, Vol 56, No 1, 1984, pp.36-54.; Gunnar Myrdal, Against the Stream: Critical Essay on Economics, London, Macmillan Press, 1974. Winton Higgins, 'Ernst Wigforss: The Renewal of Social Democratic Theory and Practice', in Political Power and Social Theory, Vol 5, 1985(b).

new socialist horizons of social equity, social justice, and industrial and economic democracy. The work of Walter Korpi and Michael Shalev in identifying the importance of extending resources of trade unions in order to enhance the power relations of labour against that of capital, and the work of Swedish social democrats Ulf Himmelstrand and Rudolph Meidner led the way for contemporary formulations of social democratic objectives.³³ Their theoretical and epistemological insights served strongly as the inspiration for Australian scholars whose publications provided much of the inspiration and the blueprints for the adoption of such objectives by the ALP, and most particularly by the leadership of the ACTU and its major member unions.³⁴ According to this view, neo-corporatist arrangements are the necessary precursor to social democracy. Expanding union politics from economic interests to include political ones will increase the capacity of the labour movement for a wider range of intervention. Displacement of public policy decision-making procedures to tripartite bodies incorporating the state, employers and trade unions is potentially progressive, shifting power decisively to working people and their families. The most significant gain is incursion into the hitherto privatised decision-making processes of capital - the direction of industry policies, labour market policies and financial investment.

The social democratic neo-corporatist model presumes the equal representation of capital and labour in tripartite neo-corporatist arrangements, and has explicit normative goals which include the following:-

- Equalizing distribution of wealth - the development of strategies to effect a redistribution of capital in favour of employees.

³³ Michael Shalev, 'The Social Democratic Model and Beyond. Two Generations of Comparative Research on the Welfare State', in Comparative Social Research, No 6, 315 - 351, 1983.; Korpi, 1978, op. cit. and Walter Korpi, The Democratic Class Struggle, London, Routledge & Kegan Paul, 1983, [First ed. 1963.]; Walter Korpi & Michael Shalev, 'Strikes, Power and Politics in the Western Nations 1900-76', Political Power and Social Theory, Vol 1, 310-334, 1980.; Rudolph Meidner, Employee Investment Funds an approach to collective capital formation, London, Boston, Allen & Unwin, 1978.; Ulf Himmelstrand, Beyond Welfare Capitalism, London, Heinemann, 1981.

³⁴ A number of works by these authors were consulted and listed in the bibliography.

- Wages policy considerations - to ensure that excess profits generated by moderate wage policies are in fact channelled into productive investment
- Job creation - use of public policies as a means of maintaining or increasing employment levels.
- Industrial and economic democracy - use of public policies to enhance the influence of employees in the decisions taken within both public and private sector enterprises.
- Social policy considerations - use of public policies to address inequalities in gender relations at home and in the workplace, provide social equity and social justice, socialise investment, promote education, training and research and other socially desirable objectives.

The state is seen as reformist with extensive union participation in the development of macroeconomic and microeconomic, industry, labour market and social policies. The means by which such public policy directions are to gain implementation range variously from workers' rights to representation on enterprise boards in both the public and private sectors, and trade union control over industry restructuring, industrial safety and occupational training. Labour is seen collectively, and policies are redistributive and egalitarian, assuming that wages solidarity is an important goal. The organisational and institutional distribution of power is democratic, extending to institutions such as the family where gender relations and the division of labour are important issues.

II) Liberal-Pluralist Neo-Corporatism - Organisational And Institutional Intermediation

Many theorists see the emergence of neo-corporatism as inevitable, reflecting system imperatives within the modernising logics of capitalism and industrialism - an extension, outgrowth or more sophisticated form of pluralist democracy. As such, neo-corporatism is not the result of ideological inspiration, nor does it necessarily presume a social democratic or socialist vision of thereby

overcoming exploitation and oppression by the introduction of new mechanisms of popular control of political, social and economic power. The underlying motives are rather of an instrumental and functionalist nature. These are, first, the incorporation of interest groups into the state apparatus on the principle of 'functional' representation; second, the resolution of distributive conflict, and the relief of the state bureaucracy from the veto power of shortsighted interest groups; third, the provision of more reliable and predictive knowledge needed by public policy makers; and fourth, the establishment of an effective mechanism to combat inflation, recession and fiscal crisis. The state is facilitative and legislation is primarily regulatory. The result, according to Middlemas, is that:-

...the rise of corporatist relationships between the state and the representative institutions of capital and labour transforms the latter into governing institutions, existing thereafter as estates of the realm, committed to co-operation with the state, even if they retain the customary habit of opposition to specific party governments.³⁵

Schmitter's much-quoted ideal typical definition of neo-corporatist arrangements, detailed in the previous chapter, provides the basic formulation for this model. He argues that neo-corporatism is a widely spread phenomenon, occurring wherever the state establishes hierarchical, organised, regular and closed relationships with private organisations. Neo-corporatism is, as a result, a phenomenon of groups in general, and not just of classes as such. He suggests that neo-corporatism develops out of the necessity for a stable bourgeois-dominant regime, due to the processes of concentration of ownership, competition between national economies, expansion of the role of public policy and rationalization of decision-making within the state to associate or incorporate subordinate classes and status groups more closely within the political process. Schmitter makes a clear distinction between 'state corporatism', which he argues was the model avowedly claimed as corporatist by Fascist states during World War II, and 'societal corporatism' as practised in postwar capitalist societies, which seeks to resolve

³⁵ Keith Middlemas, Politics in Industrial Society: The Experience of the British System since 1911, London, Andre Deutsch, 1979, p.372.

systemic problems through administrative-rational public policy formation. In his view, societal corporatism is potentially transformative in that it subjects existing relations to explicit and repeated negotiation.³⁶ Schmitter admits that neo-corporatism is conservative, reflecting existing property and power relations, and may co-opt interest groups to state priorities. He says interest groups may be:-

...transformed into dependent recipients of public favours and passive agents of state policy....and by so doing, by co-option, they will lose their distinctive and exclusive status as protectors of their members' interests.³⁷

Lehmbruch views neo-corporatism as a structural functional differentiation of the political system, providing functional complementarity for the state by establishing economic subsystems which allow the state to abrogate what could be potentially electorally damaging economic interventions.³⁸ He makes a distinction between two ways of conceptualising neo-corporatism - as a mode of policy formation and as a mode of interest intermediation. He and Ross Martin, Alan Cawson and Crouch postulate a model of 'bargained neo-corporatism'.³⁹ The 'social partners' - capital, labour and the state - accept the overall legitimacy of the capitalist order, and there is a high degree of collaboration and consultation in the shaping of economic policy. Under bargained neo-corporatism, these inter-group and group-government negotiations take place within a formally structured consultative framework. They are devoid of competition between capital and labour, and government leaders negotiate, rather than control, the ensuing outcomes.⁴⁰ Crouch, whose work has been particularly influential in industrial relations debates, argues that bargained corporatism offers the possibility of an extension of democracy, that thereby new co-operative relations are forged between capital and

³⁶ Schmitter, 1985, op. cit., p.37.

³⁷ *ibid.*, p.44.

³⁸ Schmitter & Lehmbruch, 1979, op. cit.

³⁹ Martin, 1983, op. cit.; Cawson, 1988(a), op. cit.; and Colin Crouch, 'Corporatism in Industrial Relations: A Formal Model', in W. Grant (ed.), Political Economy of Corporatism, London, Macmillan, 1985(b), pp.63 -88.

⁴⁰ Martin, 1983, op cit.

labour at nation-state level.⁴¹ Hence, for liberal neo-corporatist theorists, the wisdom and benefits to wage earners of trade union involvement in neo-corporatist public policy formation and implementation are self-evident. Crouch confidently suggests that the integration of capital and labour into the state ensures that sectional interests are articulated and pursued, legitimated by an ideology of harmony, consensus, nationalism and co-operation within an essentially organic society.⁴² The liberal-pluralist neo-corporatist model presumes that:-⁴³

- The incorporation of major organised interests into the state apparatus is on the basis of their representation of functional interests.
- Those functional interests are granted privileged access to the state's authoritative decision-making processes and in other ways are supported by the state, but such 'licensing' is granted on the basis of adherence to certain norms.
- Membership of such associations may cease to be wholly voluntary, while the associations' privileged monopoly position deprives their members of alternative effective channels.
- In addition to performing a representative function, interest associations also perform a regulatory function over their members on behalf of the state.
- Interest associations and state agencies show increasing bureaucratic tendencies, so sectors in society tend to be regulated through hierarchical structures.

⁴¹ Crouch, 1985(b), op. cit., pp.63-88. Crouch has used his formal model of bargained corporatism in assessing cross national comparisons of corporatist negotiations between capital and labour. See for example Crouch, 1985(a), op. cit.,

⁴² Crouch, 1977, op. cit., p.34.

⁴³ These components draw heavily on the work of Schmitter, 1985, op. cit., Crouch, 1985(a), op. cit., Regini, 1982, op. cit., and Williamson, 1989, op. cit.

III) Managerial Neo-Corporatism: Class Compromise For Labour In Neo-Corporatist Disguise

The first critiques of the previously discussed liberal-pluralist neo-corporatist formulations questioned the supposed neutrality of the state in these developments. In the early 1970s, Pahl and Winkler referred to neo-corporatism as 'fascism with a human face', and depicted the state as controller of neo-corporatist developments. They argued that:-

...the essence of corporatism is private ownership and state control over all the major aspects of business decision-making.⁴⁴

As discussed in the previous chapter, critiques of neo-corporatist developments identify the costs for organised labour of incorporation into neo-corporatist public policy-making, arguing that such collaboration imposes restrictions on the autonomy, the power and influence of trade unions and their members.⁴⁵ While denying that all political interests are reducible to class interests as determined by relations of production, they argue that neo-corporatism involves labour movements abandoning socialist goals and accepting capitalism. They claim that the state, unions and employers co-operate in managing the economy according to capitalist logics, dividing up the national product through centralised and extra-parliamentary bargains. In this collaboration, labour movements integrate and subordinate labour, sacrificing possibilities of working class mobilisation and a transition to socialism. They claim that neo-corporatist arrangements are inherently biased against labour, that the structurally-based asymmetry between capital and labour in production is reflected in an unequal distribution of political power and influence in neo-corporatist arrangements.⁴⁶ Offe goes so far as to say that contemporary experiences of neo-corporatist arrangements for interest group institutionalisation are specifically designed so as to impose much more far-

⁴⁴ Pahl & Winkler, 1974, op. cit.

⁴⁵ See particularly the writings of Marxist and Neo-Marxist writers such as Claus Offe, Leo Panitch, Adam Przeworski, Emanuel Wallerstein, Bob Jessop, and Alan Cawson listed in the bibliography.

⁴⁶ Cawson, 1988, op. cit., pp.8-12.

reaching restrictions on labour than on capital.⁴⁷ A typology of managerial post-industrial neo-corporatism presumes that:-

- The role of the state is directive, under the aegis of the national economic interest, and the form of legislation is mandatory and autarchic.
- Decision-making is restricted entirely to leaders of major organised interests, who take responsibility for the unified control of their members and ensure acceptance for designated policies.
- The distribution of power is centralised and autocratic.
- The form of policy-making is pragmatic and economic rationalist, focussed on adjustments to the money supply.
- The ideological basis is monetarist and post-industrial.
- Major interest organisations are monopolistic, incorporated permanently and institutionally, and their commitment to common goals supersedes the interests of their constituencies.

IV) Measures of Neo-Corporatist Arrangements: Offe and Mathews

Following the examination of the dynamic development of the new retirement income regime, the following measures are used to examine union participation in interest intermediation in industry-wide occupational superannuation funds in order to analyse the relationship of those institutional forms of neo-corporate enterprise to the state, and to examine the internal governance, power and social relations of these organisations. Analysis proceeds on the basis of four measures developed by Offe to evaluate involvement of major organised interests in neo-corporatist enterprises. These measures are:-⁴⁸

1. The resource status of organised interest groups - the extent to which the resources of an interest organisation are supplied by the state. This can take the form of direct subsidies or tax exemptions, compulsory

⁴⁷ Offe, 1985, op. cit., pp.248-253.

⁴⁸ *ibid.*, p.237.

membership, privileged access to state-controlled mass communications, and so forth.

2. The representation status of organised interest groups - the extent to which the range of representation is defined through political decision. Examples include a public definition of the range of substantive areas in which an interest organisation may operate, and/or its potential membership (by number, region, individual position and status and so forth). This includes assessment of how representative neo-corporatist developments are of the goals and interests of constituent rank and file union members
3. The organization status of organised interest groups - the extent to which internal relations between rank and file members and executive members of the organisation are regulated. This includes the degree of structurally based asymmetry in neo-corporatist arrangements between capital and labour.
4. The procedural status of organised interest groups - the extent to which interest organisations are licensed, recognised, and invited to assume, together with a specified set of other participants, a role in legislation, the judicial system, policy planning, and implementation, or even granted the right of self-administration. Requirements on labour organisations to behave responsibly and predictably are assessed.

These four measures are operationalised using eight criteria identified by Mathews to analyse collective funds such as pensions and superannuation funds.⁴⁹

These criteria are:-

1. financing of funds - whether they are derived from profits, wages or some other economic category.
2. holdings in the funds - whether they are equity in firms or as cash and securities.

⁴⁹ Mathews, 1989(a), op. cit., pp.92-94.

3. scope of the funds - whether funds are limited to a single form, sector or region, or are national in scope.
4. ownership of funds - whether shares are owned individually or collectively.
5. expenditure of funds' income - whether income is spent on retirement benefits, or for other purposes.
6. investments by funds - whether funds are invested according to prudential or social considerations.
7. control over funds - whether this is tripartite, bipartite, union control or public control via some other mechanism.
8. operations of funds - according to their form of interventions in capital and securities markets.

2.5 RESEARCH METHODOLOGIES

The thesis has a strongly empirical base. The lack of any previous research in the area, as indicated earlier, necessitated considerable original empirical field study, requiring the integration of a number of qualitative and quantitative research methodologies. I have been lecturing in research methodologies in the social sciences for several years, and am strongly committed to the need for a recursive process in field research which utilises multiple and integrated qualitative and quantitative methodologies. Qualitative methodologies included observation, participant observation, in-depth focussed interviews and case studies. An overview of the research techniques used in the three years of data collection and analyses is detailed below.

I) Field Research

The structured field research component of the research was substantially enriched by my close and constant involvement in the research area, and I believe this will be evident from the discussion in all chapters. The results and discussion of the qualitative and quantitative survey of fund co-ordinators, unions and service

providers to the funds comprise Chapter Five. The results and discussion of the second and major national survey of members of the trustee boards of industry-wide superannuation funds are presented in Chapter Six. In addition to extensive study of the academic literature (as detailed in the references), the research included:-

- Hermeneutic analysis of archival and documentary material concerning Australia's national retirement income policies (government hansard, government departmental reports, reports of government and non-government inquiries, and a range of historical records and documentation); occupational superannuation fund documents (trust deeds, minutes of trustee board meetings, reports to members, fund annual reports and investment returns, actuarial reports of fund operations and copies of addresses to meetings of trade union members of the funds); press statements and copies of addresses from government ministers, ACTU and major union leaders, community organisations (such as ACOSS and AFCO) and principals of established financial institutions, press reports of government and statutory inquiries, mass media and specialised business and financial press reports.
- Observation and participant observation. The following discussion of the research process explicates more fully the intense personal involvement of the researcher with the research area - as an observer at meetings and discussions, as a participant observer as a trustee of one of the largest superannuation funds in Australia, and as a member of several trade union and women's organisation committees regarding occupational superannuation.
- A national field survey and in-depth focussed interviews with co-ordinators of industry-wide occupational superannuation funds, and focussed interviews with senior decision-makers involved in the establishment, administration and investment management of the funds.

These included 25 in-depth focussed interviews with government and departmental officers, and senior management in the insurance, investment and superannuation industries in Victoria and New South Wales, and 20 in-depth focussed interviews with ACTU and major trade union officials in Victoria and New South Wales. Several of these interviewees were interviewed on several occasions during the four year period of the empirical research.

- A more extensive national survey and in-depth focussed interviews with trustees of the 35 largest industry-wide occupational superannuation funds was conducted in the first six months of 1990. The survey had two components. These were:-
 1. A national independent⁵⁰ field survey of individual trustees of the 35 largest industry-wide superannuation funds in Australia⁵¹, a self-report postal survey which produced a more than 60 percent response (n=197), and was qualitatively and quantitatively analysed.
 2. A qualitative field study comprising 26 in-depth focussed interviews with selected fund trustees and their professional advisers.
- Case studies of the three industry-wide funds which provided the model for government-regulated quasi-private occupational superannuation funds. This research entailed documentary analysis as above, participant observation in the offices of the funds concerned, attendance at fund and union meetings concerned with the funds, and participant observation at enterprise level meetings and negotiations in the field between unions and employers concerning occupational superannuation contributions.

II) Data Analysis

⁵⁰ BIS Shrapnel, a national independent research organisation, has conducted surveys of trustees, but their research is produced on commission and their major market is insurance and finance organisations, which constrains the independence of their research.

⁵¹ The 35 largest industry-wide funds at June 1992 had more than 3 million members and accumulated capital assets of \$6 billion. Personal Investment survey, June 1992.

Qualitative data was extensively documented, and in-depth interviews documentary analysis, participant observation and case study materials were hermeneutically analysed using a recursive repetitive approach. Quantitative data was processed and analysed with the assistance of computer-aided software packages. A number of data base, spread sheet and statistical packages were used. The Statistical Package for the Social Sciences (SPSSx) was used to prepare the univariate and contingency table bivariate analyses. All contingency tables were subjected to Chi Square testing, and only those tables which were shown to be statistically significant at the .05 level were used to develop the charts presented in Chapter Six of the thesis.⁵² The multivariate analysis using logistic regression modelling procedures was done using the SAS software package. Conclusions of the statistical analyses, and a brief summary of the logistic regression models, are included in Chapter Six. A more detailed explication of the logistic regression modelling procedure is included in the Appendices.

2.6 THE RESEARCH PROCESS - METHODOLOGICAL, ANALYTICAL AND ETHICAL CONSIDERATIONS

I) Charting New Territories

The empirical research stretched over several years. My original intention was to undertake only a number of case studies of trade union participation in industry-wide occupational superannuation, but the need to be able to give context to my analysis, and the lack of any previous studies in the area, forced me to address a wider context and yet still concentrate on micro-level processes, a field sorely under-researched in Australia. There is a particular lack of rigorous academic research about decision-makers in key areas of finance and investment, who frequently gain the attention of the mass media,⁵³ but are rarely subject to serious academic

⁵² Charts were generated using Microsoft Excel and text was prepared using Microsoft Word.

⁵³ The increasing importance of policy discussions and announcements made by strategic actors on radio programmes (particularly on the national broadcaster) and on television programmes such as the national broadcaster's evening news commentary programme 'Lateline' and the commercial television network TCN Channel 9 programme 'Business Sunday' deserves particular mention. Many respondents in my interviews commented that policy decisions were often institutional responses to the discussions of issues in the mass media and the public debates which ensued.

scrutiny. Hence, the possibility of sociological analysis of the social relations of the 'new mandarins' of institutional finance in Australia was extremely challenging.

My original intention to undertake in-depth case studies led me in 1987 to spend three weeks full-time in the national office of the Federated Storemen and Packers' Union (FSPU), examining archival documents of union meetings, at which the issue of superannuation was first raised, poring over old and sometimes very messy speech notes, conference reports and minutes of meetings. Informative insights were gained later in the year during my one and a half weeks on the road with FSPU industrial officers, who were out in the field negotiating 3 percent productivity awards with employers, addressing canteen meetings about productivity and the advantages of industry-based superannuation. One of the most interesting meetings was at Woolworths Ltd in Victoria, the very site of the first superannuation strike in 1979, and the first occasion upon which unionists made occupational superannuation an industrial issue, challenging the boundaries of managerial prerogative by claiming superannuation as a right for all workers.

Possibly my most fascinating and inspiring times were the long days spent on the road with Harry Saint (of the FSPU), while he regaled me with stories of negotiating with employers for the first agreements for superannuation in 1980 and 1981. I enjoyed a number of extensive interviews with Greg Sword, General Secretary of the FSPU (now the National Union of Workers).⁵⁴ He told me of the early days with Bill Landeryou still at the helm of the FSPU, and of Landeryou's

⁵⁴ Greg Sword, half way through an accountancy degree, joined the FSPU as an industrial officer in 1979. 'We just had to fly by the seat of our pants', he commented, as he told the story of being asked to deliver a receipt book to a site in the skin and hides industry, arriving at the factory to find the men walking off the job. He immediately had to take on the role of negotiating with the employer, organising strike funds for the men, keeping up their spirits, and taking the burden of representing men who were doing without wages in order to pioneer demands for superannuation benefits. 'It was no coincidence that our first superannuation agreements were with employers in the skin and hides industry. These men often worked for a lifetime in the industry, doing back-breaking filthy work for extremely low wages, and at the end of it, they walked away with nothing to give them any quality of life in retirement, nothing to look forward to but the rigours of the pension. This was something to fight for. When I think about it now, some of those workers have now had superannuation for 10 or 12 years and now have accumulated quite significant amounts for their retirement.' Research interviews, July 1987, August, 1987.

visions of 24 hour unionism;⁵⁵ of the contributions of Simon Crean, then general secretary of the FSPU, but already showing promise of higher things to come;⁵⁶ of the outrage when in 1979 Crean defined superannuation as 'deferred pay' and the right of every worker; and of the expertise of a young research officer called Bill Kelty, then working with the FSPU, who had 'abounding energies in the long and painful tasks of knocking over the employers one by one'.⁵⁷

I decided that these developments were best situated in the context of public policy changes to Australia's national retirement income regime. The fieldwork commenced with extensive documentary analysis into the historical context of the national retirement income regime, and the plethora of government reports into the provision of age pension benefits. This revealed the complexities of demands for the persistence of means-tested state-provided age pensions in Australia, and the importance of other economic and social policies which together provided high standards of income equality in Australia, relative to other OECD countries. Demands for the establishment of a national superannuation scheme surfaced in Australia early in the 1970s, and my research entailed detailed examination of the large number of government inquiries and reports which canvassed imminent public policy alternatives. The transformation of Australia's national retirement income regime resulted from a conjunction of economic, political and social changes in Australia throughout the 1980s and early 1990s. Analysis of these changes required exhaustive documentary analysis of reports from government and statutory authorities, mass media reports, academic treatises, and reports of academic social, political and economic research.

⁵⁵ Bill Landeryou introduced the concept of 24-hour unionism by which he conceived that workers had a legitimate right to demand participation in matters affecting all the daily lives of themselves and their families. These issues are further discussed in Chapter Four.

⁵⁶ Simon Crean proceeded to become Federal President of the ACTU, and is now a Federal Minister in the Keating Federal Labor Government.

⁵⁷ Bill Kelty is now General Secretary of the ACTU. His close personal friendship with Prime Minister Paul Keating allegedly contributes largely to ACTU political influence. This is discussed further in later chapters.

The transformation of Australia's labour movement from the late 1970s, through to and following the election of the Hawke Government in 1983, required detailed research of ALP and ACTU policy documents, position papers, minutes and submissions of ALP and ACTU Congresses. Whenever possible, I attended ALP and ACTU meetings in person, using participant observation techniques to further my research. My honours thesis, completed in 1982, entitled 'Superannuation in the 1980s: The Coming of Age of a Social and Industrial Issue', considered early trade union forays to gain occupational superannuation benefits for their members. My documentation of the considerable inequities in Australia's system of occupational superannuation was influential in the development of ACTU policy priorities on the superannuation issue.

The extensions of industrial and economic democracy, which trade union involvement in collective capital formation seemed to promise, inspired my interest in cross-national comparisons of similar overseas trade union participation and in reading extensively the works of Scandinavian and British social democrat theorists. Regular correspondence with academic colleagues and trade union organisations in Sweden, USA and UK kept me up to date with latest international initiatives, and I published articles in books and journals, and gave papers on my research at academic conferences, trade union conferences, and superannuation industry conferences. The hiatus in ACTU and trade union activity on superannuation in the early and mid-1980s encouraged me to concentrate on cross-national comparisons, emphasising the lessons for Australia in overseas experiences of trade union involvement in collective capital formation, particularly their participation in pensions and superannuation funds.

II) Cross-National Comparisons

I had read with excitement of the British research project by Tom Schuller and Geoff Hyman in the early 1980s among pension fund managers and trustees of

pension funds in Britain.⁵⁸ I found particular inspiration in the writings of British Marxist scholar Richard Minns.⁵⁹ His work as a consultant to the Greater London Council, the Greater London Enterprise Board and the West Riding Council, organising employee participation in the management and investment of British Municipal Pension funds, was enormously stimulating. The establishment of the Pensions Investment Resource Centre in London, specifically constituted to assist union or employee representatives on pension fund trustee boards, was another milestone. By the mid 1980s there were increasing calls by the AFL-CIO in the United States and the TUC in Britain for union and employee pension fund trustees to adopt strategic use of pensions fund investments in order to take account of socially responsible and ethical investment priorities.

In 1987 I went to England and met Richard Minns, who was by then the Director of the Greater London Enterprise Board, following the sacking of the Greater London Council, one of Thatcher's very early priorities. I spent two days in the British Trades Union Council (TUC) offices, interviewing industrial officers who were responsible for the regular TUC training courses for pension fund trustees. I also spent two days in the Pensions Investment Resource Centre in London, familiarising myself with their educational programmes for pension funds trustees, and interviewing consultants and officers of the Centre.

These experiences and my continued monitoring of the progress of the wage-earner funds in Sweden convinced me that strategically the future extensions of industrial and economic democracy and significant social transformation of capitalist society lay in the ownership and control of capital by the labour movement. My research into earlier unsuccessful Australian trade union management of capitalist enterprises convinced me that the management of single enterprises by the labour movement was insufficient for any appreciable shift in the

⁵⁸ Tom Schuller, Age Capital and Democracy, England, Aldershot, Gower Press, 1986(a), and other publications listed in the bibliography.

⁵⁹ Richard Minns, Pension Funds and British Capitalism, The Ownership and Control of Shareholdings, London, Heinemann, 1980.; and R. Minns, Take Over The City, London, Pluto Press, 1982.

relations between capital and labour. The possibilities of trade union ownership and control of the huge capital sums that people like Peter Drucker in the USA⁶⁰ projected would be held by pensions and superannuation funds, and the increasing dominance of institutional capital in the Australian and international economies led me to believe that a major shift in capitalist relations in Australia could potentially arise from trade union participation and control of occupational superannuation funds. The work of John Mathews on the radical potential of labour movement involvement in new forms of co-operative association in the economy and industry through a democratisation of capital,⁶¹ and the work of other left labour theorists in Australia which are discussed in the thesis were particularly inspiring for me. Fred Emery's work of 20 years on the possibilities of employee participation across the entire gamut of economic and industrial management convinced me of the practical possibilities of labour participation in the macroeconomic sphere.⁶²

However, I had to wait for occupational superannuation developments in Australia to catch up with what I wanted to do. I spoke in 1987 to Tom Schuller in Scotland about the possibility of undertaking a comparative study of union and employee superannuation fund trustees in Australia, in order to develop cross-national analyses of decision-making structures in the pensions and superannuation area. But industry-wide superannuation funds in Australia developed slowly whilst unions had to negotiate individually with each and every employer. In 1988 the Hawke Government adopted occupational superannuation as the preferred public policy option for the privatisation of the national retirement income regime. Public status for occupational superannuation funds and the inclusion of mandatory benefits, initially through the centralised award system and later through legislative fiat, resulted in a veritable explosion in the number and size of industry-wide

⁶⁰ Peter Drucker, The Unseen Revolution: How Pension Fund Socialism Came to America, New York, Harper & Row, 1976.

⁶¹ John Mathews, 'The Democratization of Capital', in Economic and Industrial Democracy, Vol 10, 165-193, 1989(b).; and 1989(a), op. cit.

⁶² See bibliography for references to Fred Emery's works which were particularly inspirational to this research.

occupational superannuation funds (in which trade unions had equal ownership and control with employers). By 1990, there were sufficient funds in operation for a meaningful survey of fund operations. Most importantly the supreme decision-making bodies of the funds, the trustee boards, were firmly established. Operationally these trustee boards act as tripartite structures of interest intermediation in the funds. Hence, it was now possible to mount a major national survey of fund trustees. Precise details of the methodological components of the two surveys are detailed above.

III) Research in A Dynamic Environment

The problems of doing major research in a dynamic area in which the structures and practices of the research area are constantly changing, and the power relations of the parties involved are in a state of constant flux, are obvious. Keeping up to date required not only extensive, but repeated qualitative research throughout the three years of the empirical study for the thesis. In-depth focussed interviews⁶³ with senior employer, superannuation industry, consumer group and welfare organisation representatives, senior ACTU and trade union officers were conducted. Many of the interview subjects were interviewed on several occasions over the three years to assess their changing attitudes and opinions as the national retirement income regime changed dramatically. In addition, in-depth focussed interviews were conducted with trustees of industry-wide funds and their professional advisers. Many of these interviews were conducted prior to the two national field surveys in order to provide the intellectual and organisational discourse for the preparation of the survey questionnaires. Documentary analysis, detailed examination of minutes of ACTU, major trade union, and trustee board meetings, and analysis of speeches by ACTU, trade union, government and superannuation industry speakers was

⁶³ Focussed interviews offer the possibility of free ranging unstructured interviews and the opportunity to spontaneously probe respondents' replies. By following a previously specified range of discussion areas, the methodology allows for comparative evaluation of interview data.

constantly undertaken. Also throughout the three years, I attended innumerable trade union and superannuation and investment industry meetings and conferences.

The study of the internal governance of industry-wide superannuation funds by doing a national field survey of the trustee boards was important for many reasons. These included:-

- The trustee boards provided an opportunity to study interest intermediation in practice.
- The experience of interest intermediation in the trustee boards could be seen as a reflection of Australia's labour movement involvement in neo-corporatist policy-making.
- The very clear responsibilities of the trustees to their constituent members provided the opportunity for empirically examining the representative nature of neo-corporatist developments, an issue which is widely debated theoretically, but unresearched empirically.
- Empirical examination of the influences which bear on social actors who are party to interest mediation offered important insights into the processes by which strategic choices proceed.

IV) Action Research

My desire to have a more in-depth working knowledge of the management of superannuation funds led me to volunteer to serve as the representative of my own university on the influential Combined Public Sector Unions' Superannuation Committee. The Committee is constituted of representatives from all public sector superannuation funds in New South Wales. With the entry of NSW universities into the national Superannuation Scheme for Australian Universities (SSAU), I nominated for, and was elected to membership of the National Consultative Committee of the SSAU fund, representing employees at my own university. I have served for four years on these two committees, and my experience convinced me of the token nature of these consultative bodies - that the purpose of such structures

was to demonstrably represent participating employees, but that these bodies had virtually no power to participate actively in the decision-making concerning the administration and management of the fund. Nor were they informed in any way of the ramifications of investment policies and investment performance of the funds. Accordingly, I sought and was successful in gaining election to the trustee board of the SSAU fund, and have served as a board member since December 1990.⁶⁴ The experience of participating in the management and investment decision-making for the industry-wide occupational superannuation fund with the largest capital assets in the sector (\$1.7 billion at October 1992) provides an exceptional opportunity for insights into the actual responsibilities, practices and contradictions and legal, social and moral influences which beset actors in this organisational arena.

V) The Field Survey of Trustee Boards

The qualitative and quantitative national field survey of the trustees of the 35 largest industry-wide occupational superannuation funds presented major difficulties. There was hardly any information on the structure and practices of the industry funds trustee boards, but my main difficulty was that there was absolutely no central information identifying the trustees. No lists of industry fund trustees existed. I went to Melbourne to meet with Michael McKay, the National Industry Fund Co-ordinator of the ACTU, whose own willingness to co-operate in the survey was hampered by the lack of information he had available. When asked for a list of industry funds, his response was to hand me a photocopy of an article from the Australian Financial Review which listed the top 30 funds. Armed with this list, I then began a merry chase. I travelled to Canberra to see the Commissioner for

⁶⁴ The other 7 board members of the trustee board are Vice Chancellors of Universities or have Vice-Chancellor status. I waged an aggressive election campaign, and my successful election as the first female trustee on the board of the fund created a furore, most particularly amongst the other trustees, and particularly for the University Vice-Chancellor whom I dislodged as a board member. As a female trustee on one of the largest occupational superannuation funds in Australia, and as one of the first two academics in Australia (Professor David Knox, Professor of Actuarial Studies at Macquarie University was the other) to undertake major research in this area, I am now very active in fostering the research directions of other academic researchers in this field, not just in sociological postgraduate studies but also in economics, political science, industrial relations, and social science and public policy.

Insurance and Superannuation, only to be told that no separate listing of trustees of industry superannuation funds existed, and that even invoking the Freedom Of Information Act and applying individually to view the annual report of each fund would not furnish me with a list of names and (more importantly) addresses of the fund trustees. Industry sources were no more productive. The Association of Superannuation Funds of Australia (ASFA) had no listing of industry-wide superannuation funds, nor any listing of fund trustees. In fact, very few of the industry-wide funds had taken out membership of the ASFA organisation because the fee structure of ASFA, which provides for capitation fees on the basis of numbers of fund members, was extremely discriminatory to industry funds with their extremely large memberships.

There was no other course of action but to contact each fund individually to ask for lists of their trustees. Telephone contact proved unsatisfactory for gaining the listings. Fund co-ordinators, general secretary and fund managers universally regarded the names and addresses of their trustees as sensitive, if not absolutely confidential information. In each case, I had to actually go to see each fund representative to convince them of the bona fide nature of my research, and my personal integrity as a social researcher. I encountered noticeable differences in attitude between funds with independent fund co-ordinators or whose fund management was still controlled by trade union representatives, compared to the vast majority of funds managed by the Life Houses or their subsidiary companies. Union representatives or independent co-ordinators were far more open and willing to divulge the necessary information I required after I had explained my research project. Conversely, the staff of insurance companies, although sometimes charming and helpful and interested in my project, almost always had to have a written application from me for the information, which had then to be referred to head office or other superiors, and in many cases even had to be referred to meetings of the trustee boards themselves before they were empowered to provide me with the lists of trustees. In many instances, it was only my tenacity in repeatedly contacting fund

representatives which produced a successful result. I was extraordinarily gratified that in all but one case I was able to obtain personal addresses for the trustees of the 35 largest industry superannuation funds in Australia to provide the sample for my survey project.

More than 60 per cent of trustees (n=197) responded to the mailed survey questionnaire. Their answers were clearly and carefully given, and many trustees included personal comments, stating that they were pleased to be able to participate in the project, and to have the opportunity to put their views. In addition, 163 trustees separately filled out and returned a card requesting that they receive a copy of the survey report. Many trustees personally wrote that they were very interested to see the results, and to hear how trustees of other funds were coping with the exigencies of their funds.

VI) Research Instruments

The development and distribution of the two survey research instruments required extensive preliminary qualitative research and pilot evaluation. The interview schedule for the survey of fund co-ordinators and fund administrators went through several iterations and was piloted in Victoria and in New South Wales. The design of the questionnaire for the second survey, this time with trustees of the funds, was based on my continuing in-depth qualitative interviews with government, trade union and industry senior personnel and fund trustees. The questionnaire also went through several iterations, and was piloted in Victoria and in New South Wales in both face-to-face interviews and a mail-out sample. My in-depth interviews revealed the enormous pressures that every trustee seemed to experience and the severe time constraints of their responsibilities.

I anticipated response problems of a mail-out questionnaire distributed to people which my research had already shown to be extremely overburdened by work. I had to develop strategies to optimise my response rate. Accordingly, I sought the endorsement of the ACTU and the major employer organisations for my

research, and included with the questionnaire letters commending the research project to their members. Personally addressed letters explaining the scope and intentions of the project were sent to all trustees. A separate postage-paid return card was included offering a copy of the research report to trustees. Altogether 163 trustees replied requesting that they receive a copy of the research report, and indicating their considerable interest in the experiences of other trustees. Follow-up letters and cards were sent to trustees to maximise response, and I personally telephoned trustees in all states to produce the maximum response to the survey. This personal contact provided me with extensive information on the personal experiences of trustees and the operations of the funds. I also arranged media publicity through the mainstream metropolitan and specialist financial media, and in trade union and employer association journals to draw attention to the salience of my research and the need for co-operation of trustees. Copies of the research instruments are included in the Appendices.

VII) Ethical Considerations

Considerable ethical problems emerged during the process of the research. My 'action-research' perspective⁶⁵ and the fact that I had already published articles and given conference papers on Australian and overseas trade union participation in pension fund and superannuation, which had been used by the ACTU in the development of their superannuation policy, raised ethical issues for me in my direct contact with my research subjects .

The major problem lay in how to keep from changing my research subjects and influencing the developments I was studying. I found myself giving research papers on overseas experiences or articles on ethical investment strategies to trade union or employer representatives or fund co-ordinators, who passed them on to fund trustees. I found myself using my own communications expertise in advising

⁶⁵ Alan Touraine in particular argues that sociological analysis is necessarily a prelude to social action, and the sociologist has a social responsibility to be an active participant in the area of their research. 'Is Sociology the Society of Society?' in Thesis Eleven, 23, 5-34, 1989.

trustees how to put together bulletins for members, and how to report on superannuation issues in employer and union journals - in particular highlighting the impact on members of reporting deaths and insurance payouts, how the fund supports fund members, stories on people retiring, how much money they collected on retirement, and other benefits, in order that rank and file members would start to identify subjectively with the issue of superannuation, and value it as a working condition gained by the unions for their members, for example suggesting topics for people's addresses. There were also problems of asking direct questions about trustee attitudes and intentions, particularly their experiences with professional advisers and investment managers, and the possibility that publication of those intentions could well change the course of other people's deliberations - either by alerting them to other people's practices and changing their intended course of action, or alternately by strengthening their resolve and commitment in a certain direction.

My overriding concern was to maintain the integrity of my relationship with my trustee subjects. On several occasions, I was asked for copies of my fund trustee lists. On two occasions in particular I was put under considerable pressure by the ACTU to provide the list, but I refused in order to ensure the privacy of my research subjects. During the course of my research, I was made privy to much confidential information. In every case, I sought to retain the integrity of my relationship with my research subjects, although when it was possible to use information without implicating the informant, I used this material to provide a level of insight in the thesis which I believe is unavailable from other sources.

Having established the conceptual frameworks, the research methodologies used in this study and discussed the process of my research, I shall now begin the empirically-based analyses. The following chapter analyses the historical contexts, cultural backgrounds and legacies of institutionalisation for the current developments through an historical and sociological review of Australia's dual

system of national retirement income regime from the beginning of the century up to the election of the Hawke Government in 1983.

CHAPTER THREE

AUSTRALIA'S NATIONAL RETIREMENT INCOME REGIME: A SOCIOLOGICAL AND HISTORICAL REVIEW

Examination of retirement income policy development in Australia reveals that there is nothing to suggest that the present situation has been achieved through conscious policy decisions to achieve clearly specified longer term goals and objectives.

- Dixon and Foster, 1982¹

3.1 INTRODUCTION

The first two chapters established the salience of a major research study of changes in the policy patterns and institutional arrangements of Australian processes of policy-making under the Federal Labor Government, and presented the conceptual frameworks for a theoretically informed empirically-testable sociological analysis of contemporary developments. Empirical study of the transformation of the national retirement income regime provides a case study for heuristic analysis of the radical changes which constituted the institutionalised responses to widespread shifts in social, economic, political and industrial forces in Australia during the 1980s. There is a need to sociologically analyse the historical logics of these developments to explain current arrangements. Transformation of the national retirement income regime has resulted in the substantial privatisation of the long standing system of government-provided age pensions, and the attribution of particular public status to occupational superannuation funds. Contemporary policy developments must be considered in the light of the previously persisting symbiosis of government-provided age pension benefits with other publicly supported social protections and with employer-provided occupational superannuation. This chapter presents the results and analysis of field study research into historical legacies of the institutionalisation of national retirement income policy-making, patterns of class

¹ D. Dixon & C. Foster, 'Alternative Strategies to Meet the Income Needs of the Aged', Canberra, Social Welfare Policy Secretariat, 1982.

and interest group coalitions and compromises, prevailing social and cultural discourses, the popular legitimacy of the retirement income regime, and former patterns of class mobilisation (in particular the role of organised labour). The chapter has eight parts. Following the introduction, part two identifies the place of the retirement income regime in Australia's welfare state, in the context of theoretical formulations of Esping-Andersen and Castles. Part three defines the nature of the dual retirement income regime. Part four introduces the historical review of retirement income policy development, Part five examines the origins and early policy-making from Federation until World War II, and Part six considers retirement income policy-making from World War II up to the election of the Hawke Government in 1983. Part seven presents thematic sociological analyses of these developments, and Part eight discusses the emergence of a new retirement income regime.

3.2 AUSTRALIA'S WELFARE STATE

Australia is not regarded historically as a strong welfare state providing high levels of universal welfare benefits along the lines of countries such as Sweden and other Scandinavian countries. Yet, until recently, it has been a country with an equitable distribution of wealth and low levels of poverty compared to other OECD countries. According to Castles, despite low comparative levels of welfare spending by government, government policies in other areas provided Australians with 'social protection by other means'.² Australia has been a "wage earners' welfare state" with a closed economy, a strong labour movement, and historically persisting class compromises and political coalitions which have produced policies which provided high rates of employment, high wages, a comparatively equitable distribution of income and a range of creditable social wage benefits for those in the workforce.³ Labour market and incomes policies, secured as a legacy of Australia's unique institutionalised conciliation and arbitration system, high tariffs and primary and

² Castles, 'Social Protection by Other Means', 1989(a), op. cit., pp.16-55.

³ Castles, 1985, op. cit., pp.102-109 .

secondary industry trade protections and restrictive immigration policies, all safeguarded local employment (except during the 1930s). Welfare goals to reduce poverty and promote income and social equality were pursued through income redistribution in the context of other social wage benefits, rather than through targeted social welfare transfer expenditures.⁴

Conversely, Esping-Andersen depicts Australia as a welfare laggard. In a recent comparative cross-national study, he identifies a number of fundamentally different kinds of welfare state, and argues that Australia is a typical example of a 'liberal welfare state', similar to the USA, the UK, New Zealand, Ireland and Canada.⁵ Comparing Australia to the 18 advanced OECD countries across the whole spectrum of social insurance benefits, he states that Australia has the lowest degree of 'de-commodification',⁶ comes last in the distribution of pensions, second last with respect to unemployment benefits, and equal second last with regard to sickness benefits. Also implicated is the prevalence of means-testing in social policy provision, which severely restricts access to most social security benefits, subjecting all beneficiaries to the demeaning status of objects of state charity, instead of legitimately gaining benefits as rights of social citizenship.⁷

Esping-Andersen argues that international variations in social rights and welfare state stratification result in qualitatively different arrangements between state, market and the family, and that these arrangements are not linearly distributed, but cluster by regime types.⁸ These different regime types derive from different patterns of historical development, and give rise to distinctive kinds of institutions and

⁴ Castles' widely published formulation of Australia as a "wage-earners' welfare state" provides a number of historically grounded and empirically analysed propositions, which link welfare, industry and employment policies, fiscal and taxation regimes, and the experiences of political partisanship and the influence of external economic vulnerability. See Castles, 1985, *op. cit.*

⁵ Esping-Andersen, 1990, *op. cit.*

⁶ 'De-commodification' occurs when a person can maintain a socially accepted standard of living independently of market participation, when life's necessities are provided as a matter of social right and without social stigma. Esping-Andersen uses measures of welfare 'de-commodification' to evaluate the rights-conferring aspects of welfare provision, and as an aggregate indicator of stratification to measure the ways in which transfer instruments, such as pensions, structure the quality of social rights. *ibid.*, p.22.

⁷ *ibid.*, pp.47-54.

⁸ *ibid.*

welfare arrangements. He identifies three highly diverse regime types, each organised around its own discrete logic of organisation, stratification and societal integration. These he labels 'liberal', 'conservative corporatist' and 'social democratic':-

1. 'Liberal' welfare states - provide means-tested assistance, modest universal transfers or modest social-insurance plans predominate. Benefits mainly to a clientele of low income (usually working class) state dependants. In this model, the progress of social reform has been severely circumscribed by traditional liberal work ethic norms. Entitlement rules are strict and associated with social stigma, and benefits are typically modest. In turn, the state encourages the market, either passively - by guaranteeing only a minimum - or actively by subsidising private welfare schemes, and the middle classes become institutionally wedded to the market.
2. The 'conservative corporatist' regime - the direct role of the state is limited to maintaining contributory income replacement earnings-related benefits. Middle class support legitimates hierarchical status-distinctive social insurance, cemented to a particular type of welfare state (such as Austria, France, Switzerland, Germany and Italy).
3. The 'social democratic' regime - notable for a mix of universalistic programs tailored to redistributive goals. Major policy objectives are universal benefits and a high degree of benefit equality (rather than equality of minimal needs as pursued elsewhere). Manual workers enjoy rights identical to those of salaried white collar workers or civil servants, all strata are incorporated under one universal insurance system, yet benefits are graduated according to accustomed earnings. Into this regime fall Scandinavian countries, the Netherlands, Denmark, Norway and Sweden.

In Scandinavia, he argues, the fortunes of social democracy over past decades were closely tied to the establishment of a middle class welfare state that benefited both the traditional working class clientele and the new white collar strata.⁹ The Scandinavian social democrats were able to achieve this, in part, because the private welfare market was relatively underdeveloped and because they were capable of building a welfare state with features of sufficient quality of life to satisfy the wants of a more discriminating public.

Castles challenges the categorisation of Australia by Esping-Andersen as part of the liberal regime cluster, arguing that because Esping-Andersen fails to recognise the broad range of labour market and other policies, social wage, unemployment and other benefits, he thereby undervalues the radical thrust of Australia's income maintenance policies.¹⁰ Australia is distinctive in these respects as an historical artefact resulting from social policy development along different lines from the majority of western nations.¹¹ Early economic modernisation, which led to an extraordinarily high degree of labour movement mobilisation in the early years of the century, resulted rather in the emergence of what he calls the wage-earners' welfare state.¹² Consequently, social transfers and social protection have been provided by other public policy mechanisms - such as long standing protective trade tariffs, centralised and compulsory wage fixation and employment protection, and restricted immigration policies. Hence, social equity and social transfer payments are provided substantially through job protection and full employment policies. As such, Castles argues, Australia must be seen in a unique category, and represents the nucleus of a fourth cluster - a 'radical welfare state regime'.¹³

⁹ *ibid.*

¹⁰ Francis Castles, 'Three Worlds of Welfare Capitalism or Four?', *Discussion Paper*, No 21 (amended), Graduate Program in Public Policy, Canberra, Australian National University, 1991(b).

¹¹ Francis Castles, 'On Sickness Days and Social Policy', *Discussion Paper*, No 25, Graduate Program in Public Policy, Canberra, ANU, June, 1991(c), p.6.

¹² Castles, 1985, *op. cit.*, pp.102-109.

¹³ Francis Castles & Deborah Mitchell, 'Three Worlds of Welfare Capitalism or Four?', *Discussion Paper*, No 21, Graduate Program in Public Policy, Canberra, ANU, October, 1991.

3.3 AUSTRALIA'S RETIREMENT INCOME DEFINED

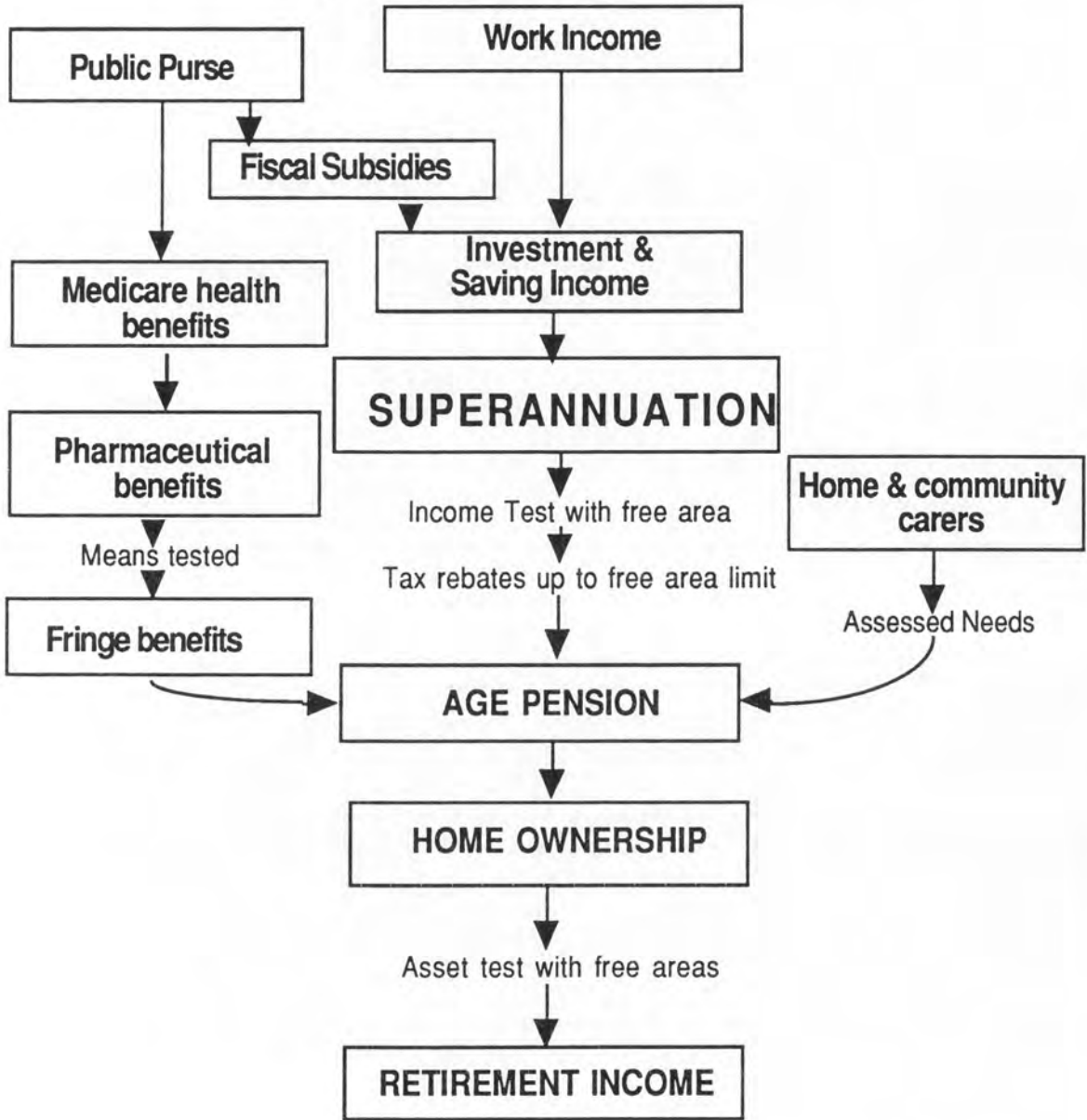
Unlike most OECD countries, Australia has a selective flat-rate non-contributory age pension which is means-tested. Most OECD countries have universal pensions which are at least in part earnings-related, with additional income or means-tested supplements for those with unacceptably low incomes. Australia's dual retirement income system comprises two types of institutional arrangements - income support programs (such as age pensions), and earnings-replacement programs (such as occupational superannuation benefits).

I have presented in Figure 3.1 a schematic flow chart to demonstrate the salient features of Australia's national retirement income regime, and these are specifically discussed in more detail throughout the chapter. On the left of the figure are listed government-provided contributions which come from taxation revenue in the public purse - public health services, pharmaceutical benefits and other fringe benefits such as transport and public utility concessions. The flat-rate means-tested age pension is available in Australia to men upon reaching 65 years, and to women at 60 years. As shown on the left of the figure, the public purse also makes a significant contribution to occupational superannuation through fiscal subsidies. The importance of this country's high levels of home ownership is evident. High levels of inheritance, as Australia currently has no death duties, contribute substantially to these levels of home ownership. The success of the system has been considerably dependent upon the contribution of home and community carers, the majority of whom are women. The average age pension in most OECD countries tends to be a larger percentage of average incomes than in Australia, yet this country has tended to treat its poorer aged more generously than many other countries,¹⁴ and according to Castles has maintained a high level of income equality compared to other countries, certainly until the late 1970s.¹⁵

¹⁴ Henry Aaron, 'Social Welfare in Australia', in R. E. Caves & L.B. Krause (eds.), The Australian Economy-A View From The North, Sydney, Allen & Unwin, 1984. Also Lincoln Day, 'Government Pensions For The Aged in 19 Industrialised Countries', in Richard Tomasson (ed.), Comparative Studies in Sociology, Connecticut, J.A.I. Press, 1978.

¹⁵ Castles, 1985, op. cit., p.59.

FIGURE 3.1 - AUSTRALIA'S NATIONAL RETIREMENT INCOME REGIME



An occupational superannuation fund or scheme in Australia is set up for the purpose of providing financial benefits either in the form of a lump sum payment and/or weekly pension benefits for employees on retirement. It may be conducted by individual employers for employees in their own enterprise only, by insurance companies, banks or financial institutions on behalf of many employers or individual members or, as in the past decade, by a number of employers contributing to an industry-wide fund on behalf of their employees. Superannuation

may be contributory, that is, employee members contribute to the benefit they have arranged; or non-contributory, where the employer pays all contributions. A fund may be compulsory or voluntary; it may be limited by period of employment, or not limited at all; it may be open only to certain groups of employees in an organisation, (for example management or salaried staff), or it may be offered to all employees. Superannuation coverage usually includes death-in-service and sickness or disability insurance benefits for members or their dependants. Superannuation schemes in Australia are either 'defined benefit' (or 'benefit promise') schemes, where employees are paid a defined percentage of final salary on retirement, regardless of contributions; or 'accumulation type' schemes, where retirement benefits are calculated on the basis of the accumulated contributions of employer and employee, plus investment earnings. Hence for Australian retirees, their retirement income will include either and/or both the public provision of means-tested age pension benefits and the private provision of occupational pensions or superannuation benefits, provided either solely by employers or jointly by employers and their employees contributing to company or industry-wide funds. Public sector pensions and superannuation schemes have influenced the patterns of retirement income policies in Australia, as will be evident from discussion later in the chapter.

Exceptionally useful sociological work has been done in the past few years on the historical context of the national distinctiveness of Australia's public policy development by scholars such as Castles, Shaver, Bryson, Yeatman, Connell and Irving, Watts, Beilharz, Head, Jennett, Stewart, and McIntyre.¹⁶ However, national retirement income policies have not been a major focus for detailed sociological study. Some recent specific work is provided by Hal Kendig, John McCallum, Alan Borowski, Frank Laczko and Chris Phillipson and by the recently released Jones Report, 'Expectations of Life: Increasing the Options for the 21st Century'.¹⁷ This

¹⁶ A number of these authors' works are listed in the bibliography.

¹⁷ A number of these authors' works are listed in the bibliography. House of Representatives Standing Committee for Long Term Strategies, Jones Report, Myths and Realities of the

material raises important long term issues about the adequacy and equity of current retirement income changes. But the processes, policy patterns and institutional arrangements through which these changes have emerged are not examined in detail, and hence are not examined here as they do not directly relate to my argument. Specific academic economic, actuarial and demographic analyses come from Gruen at the Australian National University, Bateman, Frisch, Kingston and Piggott at the University of New South Wales and Knox at Macquarie University.¹⁸ There is also an abundance of contemporary analyses of national retirement incomes policies and of occupational superannuation in recent years as a result of the many government departmental and statutory authority reports which are conjunctural to such major changes in government policy-making.¹⁹ As well, prolific and continuing analyses of national retirement income policies have been published by former Treasury officer, now policy consultant and newspaper journalist, Daryl Dixon. Through his articles and books, Dixon seeks to make the subject of superannuation accessible to the general public.²⁰ I have carefully reviewed all the abovementioned material, and have used some references to it in this and following chapters, either to provide substantive detail of the progress of policy changes or to demonstrate the directions of government thinking and information on this issue, but detailed analysis is outside the scope of this thesis.

This chapter now proceeds to an historical and sociological review of the development of Australia's national retirement income policies from the beginning of the century up to the election of the Hawke Government in 1983. My analysis is guided by Esping-Andersen's caution to empirical analysts of social policy regimes

Dependency Question', in 'Expectations of Life: Increasing Options for the 21st Century', Canberra, AGPS, April, 1992.

¹⁸ A number of these authors' works are listed in the bibliography.

¹⁹ These include for example DSS, Issues Paper No 6, 'Towards a National Retirement Incomes Policy', Chris Foster, Social Security Review, 51-56, Canberra, AGPS, 1998.; the Human Rights Commission Inquiry Into Superannuation, Report, No 19, 'Superannuation and Insurance and the Sex Discrimination Act 1984-Part 1, Superannuation', Canberra, AGPS, October, 1986. Australian Law Reform Commission, 'Collective Investment Schemes, Issues Paper 10, by R. Agnew, M. Ryan, S. Mason & L. Re, Canberra, AGPS, September, 1991.

²⁰ A list of Daryl Dixon's publications is included in the bibliography.

to abandon the hope of finding one single powerful causal force for the direction of policy-making, and rather to identify salient interaction effects of contextual factors for sociological analysis.²¹ These factors are the nature and extent of class mobilisation (especially of the working class - here I intend to look particularly at organised labour), the coalitions of class and political interests, and the historical legacy of regime institutionalisation. I consider that issues of gender and analyses of social and cultural changes over the period under review are crucial aspects of these developments, and will be specifically addressed, along with changing demographic patterns, and the symbiotic relationship of public and private sector .

3.4 THE NATIONAL RETIREMENT INCOME REGIME (1909-1983)

Historical and sociological analyses of current changes to Australia's national retirement income policies and public responses (or lack thereof) must proceed in the context of examination of socio-political, economic and industrial influences on government policy-making and the prevailing political cultures and political rationality of the period. Castles argues that institutionalised political choices shape subsequent policy development.²² Hence an examination of the processes of development of those institutionalised political choices is an important aspect of the analysis. As well, the popular legitimacy of government retirement income policies is considered. The historical legacies of changing attitudes and aspirations, and of cultural norms and values of Australian men and women regarding retirement income, are examined. The experiences of people's parents and grandparents, aunts and uncles, and 'people up the road', occupy a central role in shaping personal and social expectations and attitudes and political consciousness. People's work experiences, employment expectations, marital and parental status, home ownership and financial circumstances, too, play a vitally important role in

²¹ Esping-Andersen, 1990, op. cit.

²² Castles, 1989(a), op. cit. p.47.

people's expectations for retirement, and the preparations that they make during their lifetime to prepare for their retirement years.

The discussion which is to follow, covers two historical periods, and is presented in two separate parts. The first examines developments from the middle of the 19th century to World War II, during which Australia became one of the first countries in the world to provide government-funded pensions, and during which restricted and variously successful private pensions and occupational superannuation schemes were established. In 1909, means-tested age pensions were provided for Australian men from the age of 65 and for Australian women from the age of 60, but the take-up of the pension was low (approximately 30%).²³ Privately-provided pensions and superannuation benefits remained a paternalistic gratuity for a small proportion of the workforce, mostly public servants and senior white collar and management personnel, who stayed in the one job for long periods. These employees were mostly male, as female employees were rarely amongst these sectors of the workforce.

The second covers the period from World War II to the election of the Hawke Government in March 1983. This encompasses the period of enormous economic growth of this country's manufacturing expansion in the 1950s and 1960s (often called the 'long boom'), and then the brief period of extensive social reform under the Whitlam Government, during which there were extensive changes in government national retirement incomes policies. There were enormous increases in the proportion of the aged deemed eligible for government-provided age pension benefits, and private occupational superannuation funds grew significantly as employer-provided superannuation became an important employment benefit for employees. The enormous changes which have taken place in national retirement income policies since the election of the Hawke Government are the subject of the following chapter.

²³ John Dixon, 'The Evolution of Australia's Social Security System, 1890-1972: The Social Insurance Debate', in *Social Security Quarterly*, Vol 5, No 2, 1-10, Summer, 1978/9.

3.5 ORIGINS OF THE CONTEMPORARY REGIME: FEDERATION TO WORLD WAR II

I) Government-Provided Age Pensions

Historically, government-provided age pension schemes date back to Bismarckian social reforms in Germany and the earlier English Poor Law of 1601, both introduced as measures of social control through providing minimal provisions for the destitute poor, aged and infirm. Schemes for civil servants and public officials were established later, probably best known through Charles Lamb's essay, 'The Superannuated Man', published in *The London Magazine* in May 1825. Lamb refers to 'retiring at a certain time of life' and 'a pension for life to the amount of two thirds of my accustomed salary' from his employer. Craft unions at this time, too, were often responsible for the introduction and provision of pension provident funds, but these were structured largely to complement government social security systems, and were only available to guild or union members. Australia was at the forefront of many social welfare reforms and the provision of government-funded age pensions was one of those initiatives.

The ageing of the Australian population during the 1890s,²⁴ the increasing incidence of aged destitution resulting from the 1890s Depression, and the imprisonment of aged destitute people because of overcrowding in the existing private charity relief system, led to increasing public pressure on the then colonial governments to provide some sort of social security system. According to Castles, the age pension and other turn of the century initiatives were the product of :-

...an affluent working class created by labour scarcity, able through early political and industrial mobilisation to influence the direction of a strong colonial state, and faced by a weak and politically divided ruling class.²⁵

Following the introduction of Australia's first social security scheme in New South Wales in 1900, a similar scheme was introduced in Victoria in 1901 and Queensland in 1908, and superseded by the Federal Government scheme,

²⁴ Resulting from the large influx of migrants during the gold rushes 40 years earlier.

²⁵ Castles, 1985, op. cit., p.70.

introduced in 1909.²⁶ Government-provided, means-tested and flat-rate non-contributory income relief was provided for people who were destitute but 'deserving' aged and infirm - 'aliens, Aborigines and Asiatics' were excluded and deemed ineligible.²⁷

The continuing public rejection of the contributory approach to financing pensions, and the need for revision of social insurance arrangements were recurring political issues throughout the first half of the century,²⁸ debates which are discussed in detail later in this chapter. Up to 1939, three unsuccessful moves were made towards the introduction of a contributory social insurance scheme. Unions strongly opposed contributory social insurance contributions, as did the ALP who were pressing for liberalisation of eligibility conditions and increased provision of government-provided benefits. The most serious attempt was made by the conservative Lyons Government in its National Health and Pensions Insurance Bill of 1938, promoted by R. G. Menzies (later Prime Minister), but abandoned both because of resistance from the Country Party and its electoral unpopularity at the onset of World War II.

II) Occupational Superannuation: A Paternalistic Gratuity for a Lifetime of Meritorious Service

Occupational superannuation in Australia was traditionally regarded as a gratuity granted at the discretion of the employer, a paternalistic reward to workers for a lifetime of meritorious service. It was part of a system of professional privileges of certain occupations and certain privileged sectors of the workforce, and thus for a century supported social differentiation, stratification, discrimination and inequity in the Australian labour market. Figure 3.2 on the next page identifies some of the key developments in the history of superannuation in Australia.²⁹

²⁶ A Commonwealth Government funded age pension was introduced in 1909 following the enactment of legislation in 1908, based on section 51 (xxiii) of the Constitution, which allows the Commonwealth to make laws with respect to invalid and old age pensions. Australia, Constitution of Commonwealth of Australia.

²⁷ J. Dixon, 1978/9, *op. cit.*

²⁸ *ibid.*

²⁹ Reproduced with permission from the ASFA.

A HISTORY OF SUPERANNUATION IN AUSTRALIA



FIGURE 2.3 THE HISTORY OF SUPERANNUATION IN AUSTRALIA

The earliest occupational superannuation schemes were established by major banking houses as a means of providing pensions for aged employees who, after a lifetime of loyal service and as a means of discouraging misappropriation, were provided with a gratuity upon retirement. The first superannuation funds were started by bank employees of the ANZ Bank in 1861 and the Bank of New South Wales in 1862. Employees thereby sought to circumvent the fidelity guarantee insurance, which they had been obliged to take with insurance companies to protect their positions as bondsmen to the banks. Their combined action led to the employers agreeing to make contributions, and to the establishment of pensions provident funds. Government schemes for public sector employees were started in the last decades of the 19th century. Using the British Civil Service model, they offered far more generous benefits to public sector employees than those on offer in the private sector. A few superannuation schemes existed for blue collar government employees, such as railway and water board workers, but these superannuation schemes were non-compulsory and the benefits were lower than the other more privileged white collar schemes.³⁰ With the onset of the 1890s Depression in Australia, almost all private and public sector schemes failed, their demise contributing largely to pressure for a government-provided and guaranteed old age pension.

During the same period, and modelled on the American marketing of life insurance, Australian life houses such as the Australian Mutual Provident Society (AMP, established 1849) introduced the use of local agents, operating as full time active salesmen called '*insurance canvassers*' to sell life insurance and superannuation packages. Early records of the AMP society include circulars that were sent to people such as secretaries of various lodges, commercial brokers and the like, soliciting them as agents.³¹ The increasing affluence of the middle classes

³⁰ Hal Kendig & John McCallum, Grey Policy : Australian Policies for An Ageing Society, Sydney, Allen & Unwin, 1990, p.59.

³¹ Ray Jureidini, 'Life insurance and Superannuation; a Sociological study of Moral Values in Economic Life', Flinders University, PhD Thesis, 1987.

before the first world war resulted in increasing pressure to take out private life insurance, and in some instances private pension funds. Private life insurance was imbued with strong conservative moral values. An AMP Prospectus of the time stated:-

Saving implies self denial; the depriving of oneself of a present pleasure, for the sake of a future good. The very saving will teach you in a temporal as well as in a spiritual sense the value of a good life. Charity induces a man to rely on others; saving teaches him to rely upon himself. A poor law degrades the character of man, but life assurance exalts and improves it.³²

There were strong social distinctions between the aged pension, seen as 'charity', and occupational superannuation, regarded as 'part of a man's salary deferred' (*my emphasis*).³³ The 1906 Australian Royal Commission into Old Age Pensions found that the real beneficiaries of the superannuation schemes of this period, in both public and private pension plans, were long-term, well-educated managerial males.³⁴

Major developments in occupational superannuation in this period came from the public sector. In 1910, a group of NSW public servants led by the Hon James Concannon,³⁵ then 21 years old, made repeated representations to the State Attorney General on the need for a government-funded and guaranteed pension scheme for public servants, additional to the just introduced Commonwealth social security pension system. The Irvine Committee recommended in 1912 that a scheme be established, legislation was enacted in 1916, and the NSW State Superannuation Fund formed in 1919, based on a unit purchase system, where employees' contributions and benefits were directly related to units of pension according to level of salary, but not length of service. This superannuation scheme, which was to be

³² *ibid.*

³³ *ibid.*

³⁴ *ibid.*

³⁵ The Hon James Concannon later became a Minister in the Lang Government, and was noted all his political life for his uncompromising and unequivocal attitude. In his maiden speech in the Legislative Council in January, 1926, he urged the abolition of the Chamber. He was a pioneer of white collar unionism, and at one time was the Secretary concurrently of 5 unions - NSW Legislative Assembly, Obituary for James Concannon, August 14, 1973.

the 'blueprint for pension schemes throughout the community',³⁶ established a model of superannuation linked not to the needs of the employees in retirement, but to their occupational status and income level during their working lives, thus continuing the inequalities at the workplace into retirement. The State Superannuation Fund was originally intended to cover all government employees in NSW, but several industrial unions, and the largest of the public sector unions, declined to join, preferring to continue their own pension provident funds which did not stipulate compulsory contributions, and which did not require large contributions by members. Some trade union provident funds and friendly societies did offer private life insurance and pension provisions, but memberships were very small. Other unions, particularly private sector industrial unions, rejected any involvement in occupational superannuation, as further discussed later.³⁷

Throughout the period, public sector employees campaigned vigorously for improved superannuation benefits, and their special symbiotic relationship with governments ensured that their demands were met. Australian public sector superannuation continued to be generously provided by government, although most schemes contained clauses which were highly discriminatory to all but the long-serving male full-time employee. Various Federal and State Governments sought, largely unsuccessfully, to limit government liabilities for superannuation benefits, and Commonwealth and State government superannuation schemes attracted considerable criticism throughout the community for many years.³⁸

Within the private sector, the growth of superannuation was sporadic and almost entirely restricted to schemes for management and white collar employees. With the introduction of Commonwealth income taxation in 1915, income

³⁶ NSW Government Committee to Investigate the Introduction of Superannuation (Irvine Committee), NSW Government, Sydney, 1912.

³⁷ A. Pickering, 'Union Attitudes to Pension Management', in *Superfunds*, June, 1979, p.4.

³⁸ There were frequent criticisms of the generous benefits provided for public servants. Criticisms, such as Clyde Cameron's reference to the nation's bureaucrats as 'fat cats', and Senator Wright's statement that 'the closer to the bakehouse, the more bread you get' frequently hinge on criticisms of public service superannuation. Quoted in the Report of the Steering Committee, 'Early Retirement in the Government Employment Sector', NSW Government, Sydney, September, 1977, p.24.

contributed by employers to superannuation schemes on behalf of employees was exempted, and there was a concessional deduction for individual contributions. Superannuation plans were regarded as a paternalistic gesture on the part of employers, a gratuity payment made at the employers' discretion. There was little public interest in employees themselves contributing to occupational superannuation schemes until after the Second World War, an issue which is discussed later in this chapter.

3.6 BOOM TO BUST: RETIREMENT INCOME 1945-1983

This part of the chapter considers retirement income policy changes from 1945 to the election of the Hawke Government in 1983. Once again, policies which affected the government-provided age pension and privately-controlled occupational superannuation are considered.

I) Government-Provided Age Pensions

One of the progressive social initiatives of the postwar Chifley Labor Government was the establishment of a contributory national social insurance scheme - the National Welfare Fund. Based on a compulsory employee contribution of 7.5 percent of income, the scheme held the promise of major increases in national retirement income for employees, but the age pension was still to be means-tested. A. W. Fadden, leader of the conservative Australian Country Party, and in previous debates a long time supporter of the social insurance principle, criticised the Chifley scheme as:-

Economically unscientific, actuarially unsound, and politically unjust. Even if the contributor paid his social service contributions regularly every year, he would still not be eligible for a pension because of the means test.³⁹

Reversing his earlier commitment to such a scheme before World War II, the conservative Prime Minister R. G. Menzies abandoned the National Welfare

³⁹ Cited in John McCallum, 'Non contributory pensions for less developed countries: rehabilitating an old idea', *Journal of Cross-Cultural Gerontology*, Vol 5, 1990(b), p.259.

Fund in 1954,⁴⁰ and accumulated contributions were transferred into Consolidated Revenue. Age pensions remained means-tested for income and wealth, but receiving the age pension became increasingly socially acceptable, and the take-up increased by over 10 percent in the 1960s, and still a large proportion were totally reliant on the pension.⁴¹ The introduction of a tapered means-test, in October 1969, further increased the number of those eligible for the pension.⁴² But with the increasing affluence of Australian society and the community's changing expectations of retirement lifestyles, dissatisfaction grew with the form and orientation of the age pension in the 1960s.

In 1972, the Whitlam Government was elected on a platform of promises to extend social democracy in Australia, and immediately instituted far-reaching changes to social welfare provisions. During the 1972 election campaign, both the ALP and the Conservative Coalition promised to remove the means test on the age pension if elected. On gaining office, the Whitlam Government substantially liberalised the means test, and by the middle of the 1970s more than 87 percent of the population of pension age were receiving a pension in some form (service, widow, invalidity or aged pension).⁴³ After gaining government in 1975, the Fraser Liberal/National Party Conservative Government continued to liberalise access to age and service pensions with the abolition of the capital assets test in 1976. The increase in the proportion of the aged relying on social security benefits was not only the result of the liberalisation of the means test - the deterioration of the economy also played a part. Gruen suggests that the more critical attitudes towards government expenditure since the mid-1970s caused federal governments of both political persuasions to gradually tighten the eligibility criteria for age and service

⁴⁰ *ibid.*, p.260.

⁴¹ The rate of pension take-up refers to the proportion of males over 65 and females over 60 in receipt of the government-provided age pension.

⁴² By 1971 over 63% of Australia's aged population received the age pension. H. M. Pritchard, 'National Superannuation', in John Dixon (ed.), *The Public Sector*, Victoria, Penguin, 1972, p.144.

⁴³ Senate Select Committee on Superannuation, *First Report*, 'Safeguarding Super: The Regulation of Superannuation', Canberra, Senate Secretariat, June, 1992(a), p.5.

pensions in a variety of ways.⁴⁴ The overall result by the end of the Fraser years was a tightening of access to government-provided pensions,⁴⁵ and an increasing interest by employees in gaining access to employer-funded occupational superannuation benefits.

II) Occupational Superannuation: Tax-Advantaged Private Saving

A great expansion of superannuation schemes took place after World War II. Shortages of labour in the prolonged economic growth of the 1950s and 1960s, and the need for management staff and skilled labour, encouraged employers to provide superannuation as a tax-advantaged incentive to attract and retain employees.⁴⁶ Labour shortages strengthened the power of trade unions, but their prime objectives remained the negotiation of immediate wages and conditions, those being the benefits which came within the purview of the Arbitration Commission and centralised wage fixation rulings. Fringe benefits such as superannuation were not seen by either capital or labour as negotiable issues for trade union demands.⁴⁷ Also, many of the more senior employees had died in World War II, and the predominantly young workforce was little interested in long term benefits such as superannuation when more immediate wages demands were likely to be successful.

Superannuation funds continued however to be a highly government-subsidised means of tax minimisation. Employer contributions and fund earnings were free of tax, and employee contributions were substantially tax-advantaged. It was in this period that the enormously important and still pervasive phenomenon of receiving a superannuation 'lump sum pay-out' was established. Accumulated superannuation entitlements were able to be collected upon termination of

⁴⁴ Fred Gruen, 'Australian Government Policy on Retirement Incomes', paper presented to Association of Superannuation Funds of Australia, Melbourne, April 17, 1985(b).

⁴⁵ In the 1978/79 Budget, Treasurer John Howard froze the standard pension levels for those over 70 who could not pass the income test, and aged pension expenditures were gradually reduced. By November 1983, more than 300,000 aged pensioners were receiving lower pension benefits in real terms.

⁴⁶ People frequently referred to superannuation benefits as 'the golden hand-cuffs'.

⁴⁷ Ross Martin, *Trade Unions in Australia*, Victoria, Penguin Books, Revised Edn, 1980, p.105.

employment as 'lump sum' payments, and were taxed at only 5 percent, making them a valuable employment termination benefit. Occupational pension and superannuation schemes in other countries usually provide only pension or annuity benefits. Lump sum termination or retirement benefits are uniquely Australian, and Australian employees continue to regard the lump sum as an important termination benefit, an issue I have addressed elsewhere.⁴⁸ Public servants continued to have generous superannuation benefits provided, while the extent of coverage in the private sector, particularly amongst lower paid unskilled workers, particularly female employees, remained low.

In the 1960s the level of inflation increased, resulting in inadequate benefits in those accumulation-type schemes, where benefits were defined in terms of contributions. There was therefore a marked trend towards plans in which the benefits were defined in terms of the employees' salaries at retirement. Friedland and Robertson propose that the phenomenon of the 'salary' as an institution depends on middle class power and privilege in society, and is in stark contrast to 'wages' which is the institutionalised structure of rewards for the working classes.⁴⁹ Superannuation benefits are part of that inequitable institutionalised reward structure. During the post-war period, the favourable taxation treatment of lump sum benefits and the means-test on pensions meant that lump sum benefits maintained their popularity compared to pensions. Superannuation investments and fund earnings continued to be tax exempt, although there were frequent criticisms of the enormously costly tax exemptions, which the Menzies Government countered by referring to the important economic role played by the major insurance and life houses.⁵⁰ In 1961, income tax legislation was enacted which required life offices and superannuation funds to invest 30 percent of all superannuation fund

⁴⁸ Diana Shaw, 'The Demise of the Lump Sum - Why the Government Acted, and What Employers Can Expect', in *Social Impacts*, pp.10-14. Winter, 1983(a).

⁴⁹ Roger Friedland & A. F. Robertson (eds.), *Beyond The Marketplace*, New York, Aldine de Gruyter, 1990, pp. 15-16.

⁵⁰ Kosmas Tsokhas, *A Class Apart, Businessmen and Australian Politics, 1960-1980*, Melbourne, Oxford University Press, 1984.

accumulated monies in government bonds and securities (two-thirds had to be in Commonwealth bonds). Despite criticism of the lack of coherence of government sponsorship of superannuation with social welfare policies, and the absence of clearly specific long term goals and objectives of those policies, generous federal government concessions to superannuation continued.⁵¹

III) Superannuation Inequities Become Widely Recognised: Emergence of National Superannuation Proposals

In addition to liberalising government-provided age pensions, the social democratic Whitlam Government sought to provide greater equity in employees' access to employer-provided occupational superannuation benefits. The ALP had been particularly inspired by two major plans put forward for the introduction of a national superannuation scheme by Professor R. C. Gates in 1965 and Professor R. I. Downing in 1968.⁵² As an earnings-related scheme for those in the workforce, the Downing proposals appealed to the ALP's labourist orientations.⁵³ The 'pay-as-you-go' principle meant that the Downing scheme could be brought into operation overnight.⁵⁴ The Whitlam Government called for departmental investigations into the establishment of a national superannuation scheme. The Australian Bureau of Statistics (ABS) conducted the first national survey of superannuation coverage in 1974, revealing that the occupational superannuation system contained marked inequalities in the provision and structures of benefits.⁵⁵ The release of the ABS

⁵¹ Dixon & Foster, 1982, op. cit., p.3.

⁵² R. C. Gates, 'Incomes for The Aged', in *Economic Papers*, No 18, Economic Society of Australia and New Zealand, February, 1965; R. I. Downing, 'National Superannuation: Means Test and Contributions', in *Economic Record*, December, 1968.

⁵³ The particular type of labourism of Australia's labour movement is discussed later, but the particular labourist aspects of these plans is mentioned here. The Downing plan aimed to increase benefits for those in the workforce. All figures quoted in the Downing proposals were in terms of average male earnings. There was no mention whatsoever of prospects for women (either in or out of the workforce) in the proposals. However, such omissions were entirely consistent with community practice in this period. Those not in the workforce, or who had limited attachment to the workforce were to continue to receive only means-tested, flat-rate government-provided pensions.

⁵⁴ Cash benefits received by the aged are directly financed by earners currently in the workforce, rather than establishing a fund into which current employees contribute and so build up equity.

⁵⁵ ABS Survey on Superannuation, Cat. 6319.0, 1974. reported that out of the total workforce of 5,748,100, only 1,651,300, or 32% of the workforce were covered by superannuation. This included 36% of all male employees, but only 15% of all female employees. Only 23.9% of persons in the private sector had superannuation coverage, compared to 57.5% in the public sector. The disparities

Survey aroused considerable public discussion on the inequitable provision of superannuation in the workforce. These discussions gained greater currency with the release of the Full Report of the Taxation Review Committee (Asprey Report) in 1975, and the National Superannuation Committee of Inquiry into Occupational Superannuation in Australia, established by the Whitlam Government, which did not bring down its Report (Hancock Report) until 1977. Problems identified with the system by the Hancock Report were the poor coverage of the workforce (less than one-third), poor performance of investments of funds, lack of preservation, vesting or portability of entitlements, use of funds for internal investments and defence against takeovers, general payment of entitlements as lump sums, and discriminatory benefit structures (for example against female employees relative to male employees, and against wages employees relative to salaried employees). The Report for the first time documented the huge amounts of money lost to the public purse in taxation concessions to superannuation funds and the superannuation industry.⁵⁶ The now revealed inequities of these fiscal welfare policies were widely debated in the community, particularly within the ALP and the trade unions. The Hancock Report called for the establishment of a national superannuation scheme, a recommendation which was widely supported throughout industry and commerce, even by the life insurance and superannuation industry.⁵⁷

However, the now incumbent Fraser Government took no action on the Hancock recommendations. They were under advice from senior officers of the

of coverage of male and female employees became even more apparent when one considered the breakdown of coverage by sex in both sectors - 31.5% of males in the private sector and 66% of males in the government sector were superannuated, compared to just 11.1% of females covered in the private sector and 37.4% of females in the public sector. It was thus publicly confirmed that superannuation was indeed the province of government employees, senior personnel and white collar employees. Only male-dominated occupational groups in the white collar area and skilled trade occupations in the blue collar area, in both of which female employees were grossly under-represented, had any consistent pattern of superannuation coverage. Almost 70% of males in professional, management and clerical occupations had coverage, and 29% of males in manual occupations had superannuation coverage. Only 22% of females in non-manual occupations had superannuation coverage, and only 7% of females in manual occupations had coverage.

⁵⁶ National Superannuation Committee of Inquiry, *Final Report*, 'A national superannuation scheme for Australia', Canberra, AGPS, 1976/77.

⁵⁷ The Life Insurance Federation of Australia (LIFA) and the Association of Superannuation Funds of Australia (ASFA) submitted proposals to the Fraser Government, supporting the establishment of a national superannuation scheme, whilst recommending the private control of accumulated investment capital.

Treasury who, according to Whitwell, were intent upon the control of inflation by reducing federal government expenditures and reducing welfare payments.⁵⁸ This was the beginning of a sustained attack by the co-ordinating departments of the federal bureaucracy, particularly Treasury, to corporatise the retirement income system and increase private saving for retirement.

Hence, despite the enormous attention given to retirement income inequities during the 1970s, the dual system of government-provided age pensions and private occupational superannuation remained institutionally unchanged up to the end of the 1970s, the only differences being fluctuations in the eligibility and levels of age pension benefits. The bias in the system of superannuation to employers' interests was reflected in widely held conceptions about superannuation throughout this period. In summary, I suggest that these were:-

- A major purpose of superannuation is to reward long service and loyal employees in the one place of employment.
- The contribution made to the fund by the employer remains the property of the employer, and goes only to those who remain loyal to the organisation.
- The fund's beneficial object of encouraging loyalty or long service is achieved by penalising, via minimum vesting provisions, those who leave prior to retirement.

Apart from a few public sector superannuation funds which provided pension-only retirement benefits, by the 1970s most superannuation benefits in Australia were provided as lump sum termination benefits. The proportion of employees who received substantial benefits was very low.⁵⁹ It was the usual practice that only after 20 years continuous service with an enterprise (public or

⁵⁸ For discussions of the influence of Treasury in public policy-making during this period see Geoffrey Hawker, R. F. I. Smith & P. Weller (eds.), Politics and Policy in Australia, St Lucia, University of Queensland Press, 1979, pp.104 - 158; Bettina Cass & Peter Whiteford, 'Social Security Policies', in Brian Head & A. Patience (eds.), From Fraser to Hawke: Australia Public Policy in the 1980s, Melbourne, Longman Cheshire, 1989, pp.273 -303.; and Greg Whitwell, The Treasury Line, Sydney, Allen & Unwin, 1986.

⁵⁹ For example Daryl Dixon estimates that less than 3% of public sector employees stayed in the one job and collected full retirement benefit accruals in the 1960s and 1970s. Research interview, November, 1989.

private) did a departing employee receive any of the employer's contributions, and then only a percentage on a sliding scale. Hence, the typical termination benefit for those who left prior to retirement was a return of the employee's own contribution plus usually the bank rate of interest (4% compounded). Not only were those provided with superannuation benefits most usually management staff, but male management also tended to be long-serving employees and gained disproportionate benefits from the existing system.⁶⁰ The unionised workforce saw little benefit in demanding superannuation participation from their employers, as labour mobility was high in this period, and the vast majority of employees changed their jobs a number of times in their working lives.

Some sectors of the workforce, female employees, blue collar, low-skilled or unskilled workers, casual or part-time workers, and those in low status occupations, were consistently and significantly discriminated against in the provision and level of superannuation benefits, or were never provided with superannuation benefits at all. Women were triply discriminated against - by being disproportionately in lower occupational sectors of the workforce, because of their broken patterns of employment, and because they comprised the vast bulk of casual and part-time employees who almost never were provided with superannuation benefits. Superannuation benefits rarely were provided for blue collar workers, although in many cases, industrial union officers had superannuation benefits. It was widely recognised that superannuation benefits were yet one more perk for management and for government employees, and there was widespread resentment and hostility

⁶⁰ The style of fund, level of benefit and employee contribution rate that has been described as a typical Australian superannuation fund of the 1970's was of the defined benefit type, retirement benefits were 15% of final average salary (last 3 years averaging) for each year of membership, the death and total and permanent disablement benefits were equal to member's prospective normal retirement benefit. Normal retirement age was 65 for males, 60 for females, the members contributed 5% of their salary, and the employer also made a contribution, which was usually at least equal to the employee. This sort of fund promised the employee a substantial benefit only if the employee remained in employment of the company until retirement. Female employees, rarely in lifetime career employment, therefore hardly ever qualified for benefits. By contrast, management employees in such a fund with 40 years uninterrupted membership often received 6 times final average salary, almost free of any government taxes. Up to 1983, retirement benefits attracted only 5% government tax. 'Superannuation: Directors' Benefits and Responsibilities', in Current Problems in Law, Vol 4, 1980.

(even amongst these groups) at the poor level of benefits and loss of entitlements if one changed jobs. Yet, it was not until the mid-1970s that the extent of the inequities in the provision of superannuation coverage and the structure of benefits became widely recognised, as a result of the inquiries initiated by the Whitlam Government.

Government-funded age pensions remained a means-tested flat-rate non-contributory benefit selectively provided, and occupational superannuation continued to be the province of male, government, management and white collar salaried employees with long periods of full-time unbroken employment with the one employer. The provision of superannuation benefits was strongly related to the status of employees, and benefits were provided in a manner proportionate to the employees' level of income.

3.7 THEMATIC ANALYSIS OF AUSTRALIA'S NATIONAL RETIREMENT INCOME REGIME

Australia's dual public and private national retirement income regime remained virtually unchanged for almost 80 years. This requires explanation. The persistence of this regime lies in Australia's political and industrial culture, in deeply entrenched social and cultural attitudes and aspirations, and the historical compromises and class coalitions which have underpinned Australia's policy-making. Castles claims that there has been an acceptance that:-

...there are routes to the enhancement of equality other than the extension of public welfare intervention...that strategies of a non-welfare statist kind were gained by labour organisations committed to egalitarian reform within the context of a capitalist mixed economy.⁶¹

While the progress of retirement income policy-making has been detailed above, understanding and explanations of the process of these developments is advanced heuristically by the following thematic sociological analysis. The three themes nominated by Esping-Andersen are used in the analysis, although the patterns of interaction between them necessarily means that there is continual

⁶¹ Francis Castles, 'Welfare and Equality in Capitalist Societies: How and Why Australia Was Different', in R. Kennedy (ed.), Australian Welfare: Historical Sociology, South Melbourne, Macmillan, 1989(b).

conceptual and analytical slippage between the themes. A gender-based analysis of the persistent and pervasive inequities in the national retirement income regime is an underlying factor in all three themes. So, too, is the analytical recognition of the interaction or interplay of private and public retirement income mechanisms. The three themes are:-

1. The nature of class mobilisation, particularly the patterns of working class mobilisation - dominated in the Australian experience by the pervasive influence of a political and industrial culture of 'labourism' amongst both the political and industrial arms of the labour movement.
2. The historical legacies of regime institutionalisation - the institutional arrangements and institutionalised political choices which shaped public policy determination throughout this century.
3. The patterns of class and political coalitions, and historic compromises which have permeated and legitimated particular policy choices in the Australian experience.

I) Class Mobilisation

i) A Culture of Labourism

Australia's national retirement income regime was forged and gained popular legitimacy as a consequence of a uniquely Australian political and industrial culture, arising out of the experiences, attitudes and aspirations of Australian men and women, manifest institutionally through class and political organisations, and various social groups. Much of this culture has been ascribed to the dominance of a labourist tradition within both the political and industrial arms of the labour movement. It was from the craft-based labour organisations, which were Australia's first trade unions, that the political culture known as 'labourism' arose. Labourism became the dominating philosophy of the labour movement, a tradition which continues today, and is a focus of mainstream academic debates in the 1990s.

Labourism is a difficult concept to define unproblematically. It is variously conceived to be the basis of the wage earners' welfare state which has brought a measure of egalitarian work practices and social equity to working people.

Alternatively, labourism is charged with responsibility for the cultural traditions and organising principles of a masculinist and rationalist, selective and socially divisive union movement, which has resulted in the crisis of unionism in the 1990s.⁶²

Historical analysis of Australia's labourist culture can provide conceptual clarity to the concept.

Responding to the great industrial defeats of the 1890s, Australia's trade unions turned to parliamentary representation:-

...almost as a substitute for their own struggle...the pursuit of social justice reduced to a function of legislative amendment, unions consciously avoided the politicisation of their own activities. Union rules institutionalised this passivity - those of the Australian Workers' Union (AWU) for example nominating a harmony between capital and labour as a desirable objective, by calling on the union to promote the general and material welfare of the members and to improve the relations between employers and workmen⁶³

Labourism encompassed a pragmatic politics, where the essential focus was on concrete demands of immediate advantage to the working class and organised labour.⁶⁴ Hagan, in the official history of the ACTU, argues that the principles of labourism, were:-

...White Australia, tariff protection, compulsory arbitration, strong unions and the Labor Party. White Australia kept out Asiatics who threatened the standard of living and the unions' strength; tariff protection diminished unemployment and kept wages high; compulsory arbitration restrained the greedy and unfair employer; a strong trade union movement made it possible to enhance and supplement arbitration's achievement; and Labor Governments made sure that no-one interfered with these excellent arrangements.⁶⁵

Labourist politics accepts, and takes place on, the terrain of capitalist social relations, accepting the dominance of a profit-oriented market economy, and the labour market as the key distributor of income in society. Hence, the union movement continued to

⁶² Yeatman, 1990, op. cit., pp.58-59; and Ewer et al, 1991, op. cit.

⁶³ Ewer et al, 1991, op. cit. p.17.

⁶⁴ Beilharz, 1986(a), op. cit.

⁶⁵ J. Hagan, *The History of the ACTU*, Melbourne, Longman Cheshire, 1981, p.14.

build its strategy on the position of those already in employment, in no way seeking to establish a universal welfare system which would break the nexus between employment and incomes. Union political and industrial attitudes continued to reflect this labourist orientation, with union leaderships using their strength politically to protect a scarcity of labour on which working class influence rested.

Beilharz and Watts argue that Australian labourist ideologies are most powerful as a means of establishing and maintaining what they call (using a Foucaultian approach) a dominant labourist discourse.⁶⁶ They argue that the labourist discourse has constructed ALP and union political agendas and determined how they operate. They argue that social policies represent the power of specific dominant discourses, and that thereby social policies are not necessarily responses to concrete social problems outside the agendas framed by the dominant discourse. Hence, despite the fact that a 'social justice' strategy is adopted, the meaning of these key terms or values is determined by the logic of the labourist discourse. Social justice or social equity policies are designed specifically for those whom the labourist discourse includes as part of the mainstream mode of participation and distribution:-

...historically only reading people as workers, and workers as men, rather than conceiving a policy around the actual rights of different people understood as citizens.⁶⁷

It was this immersion in a culture of labourism which precluded Australia's labour movement from demanding universal welfare benefits and social transfers in the manner of European labour movements. Other policies which, as argued earlier, provided social protection by other means, and union involvement in institutionalised conciliation and arbitration provided high rates of employment and high wages for employees. The impost of contributory social insurance on employees was anathema for a union movement committed to government provision of social wage benefits. Labourist ideologies substantially influenced the direction

⁶⁶ Beilharz & Watts, 1986(a), op. cit., pp.97-110.

⁶⁷ Peter Beilharz, 'Reading Politics: Social Theory and Social Policy', in ANZ Journal of Sociology, 23, 1987, p.398.

of the 'new realism' which dominated ALP and ACTU strategies from the end of the 1970s. These issues are discussed later in this chapter and in the following chapter.

ii) Popular Legitimacy for Government Pension Policies

Australian's early dependence upon government aid in the colonial experience contributed to the widespread community acceptance of what Collins brands an Australian 'Benthamism', an instrumental and pragmatic self-serving attitude to government and the state.⁶⁸ This political culture, according to some scholars, gave rise to an ideological commitment in the labour movement, and indeed amongst the Australian population, to the view that it was the state's responsibility to provide workers with an adequate income in retirement.⁶⁹ Hancock suggested as early as 1930 that:-

Australian democracy has come to look upon the state as a vast public utility, whose duty it is to provide the greatest happiness for the greatest number.⁷⁰

Aitkin and Rosencrance suggest that this pervasive cultural legacy was conducive in Australia to an ideology of developmental nationalism, in which the state was seen neither as a coercive antagonist to civil society (as in the *laissez-faire* development of Britain and USA), nor as an expression of society's ultimate goals (as in Germany).⁷¹ The declining role of the state in Australia as the century progresses limits the heuristic value of this explanation, according to Castles.⁷² He argues that the heterogeneity of the Australian population requires that any analysis which proposes that attitudes and ideas are crucial factors must differentiate between the ideas and interests of various strata in the population, rather than characterising

⁶⁸ Collins, 1985, op. cit.

⁶⁹ See for example, D Aitkin, 'Big Government: The Australian Experience', in Working Papers in Political Science, Canberra, RASS, 1982.; R. N. Rosencrance, 'The Radical Culture of Australia', in L. Hartz (ed.), The Founding of New Societies, New York, Harcourt Brace, 1964. and S. MacIntyre, Winners And Losers The Pursuit of Social Justice In Australian History, Sydney, Allen & Unwin, 1985.

⁷⁰ As early as 1930, W K Hancock referred to the statist culture in Australia, Australia, Jacaranda Press, 1930, p.55.

⁷¹ Aitkin, 1982, op. cit. and Rosencrance, 1964, op. cit.

⁷² Castles, 1985, op. cit., p.52.

the existence of generally-held cultural attitudes. Nevertheless, Collins argues that utilitarianism, combined with economic self-interest and desire for political advantage, produced a congruence of political attitudes or historical compromises between groups of divergent, and even competing, ideological positions.⁷³ These compromises substantially influenced retirement income policy-making, and are discussed later in this chapter.

Analysis of the social attitudes and the class mobilisation which led to the provision of the original old age pension legislation provides insights into the cultural hegemony and popular legitimacy of the national retirement income system, and its status as a 'political creed' in Australian culture. The influx of migrants in the gold rush days of the 1850s led, towards the end of the 19th century, to a large cohort of ageing people in the population. Combined with the economic depression of the 1890s, there was a noticeable increase in the incidence of aged destitution.⁷⁴ As mentioned previously, by 1898 the destitute aged were being sent to gaol, because of the inability of the existing charitable relief system to cope with the increasing numbers of aged and infirm. Dixon recounts evidence presented to the various Royal Commissions on Old Age Pensions in various states at the turn of the century, attesting to the growing community social conscience and pressure of public opinion for government provision of social welfare benefits. A wide variety of policies were suggested, and public debates strongly reflect prevailing social attitudes, particularly gender relations. I therefore include some comments from the original debates. Many discussions focussed upon:-

...the need to reduce poverty without weakening individual initiative or impairing the Anglo-Saxon characteristic of self-help and manly independence.⁷⁵

⁷³ Collins, 1985, op. cit.

⁷⁴ In 1891 Australia's population was 3.2 million, of which 93,000 (2.9%) were 65 or over. Over the next 10 years the aged population grew at an average annual rate of 5% or 2.5 times the total population growth rate over the same period. The deterioration in economic conditions in the 1890s was drastic, unemployment for example in Victoria in 1893 had reached 25%.

⁷⁵ Victorian Royal Commission on Old Age Pensions, Minutes of Evidence, 1898, p.v.

Contributory social insurance was rejected for three reasons. First, it was believed that it would involve:-

...an immense amount of officialism and complicated machinery, which is extremely costly.

Second, it would not solve the immediate problems of the people who were:-

...aged and poor, nor would it cater for people who were unemployed, sick, the widowed and married women, none of whom could be regular contributors.⁷⁶

Finally, it was argued that a compulsory contributory approach would be politically unacceptable, because it would infringe personal liberties, which would be:-

...objectionable to people of British origins.⁷⁷

The idea of a compulsory contributory social security system, therefore, had been rejected in Australia long before most countries had even investigated its possibilities. Dixon argues that it was discarded with reluctance, for its underlying principles were generally considered desirable - particularly the encouragement it provided to thrift and self-help. Administrative and financial difficulties however made the introduction of a compulsory contributory scheme an impractical ideal.⁷⁸ Supporters of the non-contributory cash payment government-provided age pension, some of whom identified themselves as trade union members, argued that cash allowances should be considered a reward for past endeavours, and that it was the duty of the state:-

...to ensure that the worn out, wealth-creating human machines, who have contributed to its development, shall receive the means of subsistence and comfort.⁷⁹

The proposition that such a scheme should be universal, rather than selective, was rejected. It was believed that such a scheme would involve enormous cost, considering that there existed no income tax recoupment procedure capable of limiting the net beneficiaries under a universal scheme to income groups below a

⁷⁶ J. C. Neild, Report on Old Age Pensions, Sydney, GP, 1898, p.56.

⁷⁷ NSW Select Committee on Old Age Pensions, 1898, Sydney, p.6.

⁷⁸ J. Dixon, 1978/9, op. cit., p.3.

⁷⁹ Victorian Royal Commission on Old Age Pensions, 1898, op. cit., p. v.

specified income level. Thus, the non-contributory, selective, flat-rate age pension was introduced, as detailed earlier in this chapter, for the:-

...deserving poor who have served their country well, and whom Australia will not cast aside and neglect.⁸⁰

Over the ensuing decades, particularly amongst union members and members of the ALP, the idea of a 'free pension' became something of a social creed - a political 'sacred cow'. Despite numerous government inquiries and commissions which called for revision of the system, because of the electoral liability no political party dared challenge the existing popular system.⁸¹ Throughout the early decades of the century, there was extensive resistance to any proposals for a compulsory, contributory social insurance system. Most vociferous was the opposition of the working class and labour organisations, who saw taxes and compulsory national insurance contributions only as an unacceptable impost on their wages.

Unions were not interested in occupational superannuation benefits. Workers were unwilling to undertake the regular commitment of contributions, and were not prepared to fight for benefits in superannuation schemes which were often unclear to them. They preferred to accept the lower level of security offered by the age pension, and this was further reinforced by the means-test on the old age pension. Employees were unwilling to put away money they could ill afford which might then prevent them from later gaining what they considered to be their right - the old age pension. Further, the perceived complexity of superannuation and the scarce resources of the trade unions restricted union demands to issues relating to the immediate problems of wages and working conditions. The continued dominance of Australia's unique system of conciliation and arbitration in industrial relations, and the constitutional constraints of that system, continued to limit the range of issues for industrial negotiation. Issues of social welfare and the social

⁸⁰ Commonwealth Parliamentary Debates, Vol 46, pp.11 & 948, 1908.

⁸¹ The Bruce Page conservative coalition Government was voted out of Federal office in October 1929, after introducing contributory social insurance legislation to Parliament. The ALP won a landslide victory, after a campaign opposing the social insurance legislation.

wage remained the domain and the responsibility of the political arm of the labour movement, the ALP.

Castles emphasises the major role played in the early development of social policy experimentation in Australia by explicitly working class industrial and political organisations or by less differentiated radical political groupings to which large sections of the working class gave their support.⁸² Their actions were a result of their collectivist political consciousness, their political allies, their political mobilisation and their labour market position, protected as they were by the government's trade protectionist policies and restrictive immigration and centralised wage fixation.⁸³ Castles argues, too, that there has been a continuing ambivalence among Australia's working class movement towards universality of social insurance provision.⁸⁴

As the next chapter examines in detail, towards the end of the 1970s both the ALP and major unions gained a new organisational sophistication and expertise and significantly broadened their agendas. A new level of excitement permeated the labour movement, creating the mobilisation of demands for significant political, social and economic changes. Their traditional support for government-provided age pensions was transformed by possibilities of gaining government-subsidised superannuation benefits which management, skilled and white collar employees in Australia had enjoyed for so long. The radical possibilities for extensions in industrial and economic democracy, and the enormous political and economic changes in the position of the labour movement in the early 1980s challenged the structural parameters and the historical legacies of institutionalisation of Australia's existing national retirement income regime. These are now considered.

⁸² Castles, 1985, *op. cit.*, p.55.

⁸³ Castles argues this democratic radicalism derived from convicts and 19th century settlers who had experienced the Chartist upheavals in Britain and the reaction against the mother country's social stratification, by migrants overwhelmingly drawn from labouring and lower-middle classes, or by an ethos of egalitarian collectivism created by the nature of the colonial experience itself.

⁸⁴ *ibid.*

II) Historical Legacies of Regime Institutionalisation

Castles argues that much in the history of the growth of welfare states suggests that the form taken by the earliest national programs decisively influences the shape of future welfare innovation.⁸⁵ Working class-oriented social reform in Australia influenced the subsequent direction of retirement income policies. which Broader universal welfare orientations were rejected, as early working class (particularly union) demands focussed on flat-rate, selective and means-tested benefits. They assumed that full employment and guaranteed minimum wages required only a welfare safety-net for those outside the labour market. Age pensions were to assist the destitute aged, who had got that way presumably only by being outside the labour market. Those who had been in steady employment enjoyed, as Castles argues, consistently high wages, and high levels of home ownership.⁸⁶ Women, whether in or out of the workforce, did not reap the advantages of these protections. Their tenuous position in the labour market, enforced and perpetuated by public policies, trade union policies and the largely masculinist labourist culture, assured their systemic and institutionalised exclusion from these social protections.⁸⁷

Some of the institutional factors which ensured the continuity of Australia's national retirement income policies include the centralised system of wage regulation, the system of compulsory conciliation and arbitration which mediated between capital and labour,⁸⁸ a closed economic system based on trade tariffs protecting and supporting Australian industry, protected and subsidised primary industries, and a restricted immigration policy which lasted until the 1970s. These policies together maintained a strong demand for Australian labour, and reinforced the power of the unions. Such policies were the wellspring of Australia's wage

⁸⁵ *ibid*, p.59.

⁸⁶ *ibid*.

⁸⁷ Carol O'Donnell & Phillipa Hall, Getting Equal: Labour Market Regulation and Women's Work, Sydney, Allen & Unwin, 1988.

⁸⁸ The Arbitration Commission was constitutionally precluded from consideration of issues outside immediate wages and working conditions. Legal precedents indicated that pensions and superannuation fell outside their jurisdiction.

earner security, which provided a measure of social equity for employees, allaying any union demands for redistribution through universal transfer payments and social wage benefits.

Other institutional factors implicated in the persistence of the national retirement income system were Australia's low aged-dependency ratio, relative to other countries. This was the result of successive waves of immigration, an equitable distribution of income (which until the late 1970s compared favourably with other OECD countries), and the extraordinarily high levels of home ownership, particularly amongst the aged.⁸⁹ High home ownership not only protected employees from destitution in old age, and therefore diverted possible political agitation for increased social transfer payments, but I suggest the mortgage repayments made employees unwilling to put wages into other savings, such as retirement savings. The ancillary benefits provided to age pensioners - access to concessional public health services, transport and pharmaceutical benefits, reduced local government rates and utility service charges (such as electricity and telephones) - assured institutionalised support for the age pension system from welfare organisations.

Other key institutional factors implicated were the predominance of conservative governments in federal government, and the importance of financial markets in the national economy. Australia's macroeconomic and microeconomic stability and growth have long been heavily dependent on overseas investment, much of it negotiated through the financial intermediaries of established financial institutions. This sector was substantially advantaged by the persistence of tax-advantaged occupational superannuation. Australia's employers, too, long had benefited from the existing system. The Hancock Report documented the frequent

⁸⁹ Castles reports that in 1911, 50% of housing was owner-occupied; in the 1920s the figure had risen to 60% and by the 1970s owner occupation was more than 70%. More recently home ownership has dropped, but remains extremely high amongst the aged. Castles, 1985, op. cit., p.95. McCallum reports that in Australia in 1982 nearly 80% of heads of households aged 65 or more in private dwellings own their own home. John McCallum, 'The Public Versus the Policies: The Ethical Basis of Australian Retirement Income Policy', in Australian Journal on Ageing, Vol.9, No 1, February, 1990(a), p.263.

and persistent use of superannuation fund monies by employers in takeover battles and in-house investments.⁹⁰ As well, employers used superannuation to manipulate the labour market, restrain labour mobility, and attract, select, and retain skilled and managerial staff.

The union movement itself had become institutionally rigid, organisationally and ideologically bound by its reliance upon gaining improvements in wages and working conditions through the arbitration system. Enterprise level union representation was weak, and unions' direct relations with their members was loose and infrequent. This rigidity institutionally sustained the labourist tradition, and made unions reliant for social wage benefits on the ALP. This was often difficult. For example, in the 1970s relations were strained between the Whitlam Government and the ACTU and its major unions.⁹¹ The Whitlam Government's tariff reductions disadvantaged the union movement, as tariff cuts led to unemployment in many manufacturing industries, thereby weakening many unions through loss of members.

Even where unionism as such might not have suffered, the political power of the ACTU did. Relations between Bob Hawke, then president of the ACTU, and Clyde Cameron, Minister for Labour, became increasingly strained. Cameron, as a politician with many personal connections among the unions, was inclined to disregard more formal channels of communication including those of the ACTU. According to Don Rawson, Cameron had little sympathy for some of the rapidly growing unions of non-manual workers which the ACTU was seeking to attract, especially those of public servants.⁹² This schism between the ALP and the union movement damaged the ALP electorally, in that union members voted against the ALP, and constrained the broadening aspirations of union leaders.⁹³ Recognition of this schism's damage to both the party and the unions led to their commitment to

⁹⁰ National Superannuation Committee of Inquiry, 1976/77, op. cit.

⁹¹ Don W. Rawson, Unions and Unionists in Australia, Sydney, Allen & Unwin, 2nd Edn, 1986.

⁹² *ibid.*, p.65.

⁹³ James Jupp, Party Politics in Australia, 1966-1981, Sydney, Allen & Unwin, 1982.

forge a new symbiotic relationship between the ALP and the ACTU in the late 1970s. The demise of the Whitlam Government produced a loss of confidence by both the ALP and the union movement in the possibility of increased government intervention in the economy as an effective means of pursuing national and economic goals, and acceptance of a need to forge alliances with private capital should they gain government.⁹⁴

The years of the Fraser Government (1975-1983) saw the paradox of closer formal ties than ever before between the unions and a federal conservative government. These were moves inspired by the success of neo-corporatist initiatives in Europe (particularly in Sweden and Austria), rather than any diminution of any real quasi-revolutionary spirit in the unions, according to Rawson.⁹⁵ These ties strengthened the development of the ACTU as a strong force in its own right, able to speak for Australian unionism as a whole.⁹⁶ The continuing deterioration of national economic circumstances at the end of the 1970s acted as a constraint on unions driving their own hard bargains with employers, and further strengthened the authority of the ACTU to seek advances by political means.

III) Historic Compromises and Class Coalitions

Throughout the many perturbations of Australia's national retirement income system, the non-contributory principle of the age pension system had taken on all the characteristics of a political 'sacred-cow', made sacrosanct by public opinion. Despite countless inquiries showing the escalating costs of the system and its inadequacies, in terms of structure and provision of benefits, the compliance of class and political sectional interests ensured the continuing provision of non-contributory government-provided age pensions, and the persistence of hugely tax-

⁹⁴ The ALP had gone through substantial reform following the sacking of the Whitlam Government. Under Whitlam, Ministers like Rex Connor saw increased state intervention in the economy as an effective means of pursuing national and economic goals. The economic disorder surrounding the decline of the Whitlam Government undermined confidence in this belief. See McEachern, 1991, *op. cit.*, pp.6-7; and Jupp, 1982, *op. cit.*, pp.109-113.

⁹⁵ Jupp, 1982, *op. cit.*, p.96.

⁹⁶ Particularly following the amalgamations with the public sector and white collar unions, ACSPA and CAGEO at the end of the 1970s.

advantaged, and virtually government-sponsored support for the provision of occupational superannuation by the established financial institutions. Throughout this century, public policy decision-making with regard to national retirement income policies was predicated upon shifting coalitions of class and political interests.

These coalitions and class alliances cross economic, ideological and political divisions. Castles argues that the economic conditions which characterised the period when the labour movement was mobilising in organisational terms, and shaping its strategy of reform, were conducive to a *petit-bourgeois* outlook which dominated their organisations, first in the unions and later in the ALP.⁹⁷ He suggests that this resulted in a quasi-populist consciousness which made it easier for the working class to accept political alliances with a variety of social groups. Wheelwright argues that such class alliances have persisted throughout the century.⁹⁸ The class alliance which developed between unions and manufacturers in the early 1900s permeated industry protection and industrial relations arbitration, and provided the foundation for the industrialisation of Australia during the next half century. This alliance only began to break down in the late 1960s, as Australian manufacturers moved 'offshore', and finance capital and service industries began to dominate Australia's economic systems.⁹⁹

Historic compromises, class and political coalitions ensured the persistence of this country's unique system of industrial relations, the centralised system of award wages, and compulsory conciliation and arbitration, tariff and trade protection and restricted immigration policies. These coalitions procured the wage earner security and social protection which, as has been discussed earlier, protected employees from economic fluctuations imposed by Australia's endemic external

⁹⁷ Castles, 1985, op. cit., p.56.

⁹⁸ Ted Wheelwright, 'World Economic Crises and the Welfare State in Australia', in Kennedy, 1989, op. cit., p.31.

⁹⁹ *ibid.*

vulnerability,¹⁰⁰ and allayed labour demands for changes to the national retirement income regime.

Other coalitions specifically ensured the sanctity of national retirement income policies. Dixon argues that immediately prior and after World War I, Australia's friendly societies continually exerted pressure on governments to abandon any ambitions to introduce a national contributory social insurance scheme.¹⁰¹ The friendly societies feared that any such scheme would affect the private insurance market, and reduce their profits.¹⁰² In 1928, the conservative Bruce Page Government introduced legislation for a contributory social insurance scheme. Approved friendly societies were to use their offices to collect contributions and pay benefits, but the legislation failed. Jureidini's research on the life insurance and superannuation industry in Australia, mentioned earlier, reveals the close and continuing relationships between senior management of the AMP Society with leading politicians (both conservative and non-conservative) and senior government departmental officers.¹⁰³ The conservative Menzies Government was notable for its close relationship with the management of large established financial institutions ('the Life Houses') - particularly the Melbourne financial establishment amongst whom the senior management of the Life Houses were well represented. Tsokhas gives detailed accounts of some of these continuing close and largely unheralded relationships between the business and financial elite and politicians and senior government bureaucracies in the period 1960 to 1980.¹⁰⁴

Australia's Life Houses had a long standing antipathy to labour movement doctrines, to the ALP and to trade unions. This is best demonstrated by their mobilisation, in coalition with other leaders of business and commerce, during the period of the Whitlam Government. In 1973, the Whitlam ALP Government

¹⁰⁰ Castles, 1989(a), 'Social Protection by Other Means', op. cit., p.31.

¹⁰¹ Australia's friendly societies were at their peak in 1914 and continued as a powerful lobby until the 1920s, claiming (as did the insurance companies) that they represented the interests of the 'little man'.

¹⁰² J. Dixon, 1978/9, op. cit., p.6.

¹⁰³ Documentary analysis of the AMP Society archives. Jureidini, 1987, op. cit.

¹⁰⁴ Tsokhas, 1984, op. cit., p.104.

introduced legislation to strengthen the investment operations of the Australian Industries Development Corporation (AIDC). It announced the establishment of a National Investment Fund to supply the AIDC with the capital needed to fulfil its expanded functions. A coalition of the country's leading financial institutions, most notably the Life Houses, challenged the legislation in a fierce lobbying and public relations media campaign. They intensified their efforts following the Whitlam Government's announcement, in April 1975, that it would establish an Australian Government Insurance Corporation. Major media advertising campaigns by the large Life Houses, a massive outflow of Australian capital investment into overseas property and equities, and even protest marches by insurance company staff (orchestrated by management), contributed to the destabilisation of the Whitlam Government economic management policies.¹⁰⁵

Coalitions of religious and conservative groups in society supported the system for what they perceived to be its moral values. As well, these groups provided support for the system of their choice, and enhanced their own organisational bases, by providing voluntary charitable institutions to augment social transfers to the needy. As argued earlier, the logic of Australia's traditional age pension was based on three factors - that it would reduce poverty without weakening individual initiative or impairing the Anglo-Saxon characteristic of self-help and 'manly' independence,¹⁰⁶ that it would encourage thrift, and would be an incentive to work.

The long period of Liberal-Country Party dominance in federal government between 1949 and 1983 was broken only briefly by the Whitlam Government (1972-1975). During this entire period, government policy was largely pro-union in principle, while opposing much that the unions actually did. That is, federal and state governments largely accepted that unionism as such was socially beneficial, as long as unions operated within the institutionalised system of conciliation and

¹⁰⁵ *ibid.*

¹⁰⁶ Victorian Royal Commission of Old Age Pensions. 1898, *op. cit.*

arbitration.¹⁰⁷ While often opposing union demands for wage rises as encouraging inflation, non-Labor governments sought to make unions amenable to their policies, while at the same time maintaining permanent contacts with union leaders, and attempting to regulate the internal affairs of unions in ways which would control the rank and file. By seeking to produce moderate union policies, they also sought to discourage union militancy - first by use of penal sanctions, and later by use of the Trade Practices Act.¹⁰⁸ The third course of action was to establish permanent contact with the ACTU as the representative of responsible union leadership, privileging these negotiations as the only acceptable means of contact between unionism and the federal government.

Castles argues that for the generation of conservative politicians who guided Australia into the postwar era, the fundamentals of the historic compromise which supported the wage-earner state were no longer institutional devices to be adopted or discarded as circumstances dictated. Rather, they were the very fabric of Australian political culture.¹⁰⁹ I contend that none were more fundamental and pervasive than the class coalitions which supported the persistence and institutionalisation of the dual system of the national retirement income regime.

3.8 THE EMERGENCE OF A NEW REGIME

As Australia entered the 1980s, huge economic, political, industrial and social changes began to affect the nature and directions of policy-making. The national retirement income regime had remained remarkably stable throughout the century, reinforced and legitimated, as argued in this chapter, by the prevailing political culture and community attitudes, the class mobilisation, and the coalitions of class and political interests which ensured the tenacity of the existing system.

¹⁰⁷ There were penal provisions to ensure the unions operated within institutional boundaries and any threats to this institutionalisation were strongly opposed. See for example the accounts of the 1969 Clarrie O'Shea case. The Industrial Registrar, Australian Tramway & Motor Omnibus Employees' Association, May 15 & 21, before Mr Justice Kerr in the Commonwealth Industrial Court, Industrial Information Bulletin, Vol 24, 1969, p.700.

¹⁰⁸ Rawson, 1986, op. cit.

¹⁰⁹ Castles, 1989(a), op. cit., pp.48-51

Similarly, the system of occupational superannuation remained unchallenged and unchanged - a system of paternalistic gratuity for mainly male, managerial or public sector employees. Persistent discrimination was implicit in the system, disadvantaging low-skilled and blue collar workers, female employees and part-time and casual employees, of whom the vast majority were women.

Much of the sanctity of the system resided in the historical legacies of the regime institutionalisation which structured the policy patterns and institutional arrangements of the national retirement income regime. Historically, the residual nature of national retirement income provision supports Esping-Andersen's depiction of Australia as an archetypal liberal welfare state. Yet the narrowness of his focus on rights-conferring aspects of government cash transfers denies the very paradigm shift which he himself proposes. Thereby, he ignores the wider policy mechanisms and systemic outcomes of Australia's social policy regime. These mechanisms, which provided employees with employment protection and social protection by other policy means, situate Australia's national retirement income policy regime more meaningfully therefore within Castles' radical fourth social policy regime.¹¹⁰ The dramatic changes to policy patterns and institutional arrangements in the 1980s and 1990s, addressed in the following chapters, will provide the opportunity for a reassessment of the nature of Australia's retirement income regime.

Australia's employees, in most cases, retired after a lifetime of protected employment, their wages and conditions safeguarded by an institutionalised and centralised national system of conciliation and arbitration system, resulting in comparative income equality and low levels of poverty.¹¹¹ Retirement after a lifetime of relatively highly paid employment, with high levels of home ownership, inter-generational inheritances and government provision of health, transport and other ancillary services assured retiring employees of comparatively comfortable

¹¹⁰ Castles, 1991(b) op. cit.

¹¹¹ With the notable exception of female employees.

lifestyles. Within this regime, not all Australians were equitably provided for. Although women were equally provided with a government-provided age pension, the prevailing inequities in the labour market, perpetuated by government and trade union policies, meant that women, either in or out of the labour market, never gained the full benefit of those other protections, and unless protected by marriage, faced grim prospects on the pension. Basically all Australians not in the workforce, or who had limited attachment to the workforce, were disadvantaged, and similarly gained no security from employment-generated accruals. For them, too, the pension offered limited expectations for life in old age. In more than 70 years of national retirement income policies, only once, during the brief period of the Whitlam Government, did a new social democratic and universalistic approach to social policies emerge. This was short-lived, and was discredited along with other of that government's economic, social and political reforms.

Macroeconomic policies in Australia were becoming increasingly subject to external conditions in the transnational realm. Global changes in the 1970s revolutionised the power relationships between capital, labour and nation states in such a way as to greatly strengthen capital in its transnational mode of operation. Neither the Whitlam Government nor the Fraser Government was able to control the incursions of international capital into an Australian economy well used to overseas investment. The transformed relations derive substantially from the increasing dominance of finance capital and, as Wheelwright argues, the ability of transnational capital to collude with state power to negate the efforts of organised labour to maintain its share of the value of total gross output. Maintenance of the share of gross domestic product going to welfare, health and education were imperilled.¹¹² Australia in the 1970s ended its sustained 'age of growth', employment security and economic prosperity. During the period of the middle to late 1970s, the country's macroeconomic performance deteriorated rapidly. Wheelwright argues

¹¹² Wheelwright, 1989, *op. cit.*, p.50.

that, confronted with these problems, government turned more and more towards servicing the interests of international capital.¹¹³

By the beginning of the 1980s, major macroeconomic changes became part of the political agenda, and social policies such as the national retirement income regime were set for change. Many of the policies which had guaranteed Australia's employees wage-earner security or at least some social protection and social equity through most of the century (save for the 1930s), had already been eroded. Restrictions on immigration had been extensively liberalised, and tariff trade protection considerably reduced - opening up Australian manufacturing industries and male workers to international competition. The world recession increasingly affected the national economy, particularly Australia's commodity markets, resulting in a continuing economic downturn across all sectors. These factors, along with technological and financial restructuring, resulted in ever-escalating job losses and unemployment. Social changes in Australian society, particularly family changes, produced increasing social inequalities. The escalating numbers of both single-parent households and female workforce participation undermined the indirect nexus of women, through marriage, with the labour market. The emergence of populist new right individualistic and liberal public attitudes provided popular legitimacy for government reductions in public welfare payments and public infrastructure. The persistence of a discourse of labourism continued to dominate the political culture of the union movement, restricting union leaderships from all but pragmatic considerations of wages and working conditions for their members.

The union movement, now with an increasingly powerful peak trade union council in the ACTU under the leadership of Bob Hawke, became heavily committed to a political or strategic unionism which required active co-operation with the now restructured ALP. After the demise of the Whitlam Government, new close relationships were forged between the ALP and the ACTU, premised upon the search for economic efficiency and electoral success. Social policies, other than a

¹¹³ *ibid.*

commitment to restore the public health system, were not high priorities, or were seen as entirely in tandem with macroeconomic priorities.

Historically, both major political parties had vied with one another electorally to liberalise access to age pension benefits, but growing demands for fiscal restraint and awareness of fiscal crises in overseas countries led to new demands to reduce age pension expenditures as part of a widespread reduction in public expenditures. Fraser Government Treasurer John Howard imposed restrictions on the age pension at the end of the 1970s to reduce the almost universal provision of pensions benefits to the aged.

Occupational superannuation, massively tax-advantaged, was becoming an increasingly sought-after and prized employment benefit. The inequities in Australia's existing occupational superannuation system became a target for union demands for an equitable share of benefits for their members. The restriction of centralised wage determination and the wages freeze in the late 1970s prompted the unions' search for non-wage benefits for their members, augmenting the attractiveness of social wage benefits such as superannuation. It is this plethora of socio-political, economic and industrial changes which influenced Australia's labour movement to bring about the transformation of the national retirement income regime in the 1980s. These changes are addressed in the following chapter.

CHAPTER FOUR

PRIVATISING AUSTRALIA'S NATIONAL RETIREMENT INCOME REGIME

The current spate of changes to Australia's occupational superannuation system are designed to ensure that it eventually replaces the age pension as the standard form of retirement income.

- Paul Keating, Federal Treasurer, 1988

4.1 INTRODUCTION

Australia's national retirement income regime remained virtually unchanged for almost 80 years. The previous chapter presented a sociological and historical analysis of the dual system of retirement income provision, analysing the reasons for the extraordinary stability of the system, and the lack of demands by organised interests or the general public for radical change prior to the 1970s. As detailed there, the Whitlam Government responded to political and social demands for revisions to existing retirement income provision by liberalising the provision of age pensions, and instituting plans for the establishment of a national superannuation scheme. The Fraser Government and the co-ordinating agencies of Australia's federal public service (the Departments of Prime Minister and Cabinet, Treasury, and Finance) overturned such policy directions as part of the general monetarist constraints on public expenditure gaining widespread currency in Australia in the late 1970s. Yet, the now revealed inequities and abuses of the existing superannuation system, and policy changes deemed necessary by the co-ordinating agencies in the context of Australia's ageing population projections and the deteriorating macroeconomic environment, kept the need for revisions to the national retirement income regime on the political agenda.

Hence, when the Hawke Government was elected in March 1983, significant changes to national retirement income policies were already being heralded. A range of policy options were available, and the policy directions taken in relation to the

national retirement income regime were not inevitable. There were strong pressures for both reductions and increases in government-provided age pensions, for their replacement and/or supplementation by the extension of privately-provided and controlled occupational superannuation, or the establishment of some form of government national superannuation scheme. Faced with this range of options, the Hawke Government chose to privatise Australia's national retirement income regime. As discussed in Chapter One, the Australian state became increasingly corporatised in the 1980s. In many cases this involved not only a change in structures of government policy formation and administration, but a gradual transfer of state functions to private control. The Hawke Government's adoption of private occupational superannuation as the preferred policy option for the transformation of the national retirement income regime is an exemplar of this new style of governing. The attribution of particular public status to occupational superannuation funds, and legislation of mandatory private retirement savings, represents a radical departure in Australian public policy-making.

Unions were party to these changes, and the ACTU and its member unions claim superannuation as their 'great leap forward of the 1980s'.¹ This was a new role for the ACTU in national economic planning and policy-making in a new pattern of neo-corporatist relations between unions and government. Australia's changing political culture and the changed priorities of what had been a nation-building state² were implicit in the dynamic nature and extent of these changes. Analysis of the process of the transformation of Australia's national retirement income regime under the Hawke Government requires explanation. Three key questions are addressed:-

1. How and why did privatisation of the national retirement income regime become the preferred policy option for the Hawke Government?

¹ Garry Weaven, former ACTU Assistant General Secretary, research interview, March, 1991.

² Pusey, 1991(a), op. cit., p.113.

2. Why did the union movement, for so long the champion of government-provided age pensions, participate in the transformation of the existing national retirement income regime?
3. How does examination of this process of union involvement in neo-corporatist policy formation reflect the new pattern of relations between unions and government?

Privatisation of the national retirement income regime proceeded as a result of the conjunction of a range of political, economic and social changes which coalesced in Australia in the 1980s. The conjunction of these changes is the focus of analysis in this chapter. The Hawke Government and the co-ordinating departments of the federal bureaucracy, most particularly Treasury, construed the expansion of occupational superannuation as crucial to the national interest, and Australia's High Court and Australian Industrial Relations Commission (AIRC) declared the centrality of occupational superannuation in judicial, labour market and wages determinations. After initial opposition, Australia's business, financial and commercial leaders acquiesced to trade union proposals. Seemingly paradoxically, the established financial institutions ('the Life Houses'), traditionally the declared adversaries of the labour movement, forged a new coalition with the political and industrial arms of the labour movement in the stewardship of these new policy directions. Future retirement income was substantially devolved as a state function, as the Hawke Government adopted policies to require Australia's employees to save and provide for their own future retirement income needs, and consigned the management and control of employees' accumulated savings to the private sector. Yet, as detailed here, there were no voices of opposition to such radical changes until the end of the decade.

The chapter is divided into eight parts, and is based on my analysis of original archival material, on participatory observation and in-depth focussed research interviews. Following this brief introduction, the second part addresses the emergence of occupational superannuation as an industrial and political issue in

Australia - the context for change, the broadening of the Trade Union Agenda, the initial major forays into occupational superannuation by individual trade unions, the adoption of superannuation as ACTU policy, its inclusion as part of the historic Accord process, and the acceptance of occupational superannuation as a major plank of government wages, incomes, economic and social public policy-making. Part three examines the range of policy objectives which influenced the Hawke Government's policy choices. Part four explores the processes of strategic institutionalised decision-making which shaped policy development,, focussing specifically upon government and federal departmental responses to economic influences and changes in institutional and organisational culture. Part five examines the acquiescence of private economic interests to government and union-initiated changes to the national retirement income regime, identifying the class coalitions and compromises which fostered these changes. Part six analyses the lack of spontaneous public opposition to the policy changes, arguing that community groups and opposing political parties failed to challenge these policy initiatives or mobilise public debate. Part seven analyses the dynamic nature of Australia's neo-corporatist policy formation, utilising the conceptual schema presented in Chapter Two. Part eight outlines the new quasi-private retirement income regime.

4.2 THE EMERGENCE OF SUPERANNUATION AS AN INDUSTRIAL AND POLITICAL ISSUE

I) The Context for Change

At the end of the 1970s and in the early 1980s, Australia's trade union movement went through a process of major structural and ideological transformation. As previously discussed, in the aftermath of the dismissal of the Whitlam Government, a new close relationship was forged between the unions and the ALP to foster electoral success for the ALP, and to pursue industrial, social and economic objectives for the labour movement, within a context of national economic growth. Bob Hawke, in his dual role as both federal secretary of the ACTU and

president of the Federal ALP, fostered a new unity, or at least an inter-relatedness in policy and political strategic terms, in the industrial and political arms of the labour movement. The organisational structures of both the ALP and the ACTU were expanded and their enhanced organisational professionalism and economic expertise generated a new research and policy sophistication which opened up the possibilities for new directions for union activities.

Historically, Australia's trade unions and particularly the peak trade union council, the ACTU, had operated on a largely inadequate organisational and financial base.³ The ACTU had primarily represented a blue collar workforce, and viewed industrial politics in an almost single-minded fashion as the quest for higher real wages and improved working conditions. The ACTU and its member unions had operated substantially within the arena of the unique system of compulsory industrial conciliation and arbitration, with protected employment and a centralised award wage structure.

Towards the end of the 1970s, however, there was a major shift in the attitudes and aspirations of a large segment of Australia's workforce. Boreham identifies three significant developments of relevance.⁴ First, there was a major increase in the proportion of employees engaged in white collar work, and a decline in the blue collar workforce. Second, occupational categories in professional and technical grades tripled in the period from 1947 to 1981. Third, there was a continuing growth in public sector employment. These changes particularly affected the union movement. The two organisations representing unions covering the now enlarged public sector workforce amalgamated with the ACTU (in 1979 and 1981 respectively).⁵ This broadened the orientations of the ACTU, producing a re-alignment of factional allegiances and an emerging predominance of right wing or

³ Don Rawson, 'The ACTU - Growth Yes, Power No', in K. Cole (ed.), Power, Conflict and Control in Australian Trade Unions, Melbourne, Penguin, 1982, p.119.

⁴ Paul Boreham, 'Corporatism', in C. Jennett & R. Stewart (eds.), Hawke and Australian Public Policy, South Melbourne, Macmillan, 1990, p.43.

⁵ The Australian Council of Salaried and Professional Associations (ACSPA) and the Council of Australian Government Employee Organizations (CAGEO).

centre right factions within the ACTU and major union leaderships. Reilly argues that this created:-

...a potential for industrial action which will go beyond the narrow traditional union demands for improved wages and conditions. With the education, skills and high expectations which white collar workers bring to their jobs there is more possibility for...workers extending their demands into areas of policy making power hitherto the sacred terrain of employers...in work organisation, investment policy, production goals and so on.⁶

It was not just the changes in the workforce and the merging of the white collar and public sector unions with the ACTU that produced radical departures in trade union demands. Jupp records the major upgrading and professionalisation of skills which took place within the ALP party machine in the middle 1970s and was replicated in the unions towards the end of the 1970s, continuing with far greater pace in the early and middle 1980s.⁷ Increasing recruitment of tertiary-educated industrial relations and economics graduates into the union offices and the advice of increasingly influential academics associated with the labour movement⁸ inspired new visions of 'political unionism'.⁹ There was a growing interest in labour practices and industrial relations in overseas countries like Scandinavia. Legislated provisions for economic and industrial democracy and union involvement in collective capital formation (such as the wage-earner investment funds in Sweden) were seminal to a new level of debate on the future of Australia's industrial relations system within the ACTU, major union leaderships and the ALP. Now financially and organisationally enhanced and with greater economic and managerial expertise,

⁶ Reilly, cited in Hagan, 1981, op. cit.

⁷ Jupp, 1982, op. cit.

⁸ The introduction of special advisers to government, especially government ministers, from outside the Public Service (professionals from the universities, private enterprise and trade unions) dates back to the Whitlam Government, but became much more extensive during the period of the Hawke Government. The establishment of left wing think tanks such as the Evatt Foundation and the Labour Resource Centre, largely funded by the ALP and trade unions, substantially increased the scope of intellectual resources on their behalf. Sol Encel, 'Labor's New Class Takes Command', in Australian Society, Vol 3, No 5, pp.6-9, May, 1984.

⁹ 'Political unionism', as conceived by Winton Higgins, 'Political Unionism and the Corporatist Thesis', in Economic and Industrial Democracy, Vol 6, 349-381, 1985, p.350, refers to a tendency for some union movements to go beyond a narrow focus on wages and conditions, to generate goals that challenge the power of capital as it expresses itself in market outcomes and public policy, and to actively pursue these goals in their own right outside (as well as inside) the industrial relations sphere, including in state bodies.

the ACTU saw the way forward for unions in increasing involvement in the macroeconomy, industrial regeneration and labour market policies. Union leaders also perceived that 'social wage' benefits were worthwhile and valuable increments for the increasingly tax-conscious workforce.¹⁰

Union attitudes to business were similarly transformed. State intervention was seen as provoking business hostility and opposition, making it difficult for the ALP to construct and fund election strategies. It was, according to Doug McEachern, a 'new realism' in the ACTU and the ALP, which in essence accepted the primacy of free market forces and private profits in generating economic recovery, and was sceptical about the efficacy of state intervention.¹¹ There appeared a commitment within the ALP and ACTU to finding an accommodation with private business in order to be seen:-

...as a good economic manager...to secure the co-operation of business and to tailor state actions to projects prepared by, or at least acceptable to, private firms and sectors.¹²

II) Trade Unions Broaden Their Agenda

Hence, by the end of the 1970s, there were strong moves within the unions that it would be advantageous and even necessary to broaden the union agenda. There were growing numbers of trade unionists, both blue collar and white collar employees, who saw the interests of trade unions as broader than issues of wages and working conditions. This is evident in union involvement in conservation and environmental issues such as the Newport Power Station dispute, and the success of the 'Green Ban' environmental campaigns in Victoria and New South Wales in the 1970s.¹³ Trade union leaders, such as Jack Mundey and John Halfpenny, gained extensive publicity and union support for their view that it was the legitimate right of workers to take action on all matters affecting the lives of workers and their families,

¹⁰ The 'social wage' refers to government expenditure on essential services and social infrastructure seen to be of benefit to workers and their families, and provides non-inflationary expansion of the economy.

¹¹ McEachern, 1991, op. cit.

¹² *ibid.*, p.7.

¹³ Jack Mundey, *Greens Bans and Beyond*, London, Angus & Robertson, 1981.

even outside immediate issues of wages and working conditions. Exchange visits at that time between Australian and overseas trade union leaders were important sources of information and expertise for Australian trade union leaders.¹⁴ Alex Carey decried what was in his view the tendentious nature of such overseas 'education' trips sponsored by think tanks in the United States, such as the Brookings Institute, and their conservatising influence on Australia's trade union leaders.¹⁵

My empirical research supports Jupp's views of the influence of the newly recruited 'visionaries' within the labour movement in the 1970s. Their influence in the development of superannuation as an industrial issue is of particular relevance. Senior union officer Greg Sword told me of the emergence of the new directions in the union movement in the late 1970s.¹⁶ He spoke of the crucial early influence of Bill Landeryou, then general secretary of the Federated Storemen and Packers' Union (FSPU). Landeryou had extraordinary drive. His visions of '24 hour unionism'¹⁷ and his recruitment of union staff from the universities rather than from the rank and file brought new vitality to the union movement in Victoria, according to Sword.¹⁸ One Landeryou appointee, Simon Crean, then general secretary of the FSPU and already demonstrating leadership capabilities, made vital contributions to union initiatives with regard to superannuation. His boldness in defining superannuation as 'deferred pay and the right of every worker' introduced entirely new perspectives to these debates. Another notable recruit to the FSPU as a young research officer was Bill Kelty. According to Sword, Kelty was one of the

¹⁴ For example, following an overseas trip to study trade union involvement in supplementary social security and insurance programmes in Germany and Sweden, Greg Sword, an industrial officer of the Federated Storemen & Packers' Union, reported in September 1978, that the union must become involved in the provision of pension benefits and insurance services for its members.

¹⁵ Carey, 1986, op. cit..

¹⁶ Greg Sword, General Secretary, Federated Storemen and Packers' Union, (now the National Union of Workers), research interviews, 1988, 1989, 1990.

¹⁷ Landeryou and the FSPU campaigned for acceptance of '24-hour unionism' by unions, arguing that unions had legitimate rights to intervene on behalf of their members in all areas which affected the lives of workers' and their families.

¹⁸ Sword, 1987, op. cit, research interview.

architects of union demands for superannuation at the end of the 1970s, contributing:-

...abounding energies in the long and painful tasks of knocking over the employers one by one to get superannuation coverage.¹⁹

Trade unions were encouraged to broaden their agenda by structural changes in Australia's industrial relations system. The introduction of centralised national wage indexation in 1975 committed trade unions to 'substantial compliance' with award indexation guidelines and continuing wage restraint. The Fraser Government's tight monetary policies continued to constrain trade union demands for direct wages benefits for their members, and pushed unions to seek other incremental benefits, such as shorter working hours and the entirely new claim for superannuation benefits.

There was no intention by the unions that superannuation would replace the age pension. It was seen as an additional benefit for workers when wage increases were unavailable. Union interest in superannuation derived from several factors. The new economics-trained union officers saw the advantages of seeking superannuation benefits as deferred wages, not subject to full 'Pay-As-You-Earn' (PAYE) taxation, accumulated as a termination payment for employees and not necessarily at retirement.²⁰ And, as detailed in the previous chapter, they were now aware of the extent of the inequalities and abuses of superannuation and the enormous tax-advantaged financial benefits enjoyed by senior management and public servants. Sword said:-

Superannuation was something the bosses had had for a long time and we didn't see why ordinary workers shouldn't have it too.²¹

According to Sword, the unions' first concern was to somehow change the existing unjust system of superannuation:-

All the funds were just basically a ripoff. Most workers change jobs pretty regularly and if you didn't stay your whole life with one employer, in effect you lent your money to the fund at an extremely

¹⁹ *ibid.*

²⁰ Direct income taxes in Australia are calculated and deducted on a PAYE basis.

²¹ Sword, 1989, *op. cit.*, research interview.

unattractive rate of interest, and when you left you got very little money back, sometimes after many years of contributions. So we just decided we'd have to start our own fund run by the union.²²

It was the above-mentioned team at the FSPU who initiated the first major industrial demands to extend superannuation to all workers. Their demands for employer-contributed superannuation for all employees, the introduction of union-run superannuation schemes, and their willingness to take industrial action to gain superannuation benefits became a challenge to the historical experience in Australia that occupational superannuation was solely a management prerogative. But according to Sword, the greatest challenge was to the union movement itself. He said:-

We just had to fly by the seat of our pants most of the time. We'd probably have never started it if we had known how difficult it was going to be. But we did start it, and we had to learn as we went along. It was important, and we had to pull it off.²³

III) Shifting The Boundaries Of Managerial Prerogative

The above events were the turning point in changing union attitudes to superannuation. In October 1978 in a speech to the Association of Superannuation Funds of Australia (ASFA), Landeryou said:

The present superannuation system is a restriction on the individual worker's capacity to operate freely within the economy. It is a restriction on freedom of movement and capacity to strike a fair bargain.²⁴

He charged that the present system was discriminatory and inequitable, and that employers had long been able to deflect criticism of fund inadequacies and claims for changes to employer-controlled funds by hiding behind the legal complexities of trust deeds and tax regulations. Landeryou outlined his views of union principles regarding superannuation. As a set of normative principles, these represent a stark contrast to the prevailing employer-focussed objectives of

²² G. Sword 'Pushing for the Right to Choose', in R. Lansbury & Ryan (eds.), Superannuation and Industrial Relations: Stability or Change? Sydney, Macquarie University Press, 1986, p.38

²³ Sword, 1989, op. cit., research interview.

²⁴ Bill Landeryou, Fed. Secretary, Federated Storemen & Packers' Union of Australia, ASFA address, October, 1978, FSPU archives.

superannuation outlined in Chapter Three. Landeryou's principles were:²⁵

- Employer superannuation contributions are 'deferred pay' - they are the employee's money, just like wages.
- Superannuation is an economic right for all workers.
- Employee members must have a voice in investments.
- Administrators of superannuation funds must be accountable to members.
- All superannuation monies must be fully portable between employers.
- Superannuation is a capital asset and must be fully vested with the employee.
- There must be no discrimination whatsoever in the provision of superannuation coverage or level of benefits.

Landeryou argued that the best long term solution was a comprehensive government-sponsored national superannuation scheme. However, in its absence, either the government should set minimum standards for employer-funded superannuation benefits (coverage) for all the workforce, or all trade unions would be forced to establish their own superannuation schemes to counteract deficiencies in the existing provision of superannuation:-

Superannuation is not some generous gift from the employer, it is the individual wage earner's money at work, and must be regarded as 'deferred pay'. As such, it should be controlled by those to whom it rightfully belongs.²⁶

In December 1978, under the direction of Landeryou, and with the driving force of FSPU staff members Simon Crean, Bill Kelty and Greg Sword, the FSPU established its own superannuation fund for union members - the Labour Union Co-operative Retirement Fund (LUCRF). Seeking employer contributions for their members, the FSPU began Australia's first industrial action in pursuit of superannuation benefits. When the employer, Woolworths Ltd in Melbourne, refused to pay superannuation contributions into the LUCRF fund, the FSPU went

²⁵ FSPU, Superannuation Policy, December, 1978, FSPU archives.

²⁶ FSPU, Superannuation Policy, November, 1979, FSPU archives.

out on strike for superannuation, and their industrial action was widely publicised in the mass media.

In addition to demanding superannuation benefits for all employees, the structures of superannuation benefits were important issues for conflict and negotiation with employers. These were *vesting*, the withdrawal of accrued benefits including employers' contributions on resignation or retrenchment; *portability*, the ability to transfer superannuation entitlements from one position of employment to another; and *preservation*, maintenance of members' accrued benefits until retirement. The FSPU had established the first major trade union claims for changes to occupational superannuation, opening up to union demands an area which in Australia had previously been regarded as an issue solely for managerial prerogative, and Landeryou told the media:-

Anyone who doesn't believe that the industrial issue to dominate the next decade will be the question of benefits which should accrue to workers on retirement is stark raving bonkers.²⁷

IV) Testing The Water - The Storemen and Packers' Fund

The trade union movement's first tentative action on superannuation rapidly crystallised into realisations of the enormous leverage that superannuation afforded to the unions' industrial bargaining strength, and of the wide-ranging social, economic and political consequences of demands for union-controlled superannuation. The timing of the union movement's claim for occupational superannuation was propitious, gaining widespread public support. As detailed earlier, government reports for the first time disclosed the restricted coverage of occupational superannuation and the huge impost on the public purse of tax concessions for superannuation funds. These reports received extensive media coverage. At the same time, the NSW Anti-Discrimination Board revealed that discrimination was widespread in superannuation coverage and benefits between salaried and wages employees on the one hand, and between male employees and

²⁷ Bill Landeryou, Press Statement, September, 1979, FSPU archives.

female employees on the other hand, and that salaried and male employees were treated consistently more favourably.²⁸ A widely publicised survey in mid-1978 reported that 78 percent of workers surveyed regarded superannuation as the single most important employee fringe benefit, and 68 percent supported union action on this issue.²⁹ The widespread publicity regarding the so-called 'greying' of Australia's population³⁰ and the anticipated increase in the taxation burden for future workers to support the aged, in the context of increasing longevity and community expectations for quality of life in retirement, created increasing public interest in retirement income and support for union claims.

Despite initial strong opposition by employers and the constitutional exclusion of demands for superannuation from the jurisdiction of the Arbitration Commission,³¹ other union leaders began to press employers for superannuation benefits for their members. At the 1979 Congress, the ACTU launched a pilot occupational superannuation fund to provide a national fund for all union members. ACTU Secretary, Peter Nolan, announced that the ACTU's long range objective was to have 60 percent of its 2 million members join the ACTU fund. That same year, the ALP Federal Conference adopted a policy of 'encouragement for union-based superannuation funds'.³² During 1980 however, the momentum for a major national union scheme slowed. In a survey of its affiliated unions in mid-1980 the ACTU found that superannuation was not seen as an important issue by union officials. Of its 140 affiliated unions, only 54 bothered to reply and of those, only half supported superannuation as an industrial issue.³³ In response, ACTU

²⁸ The NSW Anti-Discrimination Board surveyed 640 major company superannuation schemes covering 300,000 employees in the private sector in New South Wales, Anti-Discrimination Board of NSW, 'Discrimination in Superannuation Survey and Report', Sydney, 1978.

²⁹ R. A. Layton, 'Workers and Management At The Crossroads', Sydney, Sentry Holdings Ltd, 1978.

³⁰ The 'greying' of the population refers to the projected increase in the aged as a proportion of the population.

³¹ As discussed later in this chapter.

³² ALP Policy Platform, 1979, ACTU archives.

³³ ACTU, Report of Survey of Member Unions, July, 1980, ACTU archives.

Secretary Nolan outlined ACTU future strategy as follows:-

Rather than make superannuation a major issue, backed by the full resources of the ACTU, individual unions will be encouraged to make it an industrial issue with individual employers.³⁴

ACTU interest in the superannuation issue waned, and Nolan suggested that the Arbitration Commission might prove a fruitful avenue for exploration, despite the strong doubts which existed on its powers to become involved.³⁵

It was not until its 1983 Congress that the ACTU once again took up superannuation as an industrial issue. Congress ratified an expanded superannuation policy, stating that, prior to the introduction of a national superannuation scheme, unions should either individually or collectively develop superannuation and labour market insurance cover for members.³⁶ Trade union leaders who were closely involved in the negotiations over the Accord were the strongest exponents of union superannuation claims, and included demands for a national superannuation scheme in the first Accord.³⁷ This was the first time that superannuation was referred to as part of the 'social wage'.³⁸

With the election of the Hawke Government, the Accord gained legislative force, and the ACTU and its member trade unions were committed to continuing wage restraint. While there had been a three year hiatus in the ACTU campaign for superannuation, unions were now once again looking for extra benefits outside the centralised wage system to sweeten the bitter pill of wage restraint. The large unions began to pursue superannuation coverage for their members, either by establishing industry-wide union-controlled superannuation funds, or by demanding that employers extend company funds and provide for employee or union representation on the trustee boards. The Australian Bureau of Statistics (ABS) reported large

³⁴ 'ACTU Gets Poor Response on Superannuation', Australian Financial Review, July 10, 1980.

³⁵ *ibid.*

³⁶ ACTU Congress, Policy Statement on Superannuation, 1983, ACTU archives.

³⁷ ACTU/Australian Labor Party, 'Statement of Accord Regarding Economic Policy', February, 1983.

³⁸ The Accord identified full employment as the principal objective of economic policy, promising that in government the ALP would, in return for wage restraint, provide improvements to workers' social wage, including the redress of anomalies in the availability of occupation-linked health and welfare benefits, and also superannuation. ACTU-ALP Accord Mark I, February, 1983, *op. cit.*

increases in superannuation coverage by 1985,³⁹ increases which Fred Gruen argues were directly attributable to action by the trade unions.⁴⁰ In addition to the employees covered under the union-initiated industry funds, many more thousands of employees were offered superannuation benefits in company funds, as a result of the abovementioned direct union agitation, or in order to compete with union-initiated funds. Eligibility periods were reduced, resignation benefits and retirement benefits improved, and explicit discrimination (as between male and female employees, and wages and salaried staff) substantially reduced.

For many unions, the issue was simply one of seeking superannuation coverage for their members who had no superannuation coverage at all, particularly unions representing unskilled manual workers and/or female employees. However, some of the large left wing unions saw possibilities of gaining control over the administration and investments of the funds. Union leader, Max Ogden, said:-

Democratic control of pension funds should mean not necessarily that the money is used for the purpose of the highest interest rate, but that it be seen in a much broader social context, and should include a number of things... We should see the concept of union-controlled superannuation funds as giving us one more of the many other avenues which can raise debate and doubt about the logic of capitalism.⁴¹

The major breakthrough came with the establishment of the Building Unions' Superannuation fund (BUS) in 1984, 'the most revolutionary development in worker participation in superannuation in Australia'.⁴² Building unions established a national fund for all employees in the building industry, entirely funded by employer contributions but controlled by the relevant trade unions. The BUS fund was exceptional, and was hailed as a prototype for trade union involvement in superannuation by the government and the ACTU.⁴³ It provided superannuation benefits despite the diversity of occupations within the building

³⁹ ABS, Catalogue No 6319.0.

⁴⁰ Fred Gruen, 'Australian Government Policy on Retirement Incomes', in Superfunds, March, 1986, p.25, and research interview, Canberra, February, 1991.

⁴¹ Max Ogden, AMWSU Monthly Journal, May, 1980.

⁴² Statement by Simon Crean, reported in A. McCathie, 'The Role of Unions in the New Super Deal', Australian Financial Review, p.3, October 3, 1984.

⁴³ Hon. J S Dawkins, Federal Minister for Finance, Statement No. 63/84, Canberra, October 19, 1984.

industry, the high labour turnover and the extreme mobility of the building labour force and the profusion of sub-contractors and employers of different size in the industry. The BUS fund was established after lengthy negotiations between the unions and employers, negotiations which were frequently interrupted by the sorts of industrial action regarded as characteristic of Australia's building industry.⁴⁴ These union-initiated industry-wide superannuation funds, the Storemen & Packers' fund (LUCRF) and the Building Unions' fund (BUS), provided the models for ACTU and government policies.⁴⁵ They inspired demands by other unions for occupational superannuation as a deferred pay, social wage benefit for union members. Because of the extensive influence of these funds as prototypes for the extension of occupational superannuation, detailed analysis of their development is considered in case studies in the following chapter.

From 1984, the main thrust of the union superannuation campaign was controlled by the leadership of the ACTU, and occupational superannuation became a major focus of the Accord process, and virtually the only trade-off provided by government to compensate unions and their members for continuing wages restraint. ACTU initiatives to bring occupational superannuation to the forefront of the national policy agenda are considered in the next section.

V) Superannuation - A Policy Priority For The ACTU

After a hiatus in support for union demands for superannuation, the 1983 ACTU Congress announced a national superannuation policy and established a superannuation committee to develop policy and co-ordinate and assist unions to establish industry-wide superannuation funds.⁴⁶ This has continued to be a powerful committee. Its members included Simon Crean and Bill Kelty (both of whom were strongly committed to union involvement in occupational

⁴⁴ Such as work stoppages in the middle of cement pours, rolling strikes and one day stoppages.

⁴⁵ Two industry superannuation schemes, the paper industry scheme and the stevedoring industry scheme, had been in existence for some years with the participation of the unions involved, but had not resulted in wider union actions.

⁴⁶ ACTU Congress, 1983.

superannuation and had moved from the FSPU to the ACTU), and Garry Weaven, an economics graduate colleague of Kelty's, who had organised the Victorian Municipal Officers' Union demands for superannuation during his time as an industrial officer with the union in the 1970s.⁴⁷ Weaven was given responsibility for the ACTU superannuation campaign, his closeness to Kelty guaranteeing priority for the superannuation issue in the ACTU agenda. Alan Boulton too, the legal officer for the ACTU, had a particular interest in superannuation, and provided the legal expertise required to establish the union-initiated industry funds.⁴⁸

Despite being more widely accepted by unions, occupational superannuation remained an issue for conflict within the union movement. The administration of the union-initiated schemes was a major concern. An FSPU proposal to the ACTU that their fund, LUCRF, could administer the combined unions scheme was rejected on political grounds, as the building unions were in conflict with the food unions associated with the FSPU. The ACTU therefore handed over administration of the ACTU fund to the AMP Society, a move which angered most affiliated unions.⁴⁹ Leaders of left wing trade unions demanded that control of the union-initiated superannuation funds remain in union hands. However, the right wing-dominated leadership of the ACTU were anxious to sustain the legitimacy of the funds in the eyes of the employers, the government and the public, and were concerned that trade unions lacked the economic expertise and resources to adequately administer superannuation funds. Jack Cambourne, a former member of the ACTU executive, former general secretary of the Federated Engine Drivers' and Firemens' Association (FEDFA) and a trustee of the CTRF superannuation fund, recalls numerous heated debates during 1984 and 1985 over the control of industry-wide funds:-

We couldn't see why the unions couldn't do just like the insurance companies and employ people to run the funds for us. In hindsight, we

⁴⁷ Weaven, op. cit., research interview, Melbourne, July, 1989.

⁴⁸ Alan Boulton was appointed a member of the Federal Industrial Court in 1987, establishing strong support for the industry fund superannuation campaign in this quarter.

⁴⁹ Harry Saint, Administrator, LUCRF, research interview, Melbourne, July, 1989.

can now see the insurance companies knew no more about setting up and running an industry-wide fund than we did. It was new for all of us. But people were worried about handling the investments. The unions were under so much scrutiny, we couldn't afford to make a mistake.⁵⁰

According to Harry Saint, one of the founders and now administrator of the LUCRF scheme, many unions were against the involvement of the traditional insurance industry in running the funds:-

If the union movement gets off its bum and trains people properly, there is no need to hand the union superannuation funds over to the insurance companies. The union movement is opting out of its obligations in going to the merchant banks and insurance offices, and leaving it all up to them. What's the point of going to fight for the money, and then handing it back.⁵¹

Superannuation continued to escalate in importance as an industrial issue in late 1985. At the 1985 ACTU Congress, delegates were urged to initiate direct union involvement in the administration and establishment of superannuation funds, to address the inequities in the current provision of superannuation and the limitations of existing schemes.⁵² The control of investment policies through the funds was raised, and a number of affiliates announced that they would implement ACTU policy according to the BUS and AUST funds models.⁵³ In the 1985 renegotiation of the Accord, the ACTU identified superannuation as a key issue.⁵⁴

In December 1985, the government announced guidelines for a two-tier wage system, tying wage increases to productivity improvements, and including new operational standards for superannuation schemes - full and immediate vesting, preservation to age 55 and mandatory portability.⁵⁵ Where existing company-based schemes were available, the guidelines proposed that:-

...the choice between an industry fund or a company fund for receiving the productivity decision should reflect the views of the employees affected.⁵⁶

⁵⁰ Jack Cambourne, FEDFA, research interviews, 1990, 1991 & 1992.

⁵¹ 'Who's Afraid of the Share Market?' *Australian Business*, October 22, 1986, p.86.

⁵² ACTU Congress, 'The Way Forward', *Policy Statement*, 1985.

⁵³ ACTU Congress, Minutes, 1985, ACTU archives.

⁵⁴ The Accord, Mark II, November, 1985.

⁵⁵ Paul Keating and Ralph Willis, Federal Treasurer and Minister for Employment and Industrial Relations, Joint Statement, December 16, 1985.

⁵⁶ Paul Keating, 'New Government Guidelines on Occupational Superannuation', Treasurer's Statement, June 11, 1986.

Here was the beginning of the attribution of particular public status to the funds, along the lines proposed by the unions. These new standards, and the establishment of an institutional regulatory body, the Insurance and Superannuation Commission (ISC), were legislated in 1986. Employers with company-based schemes were now forced to improve their superannuation schemes to conform with union-initiated funds. ISC requirements and new taxation and accounting standards to regulate occupational superannuation funds imposed new standards for the structure and administration of the funds, and new requirements for communications with fund members.⁵⁷

Employers mounted a legal challenge to stop trade union demands for superannuation benefits being included as an award-based condition of employment, taking the issue as far as the High Court. Despite previous legal precedents to the contrary,⁵⁸ in 1986 the High Court ruled that superannuation was indeed an industrial issue, came within the jurisdiction of the Arbitration Commission, and could become an award-based condition of employment.⁵⁹ All attention was now focussed upon the 1986 National Wage Case hearing to determine the distribution to wage and salary earners of their share in national productivity growth in the form of superannuation.⁶⁰ The 1986 National Wage Case decision ruled for a two-tier wages system. The second tier included a three percent productivity payment to be paid in the form of employer-contributed occupational superannuation benefits, negotiated industry by industry by the unions and ratified by the Commission.⁶¹

⁵⁷ *ibid.*

⁵⁸ Previous legal precedents such as the *Hamilton Knight* case ruled that pensions and superannuation were not industrial issues and so were excluded by constitutional restrictions on the jurisdiction of the Arbitration Commission and Industrial Tribunals. *R.V. Hamilton Knight, Ex parte Commonwealth Steamship Owners' Association*, 86 CLR 283, 1952.

⁵⁹ *Manufacturing Grocers' Employees Federation of Australia ex parte Australian Chamber of Manufactures*, High Court of Australia, 69 ALJR 347, Canberra, April 15/16, May 15, 1986.

⁶⁰ In September, 1985, the ACTU had agreed to cut its 4.3% pay claim by 2% in return for tax cuts of 2% in mid-1986, and the 3% superannuation benefit in return for productivity gains, claimed to be a 4.4% rise in labour productivity over the previous 2 years.

⁶¹ Australian Conciliation and Arbitration Commission, *National Wage Case*, Canberra, AGPS, 1986. Decision, June 26, 1986.

Superannuation was now part of the centralised and compulsory system of award-based benefits for employees. No longer was it the prerogative of management to decide who would be offered superannuation and how much they would get. These rulings were now institutionalised and publicly sanctioned. The decision was widely debated, one major newspaper editorial commenting:-

This is really a recipe for the superannuation revolution, laying the groundwork for changes which will kill off thousands of company schemes, and see the creation of some huge, industry-based new ones. The ACTU has succeeded in turning the philosophy of superannuation on its head. From now on, superannuation will increasingly be regarded as the basic right of every worker, and not as a privilege reserved for white collar and better qualified workers.⁶²

This opened up the way for increasing pressure by the unions to press for superannuation benefits for their members, although the Commission warned against the use of industrial action by unions to gain superannuation.⁶³ Workers in the strong sectors - on the waterfront, in transport, building, coal mining and oil and paint industries - used industrial 'muscle' to reach agreements with employer groups to establish industry-wide union-controlled funds, and to gain ratification for superannuation as part of their industry-wide awards.⁶⁴ Weaker unions took little or no action, and those workers consistently neglected by the provisions of the Accord and tripartite neo-corporatist negotiations were once again disadvantaged. Workers in low skilled, low status occupations, and part-time and casual workers, amongst whom women are disproportionately represented, gained almost no benefits from these arrangements.⁶⁵ Even ACTU Secretary, Bill Kelty, acknowledged that most unions would get nothing from the productivity claims until 1987:-

...simply, they will not have negotiated any new superannuation fund because they will not have had the muscle to do so.⁶⁶

The Arbitration Commission's starting date for new award-based superannuation funds, January 1 1987, was irrelevant for all but a handful of

⁶² 'Battle for the Superannuation Dollar', Sydney Morning Herald, December 10, 1985, p.8.

⁶³ Australian Conciliation and Arbitration Commission, 1986, op. cit.

⁶⁴ The first decision, the Transport Workers' (Superannuation) Award 1986, was ratified by the Commission on September 2, 1986. Commission Decision C No. 1063, Melbourne, 1986.

⁶⁵ Schofield, 1990, op. cit.

⁶⁶ 'Battle for the Superannuation Dollar', op. cit., p.8.

workers. With the downturn in the economy, the deterioration in real pay levels, and uncertainty over forthcoming wage case decisions, unions were becoming increasingly preoccupied with their members' more traditional wages concerns, rather than allocating scarce union resources to push for superannuation payments the workers would not see until they reached 55. Senior ACTU officials were also conceding privately that there was now no chance of the government establishing the 'safety net scheme' it had promised would provide superannuation benefits for those workers too weak to win them in the field.⁶⁷

Neither the government nor the employers fulfilled their obligations to the Accord agreement, and all parties became dependent upon the success of superannuation to maintain the stability of the Accord. The government resiled from its Accord commitments to workers, and Prime Minister Hawke stated in a televised address on June 11 1986 that:-

We have for the time being to accept reduced standards of living... we must obtain a lower wage outcome than anticipated when the Accord was renegotiated last September.⁶⁸

Despite the government commitment to employment generation promised in early Accord agreements, policy changes substantially eroded employment. Reductions in tariffs, deregulation of financial markets and generally opening up Australian industry to international competition had disastrous effects on the labour market and increased unemployment.⁶⁹ Continuing restrictions on apprenticeship and training schemes, reductions in government expenditure on public infrastructure, such as health, transport and education all reduced employment prospects and real wages income for the labour force, and eroded welfare benefits for those not in the workforce. Wage increases were discounted and there were widespread reductions in government expenditure on health, social security and education, despite government promises in Accord agreements to expand workers' social wage.

⁶⁷ 'ACTU Fears Super Campaign Waning', Sydney Morning Herald, p.4, August 23, 1986.

⁶⁸ Prime Minister, R. J. Hawke, Address to the Nation, Transcript, June 11, 1986, p.2.

⁶⁹ Halevi & Kriesler, 1991, op. cit.

Employers, too, failed to fulfil their Accord obligations.⁷⁰ Despite improvements in productivity and profitability as a result of the continuing wage restraint, rather than reinvesting in employment generating plant and technology, training and skills development, as promised, profits were diverted into disproportionately large increases in management and executive salaries and corporate takeovers during the 1980s.⁷¹ Nevertheless, employers⁷² and conservative ideologues, spouting 'new right' doctrines, continued to cavil against the unions.⁷³

VI) Strategic Unionism: Trade Unions and National Economic Planning

It was widely accepted that Australia's industrial relations system required major systemic change. A major government inquiry (the Hancock Report) proposed radical changes in Australia's award system, in union structures and in work practices.⁷⁴ The leaders of the ACTU and major trade unions were notably convinced in the face of the continuing economic downturn in Australia and the increased exposure to international markets, that far-reaching changes were necessary.⁷⁵ Late in 1986, a fact-finding mission of senior union officials, funded by the government Trade Development Council and the ACTU, went overseas to study the experience of European countries which had similarly encountered large deficits in their balance of payments and other related economic problems. The Mission Report and ACTU recommendations, 'Australia Reconstructed' (released on July 29, 1987), was enormously influential, and graphically illustrates the changing orientations of Australia's union movement.⁷⁶

⁷⁰ Whilst not formally a party to Accord agreements, employers endorsed the Accord at the National Economic Summit organised by the Hawke Government in 1983.

⁷¹ See Halevi & Kriesler, 1991, op. cit. and Wheelwright, 1989(a), op. cit.

⁷² See for instance comments by Hugh Morgan, Chief Executive of Western Mining Corporation, *Sydney Morning Herald*, p.27, March 2, 1986.

⁷³ Marian Sawyer (ed.), *Australia and The New Right*, Sydney, Allen & Unwin, 1982.

⁷⁴ The Hancock Committee of Review, *Australian Industrial Relations Law and Systems*, Canberra, AGPS, 1985.

⁷⁵ Weaven, 1989, op. cit., and research interview, Melbourne, July, 1989. See also ACTU, 'Future Strategies for the Trade Union Movement', Melbourne, May, 1987.

⁷⁶ Trade Development Council/ACTU, 'Mission to Western Europe: Overview', Melbourne, ACTU, 1986. The Mission Report also called for the need to develop broad-based policies to encourage increased investment leading to improved competitiveness in both export and import

'Australia Reconstructed' emphasised that unions must play a greater part in seeking policies to improve production, stimulate employment and improve living standards. It argued that Australia should move towards a more neo-corporatist, politico-economic system, fashioned upon elements of the systems in Sweden and Austria. Of particular note here, it reported glowingly on union collective capital formation through union-controlled wage earner investment funds in Sweden and Austria, and their connections with the pension system in those countries. A central recommendation was the call for the establishment of a National Development Fund to encourage investment in longer term economic growth and expansion, funded by a 10 percent to 20 percent levy on occupational superannuation fund income.⁷⁷ Although no action ensued, the proposal has been repeatedly raised, even once again early in 1991 by Industry Minister Senator John Button.⁷⁸

Upon receiving the Report, the ACTU Executive resolved that:-

The outstanding feature of this report is that it provides for the trade union movement a cohesive framework and a set of recommendations from which an effective economic and industrial strategy can be formulated.⁷⁹

In his foreword, Bill Kelty said that the Report embodied the strategic issues which all Australians must now address:-

The task of restructuring Australia is not simply a task for government. We all must have a strong commitment towards fostering the highest possible economic growth and its equitable distribution, and to achieving the lowest possible levels of inflation and unemployment. Structural change and the promotion of a productive culture are necessary to enhance our international competitiveness.⁸⁰

competing markets. ACTU and its affiliated unions were urged to consider a revised framework for wage fixing based on protecting lower income groups, providing incentives for skill and training, the restructuring of rates for improved efficiency and bargaining at enterprise or industry level consistent with these principles, that the wage target should be centralised, and should have regard for prices and productivity, employment, the social wage, interest rates and tax cuts.

⁷⁷ National Development Fund projected income was expected to be at least \$4 billion a year by 1997, accumulated assets by 1997 expected to exceed \$21 billion.

⁷⁸ Senator John Button directly approached major life houses and financial institutions to contribute to a National Development Fund, but was unsuccessful.

⁷⁹ Trade Development Council, Media Statement, August 17, 1987.

⁸⁰ John Dawkins, Federal Minister for Trade, 'Australia Reconstructed', Canberra, AGPS, July, 1987, p.5.

The Report gained extensive support for the ACTU and the union movement from government.⁸¹ It was almost universally well received, and aroused comment even in the general community. It was hotly debated in talkback radio, newspaper editorials, feature articles, letters to the editor and general news and news review features in daily newspapers, specialist journals, on radio and television. Most people commended the ACTU for taking an increasingly sophisticated role in the economy, and for demonstrating that a process of change in attitudes among the unions was emerging. One commentator went so far as to call it:-

...an icon symbolising an important change in Australian society.⁸²

Left critics were not so sanguine, focussing on the lack of attention to service sector industries and the dearth of attention to the peripheral labour market, particularly female workers.⁸³ Bolger for example commented that:-

Reading Australia Reconstructed, one immediately realises the extent to which the document is committed to improving Australia's capitalist social and economic order. It is discouraging that a trade union delegation charged with the responsibility of creating a framework for Australia's future development should be so unimaginative, dwelling so slavishly on re-creating a more productive capitalist economy.⁸⁴

Commentators from the right were equally vociferous in their criticism, focussing on the proposals for increasing centralisation and intervention. They questioned the relevance of neo-corporatist economic policies in a modern complex economy such as Australia. The essence of right wing critiques is best summarised by the right wing think tank Centre for Independent Studies in a CIS Policy Forum

⁸¹ Minister for Trade, John Dawkins:-

...The contents of this Report reveal the deep commitment by the senior union participants to maintaining international competitiveness, to reducing the balance of payments constraint and to enhancing productivity through changes in management and work practices...The recommendations in the Report will receive careful study by myself and my Ministerial colleagues. The Accord and associated tripartite processes, which have continued to evolve since 1983 have laid a firm basis for the constructive participation of business, unions, and the community in the provision of advice to government, and the formulation and implementation of policy and the delivery of programs. 'Australia Re-constructed', Introductory Statement, p.iii.

⁸² Gerard Noonan, Australian Financial Review, July 31, 1988.

⁸³ For example Shane Tregillis, 'Australia Unconstructed', In Australian Society, Vol 6, No 8, September, 1987, p.17.; and Peter Beilharz, 'Political Unionism', in Arena, 82, 173-167, 1988, p.167.

⁸⁴ Irene Bolger, 'Australia Re-constructed: A personal view', Arena, 83, 160-163, 1988, p.160.

in October 1987, which stated in part:-

It is difficult to escape the feeling that what the ACTU/TDC Mission did was to take on board virtually every faddish economic policy idea prevalent in Western Europe in the 1960s...and to distil all of these ingredients into a prescription for Australia in the 1990s. Meanwhile, back in Western Europe, the general direction of economic thought and policy has changed decisively.⁸⁵

The Report was presented to member unions at the 1987 ACTU Congress. Despite the enthusiasm of union leaders for 'strategic unionism'⁸⁶, ACTU Secretary Bill Kelty lamented the lack of concrete responses from the more than 160 union affiliates when he outlined plans for union amalgamations and other commitments called for in the Report.⁸⁷ While some commentators said the Congress was noteworthy for the high degree of consensus,⁸⁸ Kelty said that the ACTU Congress demonstrated that the trade union movement had:-

...a hell of a long way to go...Up to a point, some groups of workers with industrial muscle did not care about overall union strategies. All they wanted to know was when the next pay rise was coming.⁸⁹

Meanwhile, in 1988 and 1989 the unions were gaining huge extensions in occupational superannuation through the centralised industrial award system.⁹⁰ The 3 percent of wages that employers contributed to superannuation provided a non-inflationary method of gaining additional benefits for workers. It was meant to serve as a wages trade-off against productivity improvements, to encourage increases in national productivity. But despite the acceptance of employer-funded superannuation within industrial awards, there were continuing high levels of non-compliance by small employers, most particularly in the retail, the hospitality and service industries. The ACTU therefore demanded government support to ensure

⁸⁵ John Burton, 'Review of Australia Reconstructed', Centre for Independent Studies Policy Report, Vol. 3, No 5, October, 1987, p.4

⁸⁶ 'Strategic unionism' required that unions move beyond their traditional focus on wages, working conditions and the social wage to a concern with industry policy via a role in tripartite bodies embracing government, employers and unions at the national, regional industry and corporate levels.

⁸⁷ The ACTU proposed union amalgamations, from 316 existing unions into 20 big union groupings in two years.

⁸⁸ Professor Ed Davis, Macquarie University, research interview, Sydney, October, 1987.

⁸⁹ Bill Kelty, ACTU Secretary, Address to the Socialist Forum, (a left-wing political group). Melbourne, Fitzroy, November 25, 1987.

⁹⁰ Australia's centralised systems of federal and various state industrial awards prescribe minimum wages and working conditions for approximately 85% of Australia's labour force.

the spread of superannuation coverage throughout the workforce, particularly amongst casual and part-time workers, who were consistently denied coverage. The only means of policing award compliance lay with the Arbitration Inspectorates in Federal and State Departments of Industrial Relations, which had suffered extensive funding cuts in the period 1987 to 1989, and had inadequate staff to police award compliance in general, and were unable to ensure that employers made superannuation contributions regularly on behalf of all employees. According to Weaven, it was only through personal political influence that the Arbitration Inspectorate in Victoria conducted a media publicity campaign to educate workers about their entitlements,⁹¹ but enforcement in the field was impossible, and there were continuing widespread breaches of awards.⁹²

With no other possibilities for wage increases, the ACTU continued to press the government to extend occupational superannuation throughout the workforce. They made this a condition for continuing to guarantee wage restraint from their member unions under the provisions of the succeeding iterations of the Accord.⁹³ As part of the renegotiated Accord Mark VI (February, 1990), the ACTU sought to double award-based employer contributions to superannuation, increasing employer contributions to 6 percent of wages and salary. Despite government support, the AIRC refused to ratify Accord Mark VI, rejecting the proposed increases in employer contributions to superannuation.⁹⁴ Responding to pressure from the ACTU, in the August 1991 Federal Budget the Hawke Government announced their intention to legislate to introduce a mandatory employer-funded Superannuation Guarantee Charge, comprising 5 percent of employee earnings increasing to 9 percent by the year 2002. Despite opposition from the Liberal/National coalition, the

⁹¹ The State Arbitration Inspectorate in Victoria conducted a publicity campaign on award superannuation in 1990 with newspaper, television and radio and bus advertising. A superannuation telephone hotline regarding superannuation coverage received thousands of enquiries.

⁹² Weaven, *op. cit.* research interview, Melbourne, March, 1990.

⁹³ The Accord Mark III, (March, 1987); Accord Mark IV, (August, 1988); Accord Mark V, (August 1989).

⁹⁴ The AIRC declined to ratify Accord Mark VI February, 1990. AIRC, National Wage Case, April, 1991.

government negotiated for the support of the Democrats, and the Superannuation Guarantee legislation was introduced to commence on July 1 1992, albeit with some amendments.⁹⁵ However in terms of its effects upon the union movement, the extension of superannuation benefits, as also the move to strategic unionism and award restructuring and union amalgamations, has failed to arrest the decline in membership of Australia's trade unions and the loss of social power of the unions.⁹⁶

The close personal relationship between ACTU Secretary Bill Kelty and the then Treasurer and now Prime Minister Paul Keating was long central to Keating's continuing support for industry-wide superannuation, according to many sources.⁹⁷ By the end of the 1980s, and increasingly in 1991 and 1992, there was widespread acknowledgement that one to one negotiations between Kelty and Keating determined the trajectories of policy-making. One commentator observed that:-

...private phone calls and secret deals in backrooms, chiefly between Kelty and Keating, have become the norm. They have displaced the semi-formal structures that were supposed to fix wages, tax, social welfare issues and even a say in political appointments...Deals originally supposed to reflect a democratic style of wide consultation are routinely tied up ahead of official negotiations by Keating and Kelty with little outside input. Kelty then consults a handful of people. At subsequent official negotiations, Kelty sells the deal to senior trade union officials as a *fait accompli*. The problem for the political process of the Accord is that it no longer has any proper checks and balances as Kelty increasingly gets his own way, and Keating relies on his mate to deliver the workers.⁹⁸

Trade union decisions regarding the campaign for superannuation, and indeed virtually all union negotiations with government and employers became increasingly dominated by Kelty and his close cadre of supporters in the ACTU

⁹⁵ The Superannuation Guarantee Charge requires employers with a payroll of more than \$1 million to pay a 4% levy on behalf of employees who earn more \$450 per month from July 1, 1992, and 5% from January 1, 1993.

⁹⁶ Australia's trade union membership has dropped some 10% over a 14 year period, to 40.5% in August 1990, with a union density in the private sector of only 32%. Lambert argues that if trends continue, only 25% of the workforce will be unionised by the year 2000. R. Lambert, 'State of the Union: An Assessment of Union Strategies', in Economic and Labour Relations Review, Vol 2, No 2, 1-25, December, 1991.

⁹⁷ See for example Paul Keating's own comments in his address at the Australian Graduate School of Management, UNSW, Sydney, November, 1991(b).; frequent comments by media commentators and the references to the Kelty-Keating friendship in Keating & Dixon, 1989, op. cit.

⁹⁸ Brad Norington, 'When Kelty speaks, Keating listens', Sydney Morning Herald, March 19, 1992, p.11.

leadership. Most of the industrial staff at the ACTU by the early 1990s had become 'Kelty clones, who treat him like a prophet and rarely challenge him'.⁹⁹ There was some resistance from ACTU President Martin Ferguson, and divisions developed in 1991 between Kelty and Ferguson over the Prime Ministerial contest between Keating and Hawke.¹⁰⁰ When Keating became Prime Minister in December 1991, Kelty took over responsibility for political negotiations and Ferguson was left with industrial negotiations.¹⁰¹ The concentrations of power within the leadership of the ACTU allegedly virtually froze out middle ranking and even senior leaders of ACTU member unions. There are numerous examples of ACTU and member union decisions being arbitrarily overturned by Kelty in negotiations with Keating, and government policy decisions being negotiated solely according to Kelty's personal predilections.¹⁰²

By the middle of 1992, Australia's national retirement income regime had been substantially privatised. More than 75 percent of employees were compulsorily contributing a proportion of their wages to save for their retirement, by being awarded superannuation benefits in lieu of wage increases.¹⁰³ Most of their contributions go into union-initiated industry-wide funds, of which there are now almost 200. At least half a dozen of the union-initiated industry funds have more than 100,000 members, making them by far the largest occupational superannuation

⁹⁹ Jack Cambourne, Former ACTU executive member, research interview, Sydney, December, 1991.

¹⁰⁰ Kelty was a strong supporter of Keating, whilst Ferguson supported Hawke.

¹⁰¹ Mavis Robertson, ACTU National Industry Superannuation Co-ordinator, research interview, Melbourne, March, 1992.

¹⁰² In November 1990, the ACTU wages committee formally decided to reject seeking a tax cut as a substitute for a small pay rise. Two days later Mr Kelty changed his mind and personally negotiated a tax deal with Keating and Hawke. Union officials were told later. In 1991 ACTU President Martin Ferguson accepted the the Industrial Commission rejection of the conditions of Accord Mark VI., February, 1990. When Kelty returned from overseas, he spearheaded a vicious ACTU and Government-backed campaign against the Commission. Since then Kelty has waged a personal battle against the Commission, a battle which according to union spokespersons has resulted in superannuation award judgements contrary to trade union interests, in granting superannuation coverage to funds other than industry-wide superannuation funds.

¹⁰³ In August 1988, only 42% of wage and salary earners in their main job received a superannuation benefit. Between August 1990 and July 1991 the proportion of employees receiving a superannuation benefit increased from 53% and 72%. Public sector employees continued to be advantaged in superannuation coverage (91% in July 1991) over employees in the private sector (75% in July 1991). Part-time employees (of whom more than 80% are female) continued to be disadvantaged with only 42% receiving superannuation benefits. ABS, Superannuation Survey, Cat No 6319.0, November, 1991.

funds in Australia outside public sector schemes. They are jointly controlled by capital and labour, regulated and supervised by state instrumentalities. Accumulated capital assets of the funds exceed \$6 billion, making it the largest new repository of Australian savings. This figure is expected to top \$15 billion by the turn of the century, and so the direction of investment of this money is of enormous importance to Australia and the future of Australia's workforce. Australia's workers have foregone at least 4 percent of their wages in favour of employer contributions into superannuation funds, with virtually no guarantees for the security of their savings.

Trade union demands for access for all workers to occupational superannuation and participation for unions in the ownership and control of the huge accumulated capital assets of the funds are heralded as a major success of neo-corporatist public policy formation during the period of the Hawke Government. Union participation in changes in the national retirement income regime represented a major reversal of the traditional union support for government-provided age pensions. The reasons for this apparent 'about-face' were numerous as the previous discussion suggests. To summarise, original union demands for superannuation arose when other direct wage increases were not possible because of economic and structural strictures. Later, trade union demands for occupational superannuation for their members were part of a social democratic thrust to extend the rights and life conditions for Australia's employees. Historically, superannuation benefits had been inequitably provided, and yet were generously supported by the state. Access to lump sum retirement benefits were a male working class dream, a promise that all working people would have access to a lifestyle in retirement previously only the province of male management and lifelong public servants. Some union leaders too saw that ownership and control of industry-wide superannuation funds could potentially enhance the power of unions, and gain industrial and economic democracy for union members. Superannuation became a major component of social wage increases expected to result from a new involvement of unions in national economic planning and policy-making.

The shift in ACTU priorities to macroeconomic decision-making and international corporate negotiations, led to a sacrifice of earlier objectives for superannuation. Plowman suggests that the union movement entered the 1990s at the height of its political strength, that the Accord has given the union movement, unprecedented access to national decision-making, and that the ACTU has thus become a major partner in the business of managing the nation.¹⁰⁴ As the above discussion reveals, the strategic policy choices remained those of government. With its incorporation in the Accord process, the union campaign for superannuation became part of a pragmatic adaptive rationality which has long been a feature of the dominant labourist orientation of Australia's union movement. Singleton's comments about the Accord process are relevant.¹⁰⁵ She argues that the Accord is contingent on a set of attitudes which make possible and sustain the bargained relationship between them. Prime Minister Keating stated that 'the tracks of the Accord are lubricated with a lot of goodwill'.¹⁰⁶ Like the Accord, the campaign for superannuation owes much to informal networks and friendly relationships between key personnel, trading-off superannuation benefits to sustain union commitment to wage restraint and hence the sanctity of the Accord.

But superannuation is a new form of labourist demand. It is still strongly masculinist, oriented to providing benefits for those in the workforce, with no regard for more universal interests. Skilled, highly paid and mostly male members of the workforce have been the recipients of superannuation benefits. But it is not needs-based, as more traditional labourist claims were. The provision of employer-contributed superannuation is directly linked to replacement of income, and is entirely earnings-related. Normative objectives such as considerations of social justice and social equity gain no purchase. In the early 1980s the ACTU and major unions had explicit goals and policy objectives for their superannuation campaign.

¹⁰⁴ David Plowman, 'W(h)ither Australian Unions?' in The Economic and Labour Relations Review, Vol 2, No 2, December, 1991.

¹⁰⁵ Singleton, 1985, op. cit., p.180.

¹⁰⁶ Australian Financial Review, March 20, 1987.

These were lost in the incorporation of superannuation within broader strategic government policy-making. Clearly, the unions were the architects of the policy changes which transformed the national retirement income regime, but the strategic choices by which union demands for additional benefits for their members became transmuted into major policy changes was certainly not part of the original union intentions, and the policy patterns which emerged diminished the benefits of these changes for union members and other employees.

The drive for direct participation by unions in public policy-making involved the acceptance by their leadership of the relationship between the material conditions of employment (especially wage and salary levels) and political decisions concerning public policy-making. There is nothing new in the fact that unions seek higher wages and salaries and improved working conditions, lower taxation and greater social service benefits for their members through direct negotiations with government. Since the beginning of this century, unions have depended on the ALP to push for wage benefits in the political arena. What was new was their desire for direct participation in public policy formation and implementation, particularly in social policy-making. This analysis reveals that their participation has proceeded with but a modicum of putative power-sharing. The union role in policy-making has not been institutionally sanctioned. It depends on informal, elite, private negotiations between leaders of the ACTU and the Federal Labor Government, and is contingent on the continuing tenure of the ALP in government. Union goals became increasingly contingent upon broader government policy objectives in the context of emerging economic exigencies and the influence of a new political culture, as the following discussion proposes.

4.3 GOVERNMENT DEVOLVES A TRADITIONAL FUNCTION

I) Privatisation: The Preferred Policy Choice

In March 1983, Bob Hawke led the ALP to electoral victory on the basis of his own personal and the labour movement's collective commitment to a program of national reconciliation and consensus politics. The social contract negotiated by the ALP and ACTU, the Accord, represented the practical adaptation by politicians and unionists (including some leading communists) of neo-corporatist policies to deal with the Australian economic crisis of the 1980s and to reinvigorate the national economy. The neo-corporatist model which provided the framework for the early iterations of the Accord and the processes of public policy-making in the first two years of the Hawke Government was based upon neo-corporatist experiences in social democratic countries overseas, particularly the Swedish neo-corporatist experiences. It presumed the equal representation of capital and labour in the establishment of tripartite neo-corporatist organisations to produce economic recovery, industrial regeneration, and increased international competitiveness within a context of industrial and social harmony.¹⁰⁷

As discussed above, the Accord placed the concept of the social wage high on the public policy agenda, the extension of superannuation benefits across the workforce being an important component of social wage demands. Successive iterations of the Accord, invoked to cope with changing economic exigencies, accepted that the previously proposed provision of national superannuation was unrealistic in the context of government moves to reduce public expenditure, as will be discussed. Rather, the government and the ACTU opted to privatise this area of social welfare benefits, attributing particular public status to employer-funded occupational superannuation. Award-based superannuation became an important element of wages policy, and by shifting the boundary of managerial prerogative opened up a new phase in industrial relations negotiation. It appeared to give the

¹⁰⁷ For example, the Economic Planning and Advisory Council (EPAC), and the Australian Industries Development Corporation (AIDC).

unions the right to participate in macroeconomic policy making, and ownership and control of huge accumulations of investment capital, with the promise of greater equity for the workforce. This was one of the main mechanisms by which the Hawke Government gained union acceptance for restrictive social, economic, wages and industry policies.

The Hawke Government decision to privatise the national retirement income regime was not an inevitable policy choice. It provided the opportunity for government to devolve future fiscal responsibilities for the provision of retirement income, remove age pensions from the arena of parliamentary responsibility and accountability, and eliminate age pensions as an electoral issue. By requiring employees to provide for their own future retirement income, and shift responsibility for the security of their accumulated retirement savings to the private sector, the government sought to reduce government welfare expenditure. These policy choices are reflections of the Hawke Government's general trend in public policy towards orthodox monetarism and fiscal restraint, an increasing reliance on market forces,¹⁰⁸ and the acceptance of economic liberalist approaches to macroeconomic management.

The Hawke Government's response to the nation's macroeconomic and microeconomic problems with a virulent *petit-bourgeois* ideology, an acceptance of monetarist and post-industrial ideology, requires explanation. Halevi and Kriesler argue that it has been the very policies of the Hawke Government which have resulted in a process of deindustrialisation and a movement of capitalist groups towards finance, 'leading towards a euthanasia of the industrialists'.¹⁰⁹ With the emergence of financial capital as the primary economic sector, the Accord is rendered impotent, and the promised reindustrialisation becomes a virtual impossibility. Long term unemployment and continuing loss of jobs ensued, as the

¹⁰⁸ H. Bateman, J. Frisch, G. Kingston & J. Piggott, *Discussion Paper*, No 241, 'Demographics, retirement saving and Superannuation Policy: an Australian Perspective', Canberra, ANU, Centre for Economic Policy Research, August, 1990, p.12.

¹⁰⁹ Halevi & Kriesler, 1991, op. cit.

result of the lack of regard for structural reinvigoration, and the emphasis on so-called 'market forces' and 'level playing fields'.¹¹⁰ Once in government, the professed social democratic Hawke Government was committed to finding solutions to the emerging economic crisis which were capable of winning support from key sections of capital, now perceived by government as essential to economic renewal. In the drive for national economic renewal, and their desire for continued electoral success (in campaigns largely funded by the business sector), the Hawke Government perceived that its primary responsibilities were to the commonweal over sectional interests such as trade unions and environmental groups.

Retirement income policy choices were legitimated and seen as strategically necessary on the basis of four analytically distinct elements, and these are now considered in turn. These four factors permeated the discourse of the co-ordinating departments of the federal public service (Prime Minister and Cabinet, the Department of Finance, and Treasury). As discussed in Chapter One, these departments had adopted an increasingly economic rationalist position in their approach to policy, and they convinced the government of the cogency of these trajectories. Recognising that the government lacked sufficient power to impose these economic changes autonomously, they encouraged the Hawke Government's interest in neo-corporatist policy arrangements. The four key issues they identified as central to demands for changes in retirement income policies were:-

1. The 'demographic imperative' - the so-called 'greying' of the Australian population, and government reluctance to increase taxation to support future national retirement income provision.
2. Welfare benefits and fiscal subsidies - there were both very substantial government outlays in respect of age and service pensions, and large amounts of revenue lost in concessionary tax treatment of occupational superannuation.

¹¹⁰ The level playing fields rationale has led to reduced government involvement on the basis that it would allow market forces free play.

3. The need to increase domestic savings.
4. A need for government to maintain the Accord, in the context of ACTU pressure for social wage benefits for their members in return for continuing wage restraint.

II) The Demographic Imperative

A number of studies in recent years have highlighted the changing demographic profile of this country's population, referred to as the 'greying' of the population.¹¹¹ More men and women are living to retirement age and later, and because of falling birth rates and immigration cut-backs, an increasingly larger proportion of the entire population is, and will continue to fall, in the older age bracket.¹¹² Such a marked shift in the population is expected to have major implications for social expenditure. Departmental inquiries anticipate the increase in the dependency of the aged will require increasing government social security and welfare outlays, particularly health costs.¹¹³

Econometric projections of the fiscal liabilities of Australia's increasing age dependency ratio achieved extensive currency in government policy papers and recommendations in the early 1980s,¹¹⁴ resulting in an acceptance in government policy-making circles that, on present arrangements, the government would be unable to meet the costs of continuing to provide age pensions into the next century.

¹¹¹ Kendig & McCallum, 1990, op. cit.; DSS, Issues Paper No 6, 'Towards A National Retirement Incomes Policy', Chris Foster, Social Security Review, 51-56, Canberra, Social Welfare Policy Secretariat, 1988.

¹¹² The proportion of the aged as a percentage of the total population has increased from 4% in 1901 to 11% in 1989. The proportion is expected to increase to 18% of the population as the baby-boom generation reaches retirement age between 2010 and 2025. The huge increase in birthrates following the Second World War has resulted in a large population cohort born between 1946 and 1965, known as the 'baby boom generation'. EPAC, Council Paper No 29, 'The Economic Effects of an Aging Population', Canberra, AGPS, January, 1988(a).

¹¹³ See for example, DSS, Research Paper, No 19, Development Division, 'Financing Social Security: An Analysis of the contributory "Social Insurance" Approach', D. Ingles, Canberra, 1982.; EPAC, 1988(a); op. cit.; Kendig & McCallum, 1990, op. cit.

¹¹⁴ The Policy Review Branch of the Development Division in the Federal Department of Social Security produced a host of papers on the fiscal crisis presented by

The government was confronted with three options:-

1. Reduce the rate of the age pension relative to average weekly earnings.
2. Tighten eligibility for the age pension.
3. Massively increase taxes to meet the increased social expenditure.

Departmental recommendations strongly urged that an alternative and:-

...a more socially acceptable way to ease the future burden would be to re-structure the present superannuation arrangements to ensure they effectively encourage self-provision for retirement.¹¹⁵

Hermeneutic analysis of Treasury and Finance statements and reports and the Department of Social Services Social Security Journal from 1980 onwards revealed an emerging discourse which assumed government would be unable to meet the age pension requirements of the ageing population, especially with the retirement of the baby boom generation in the first decades of next century. The severity of this problem for Australia is widely debated. Critics suggest that the hysteria caused by fiscal debates about the ageing of Australia's population is highly speculative. They argue that a kind of 'voodoo demographics' has developed which raises the spectre of an intolerable economic burden arising from growing numbers of older people and resulting intergenerational conflict.¹¹⁶ They suggest that the reliance on econometric projections, such as age dependency ratios, ignores the impact of:-

- The differential expenditure patterns of the very young and the very old
- Economic growth
- The early retirement phenomenon
- Changing societal expectations regarding the levels and adequacy of retirement income
- The changing nature of work opportunities for the aged

They conclude that the burden of ageing populations is economically manageable, arguing that, because of high and continuing immigration, Australia faces this

¹¹⁵ DSS, 1988, op. cit.

¹¹⁶ Schulz et al, *ibid*.

ageing of the population and an increased age dependency ratio much later than other overseas countries. Many of these countries have already successfully adopted and implemented universal social insurance systems which are coping with these problems without fiscal crisis, and with considerably more generous retirement benefit provisions than are extant in Australia at the present time.¹¹⁷

Jackson debunks the 'doomsday scenario', claiming that mainstream economics is too narrow to model ageing adequately.¹¹⁸ He maintains that non-neoclassical economics and other social sciences, notably sociology and social policy studies, offer pluralistic multi-disciplinary approaches which are more dynamic in assessing such processes and take account of temporal and social changes and uncertainty. Governments must rather accept the notion of 'structured dependency', that the dependency of the elderly is socially-created and linked to macroeconomic conditions. Although the levels of real social expenditures will rise substantially in all countries by 2025, these increases will be more modest than is generally perceived to be the case when related to the growth in GDP assumed to take place over the same period. The Jones Report in Australia challenged the government to recognise that the capacity of people to confer value (without a dollar equivalent) must be considered, and that the increasing absolute and relative numbers of the aged do not impose a burden on the economy or threaten the viability of the health and welfare system, but that demographic changes require rational and consensual debates about social practices and institutions in the broader context.¹¹⁹ Borowski argues that there are a variety of important determinants of the future economic welfare of people (of all ages).¹²⁰ These include national economic growth, labour force participation, levels of savings, investment in human and business capital,

¹¹⁷ See Olli Kangas & Joakim Palme, 'Public and Private Pensions: The Scandinavian Countries in A Comparative Perspective', Stockholm, Institutet For Social Forskning, 1989.; and James H Schulz, Allan Borowski & William H Crown, Economics of Population Ageing. The 'Graying' of Australia, Japan and the United States, New York, Auburn House, 1991.

¹¹⁸ William Jackson, 'On the Treatment of Population Ageing in Economic Theory', in Ageing and Society, Vol 2, 59-68, 1991, p.59.

¹¹⁹ House of Representatives Standing Committee for Long Term Strategies, 1992, op. cit., pp.59-79.

¹²⁰ Schultz et al, 1991, op.cit.; EPAC, 1988(a), op. cit.

technological change, entrepreneurial initiatives, managerial skills, government provision of infrastructure and so on.

Despite these arguments, the doomsday scenario was accepted by government, and was a major factor in the decision to privatise the retirement income regime. The Hawke Government's first moves were to reduce direct government outlays on the age pension by restricting eligibility to the pension, and substantially reducing the numbers of people in receipt of the age pension.¹²¹ These were minimal changes by comparison with the changes which are the focus of this analysis.

III) Welfare Benefits and Fiscal Subsidies

The inequities of the existing occupational superannuation system and the huge losses to the public purse which resulted from abuses of the tax concessions were discussed in Chapter Three. Numerous government departmental reports and recommendations, as well as union initiatives, required that the government address these anomalies.¹²² The government was urged to make superannuation a true retirement income system rather than a dispersed employment termination benefit as provided by the lump sum benefit system, and to extend the provision of equitable superannuation benefits across the workforce.¹²³ These demands were ignored and changes to the concessional tax system (as an immediate income-earner for government) were first addressed, ostensibly to reduce the attractiveness and inequities of lump sum benefits. The announcement of increased taxes on lump sum benefits in 1983, produced public protest from well organised and powerful groups (notably beneficiaries of large lump sum payouts, such as the Airline Pilots'

¹²¹ Since taking office, the Hawke Government has re-imposed an income test for the over 70s, refused to allow indexation for automatic pension increases for over-70s, and in 1985 reintroduced an asset test for pension eligibility.

¹²² These issues are given detailed consideration in the National Superannuation Committee of Inquiry. 1976/77, op. cit.; the Commonwealth Task Force on Occupational Superannuation. Commonwealth of Australia, Canberra, AGPS, 1982.; DSS, 1988, op. cit.; Australian Law Reform Commission, Discussion Paper 50, 'Collective Investment Schemes: Superannuation', R. Agnew, M. Ryan, S. Mason & L. Re, Canberra, AGPS, January 1992(a).

¹²³ J. Cordiner, 'Proposed Changes in the Taxation Treatment of Superannuation Benefits', in Social Security Journal, December, 1983, pp.66-68.

Association), and the government reduced the tax.¹²⁴ A system of Approved Deposit Funds (ADFs) and Deferred Annuities (DAs) was established to allow retirees to transfer their lump sum benefits untaxed into approved funds, which provide weekly pension payments.¹²⁵ Lump sum taxes were also intended to discourage the practice of what was at one time called 'wriggling' and more recently called 'double-dipping', whereby retirees collect sometimes extremely large lump sum superannuation benefits, but are able to arrange their financial affairs so as to be eligible to also claim the full age pension. The government introduced a variety of new taxes affecting occupational superannuation, taxing employer contributions to the funds, the earnings of superannuation funds and retirement payouts in varying ways. Full details are not relevant here, except to point out that taxation concessions continue to be regressive, and critics allege that taxation benefits disproportionately accrue to higher income earners, at the cost of large amounts of taxation revenue denied to the public purse.¹²⁶

IV) Increasing Domestic Saving

The need to address the continuing drop in Australian savings since the 1970s was another vital factor in government and departmental moves to support the extension of occupational superannuation. Repeated Treasury calls for increased private savings were confirmed for government in 1988 by an EPAC study on trends in private savings.¹²⁷ According to the EPAC Report, lower private savings impose a greater burden on fiscal policy to achieve necessary macro-economic adjustments. Among the options presented to government was the extension of the coverage of existing superannuation concessions, and greater encouragement of

¹²⁴ The initial impost on amounts below \$50,000 at 30%, and amounts above \$50,000 at 42% and 60% was reduced to lump sum benefits below \$50,000 being taxed at 15% and amounts above \$50,000 at a flat rate of 30%. Treasurer's Press Statements, April, May, June, 1983.

¹²⁵ Full details of taxation changes to occupational superannuation are not included in this thesis, but are documented in regular Australian Taxation Office Bulletins, Canberra, AGPS.

¹²⁶ See ACOSS and Dixon's submission to the Senate Select Committee Inquiry, Second Report, 1992(a); E. Cox, 'Superfudge or Subterfuge: Do Women Need Superannuation?' Sydney, Women's Economic Think Tank (WETTANK), P.O. Box 675, Glebe, January, 1992.

¹²⁷ EPAC, Council Paper No 36, 'Trends in Private Saving', December, 1988(b), p.7.

individual employees' contributions to retirement savings through tax-advantaged superannuation contributions. Increased private savings were proposed as a means of reinvigorating the national economy, providing increased domestic capital for local investment and thereby reducing the country's escalating foreign debt. The net projected increase in domestic savings is a subject of considerable debate. Critics argue that personal savings will be accumulated in tax-advantaged superannuation funds, rather than being committed to other savings repositories such as the banks. The net result will be merely a diversion of savings to superannuation, a loss of revenue to government, and no major increase in overall savings ratios.¹²⁸

V) Protecting The Accord

The Hawke Government's focus upon electoral success, and its commitment to support macroeconomic reform and private profitability, demanded that the Accord agreement be safeguarded. This was threatened by government cuts in welfare and public infrastructure projects and community grants, and by tariff reductions and extensive deregulation of the financial sector, which contravened the Accord obligations and disadvantaged the public. Over successive renegotiated Accord agreements, much of the bold and wide-encompassing ideals were lost, and purely economic considerations predominated.¹²⁹ Even the language of Accord documents changed over time. In my analysis of successive Accord documents, I found that economic rationalist orientations gradually predominated, in stark contrast to the progressive ideals and lofty prose of the original document. Occupational superannuation became the primary trade-off granted by government and employers in return for unions' continuing wage restraint. As such, the ACTU was able to demand that the government ensure the extension of superannuation coverage throughout the workforce, increase the required level of employer contributions, substantially restructure the existing superannuation industry, and

¹²⁸ V.W. Fitzgerald & I.R. Harper, 'Super Preferred or 'Level Playing Field'? Implications for Saving and the Financial System', paper presented for the Third Melbourne Money And Finance Conference, Ballarat, December 6 & 7, 1991.

¹²⁹ See Ewer et al, 1991, op.cit.

foster the growth of union-initiated industry-wide funds. Australia's continuing economic downturn and high unemployment, reinforced ACTU ability to deliver wage restraint, as employees were anxious about job security, but employer-provided superannuation benefits were crucial to maintain the viability of the Accord contract.

4.4 INSTITUTIONALISED POLITICAL CHOICES SHAPE POLICY DEVELOPMENT

The patterns of institutionalised responses to the policy issues detailed above explains the pressures on government from the main co-ordinating agencies of the federal public service - departments of Prime Minister and Cabinet, Finance and most particularly The Treasury. Castles argues that institutionalised political choices shape subsequent policy development.¹³⁰ The changing institutional political choices of the key co-ordinating federal departments substantially influenced retirement income policy revisions. Treasury stewardship of government policy directions, in particular the influence upon Treasurer Paul Keating are acknowledged.¹³¹ Hence, examination of Treasury's changing political choices is relevant here. Results of my documentary analysis of Department of Treasury and Department of Finance Reports and papers demonstrates the emergence of a new institutional discourse in the upper echelons of the federal co-ordinating departments which is indicative of the new patterns of policy-making, particularly the changes to national retirement income policies. The integration of social policies regarding retirement income into economic planning can be regarded as an exemplar of the dominance of purely economic considerations in government policy-making and the sacrifice of more explicit normative policy objectives of social needs, social equity and social justice which were previously accepted as part of the policy process. As such, this detailed examination of the processes of this policy shift

¹³⁰ Castles, 1989(a), op. cit., p.31 & p.47.

¹³¹ See for example John Langmore, Federal Member of Parliament, 'Economic Policy-Making From The Inside: How Policy Is Decided', Address to 21st Conference of Economists, Melbourne, University of Melbourne, July 9, 1992.; and Halevi & Kriesler, 1991, op. cit.

affords insights into public policy trajectories for other social policy areas, such as health and education, which are to be increasingly privatised in the future.

The Hawke Government was subject to concerted drives by the co-ordinating departments to foster the growth of private retirement savings. The success of trade union-initiated industry-wide superannuation funds in the early 1980s had gained the attention of the co-ordinating departments of government. From being merely an industrial relations issue for negotiation between employers and trade unions and a key element in negotiating wages and incomes policies within the Accord, these funds presented a model for the federal government departments earnestly seeking opportunities to reduce government expenditure.¹³² The government saw it as a viable trade-off for wage restraint, increased productivity and industrial harmony and a major new source of investment capital, but the co-ordinating departments saw this as an opportunity to gain labour movement acceptance for reductions in previously sacrosanct age pension benefits. Treasury and Social Security argued that the opportunity for the introduction of a national superannuation scheme had passed, that encouragement must be given to greater private provision for retirement income, and that future reforms should focus on greater integration of occupational superannuation with the age pension.¹³³ Government support for occupational superannuation would increase domestic savings, augment government revenue, and reduce government outlays in respect of age and service pensions. Increments in the form of superannuation benefits would not be inflationary in the economy, as superannuation benefits are not included in Consumer Price Index (CPI) adjustments, in contrast to direct wage increases.

There were institutional hurdles to be overcome. The Australian Constitution determines the jurisdiction of the Arbitration Commission with regard to industrial relations issues.¹³⁴ Previous precedents had ruled that matters of pensions and

¹³² There were numerous mentions of the union-initiated industry funds in departmental reports and journals, such as the *Social Security Journal*, in the early 1980s.

¹³³ See in particular, Dixon & Foster, 1982, *op. cit.*

¹³⁴ See Commonwealth of Australia, Constitution, Section 51.

superannuation as retirement benefits did not fall within the jurisdiction of the Commission.¹³⁵ The privatisation of retirement income provision fulfilled many facets of these new priorities and a governing consensus among elite decision-makers facilitated the process of these changes. This is now discussed.

During the 1970s, public sector management practices became increasingly dependent on extremely sophisticated aggregate data analyses, programme cost benefit analyses and statistically quantifiable output orientations. The expansion in the ABS in the early 1980s,¹³⁶ its integration with international data information systems and the proliferation of computer-aided management and data information systems throughout the public service contributed considerably to changing processes of public policy decision-making. Professional economists and econometricians with skills in these new processes, many of them very young and almost all recruited from outside the public service (in the expansion during the 1970s), quickly gained promotion and became exceedingly influential.

Social policies with regard to welfare expenditures were already under investigation and review within the federal bureaucracy, as discussed in Chapter One. In the case of pensions, a concerted campaign developed in the early 1980s amongst senior departmental public policy makers for a devolution of state responsibilities. There were key people, increasingly mobile between the Departments of Social Security, Finance and Treasury during the early 1980s, who continued to present a coherent and consistent view to government that restructuring the existing system of occupational superannuation, and encouraging private retirement savings was the only option to cope with the concerns of an ageing population, greater longevity and increased expectations for lifestyle in retirement.

¹³⁵ Hamilton Knight, 1952, op. cit.

¹³⁶ For example, national income surveys for the first time in 1982 included information on superannuation coverage and costs, and on payments received (including lump sum payments) from superannuation schemes. Government statistical research in 1982 and 1983 for the first time detailed the extent of 'double-dipping', and the regressive nature of the Government tax concessions to superannuation.

Dahl explains how a new group of 'specialist guardians' gain unquestioned power and authority in the ministries, departments and other executive and administrative organisations of the state.¹³⁷ He argues that the expanding internationalisation of modern dynamic pluralist societies has brought about an increasing complexity in public policy-making. Not only do policies within a particular area grow more complex, but the increase in the sheer number of policies as government expands the scope of its concerns, as it has done in the area of retirement income policies, is itself a source of complexity. The policies concerning retirement income are now so complex that ordinary citizens and the majority of their elected representatives no longer understand what will best serve their interests. Dahl argues that public policy decisions, particularly about complex matters, are virtually always made behind a thick veil of uncertainty, invariably requiring judgements about alternatives, the outcomes of which are highly uncertain.¹³⁸ Throughout the world, policy elites are famous for the ease with which they advance their own narrow bureaucratic, institutional, organisational or group interests in the name of the public good. The freer they are from public scrutiny and public judgement, it seems, the more likely they are to be corrupted - not necessarily in a venal way - by the familiar temptations of power.¹³⁹

There are many examples of the dynamic career trajectories of economist 'specialist guardians', who moved frequently and gained increasingly senior positions in the main co-ordinating departments of the federal bureaucracy in the 1980s. The influence of this new group of strategic elites is evident from their promotions and the influential positions they occupied. Tedious enumerations of career moves are unnecessary, but a couple of examples illustrate the direction of my argument. Michael Keating, now head of the Department of Prime Minister and Cabinet under Keating's Prime Ministership, previously with the Department of

¹³⁷ Robert Dahl, *Democracy and Its Critics*, New Haven, Yale University Press, 1989.

¹³⁸ *ibid.*

¹³⁹ *ibid.*

Finance and prior to that with Treasury, had long advocated the privatisation of national retirement income provision to reduce government outlays. He saw occupational superannuation as a means to increase domestic savings, commenting as early as 1986 that:-

This (superannuation) will not only have long-run benefits for economic growth and consequent support for the aged, but will reduce our unsustainably high balance of payments deficit and the associated reliance on foreign borrowing...and will provide the means to finance investment which is needed to generate increased output to trade our way out of our present difficulties.¹⁴⁰

Another officer, Andrew Podger, initially with the Policy Development Division of the Department of Social Security (DSS) moved in 1983 to become Assistant Secretary, Social Welfare in the Department of Finance. He represented Australia at the 1980 OECD Conference in Paris on 'Social Policies in the 1980s', and was the author of numerous policy recommendations in which he argued for greater private provision for retirement income.¹⁴¹ Another key figure was Chris Foster, the author of the review of national retirement incomes policy in the Social Security Review (Cass Report).¹⁴² Foster had also been a member of the DSS Policy Development Division, and prior to his secondment to the Social Security Review staff, had spent 12 months on secondment to Capita Finance Group, working on occupational superannuation, and looking particularly at the establishment of union-initiated industry-wide superannuation funds. In the Social Security Review Report, Foster argued that tensions between the two primary objectives of public involvement in retirement incomes (poverty alleviation and income maintenance) were only resolvable by greater emphasis being given to encouragement of private savings for retirement through occupational superannuation.¹⁴³

¹⁴⁰ Michael Keating, 'Superannuation, Industrial Relations and the Public Sector', paper presented at Macquarie University Graduate School of Management Conference, July, 1986. and personal research interview, July, 1986.

¹⁴¹ See for example Andrew Podger, 'Social policies in the 1980s: some observations from the OECD Conference', Social Security Journal, pp.39-43, 1981. and A. Podger, 'Choices in Retirement Income Policies', in Social Security Journal, pp.15-22. June, 1983.

¹⁴² DSS, 1988, op. cit.

¹⁴³ *ibid.*

The Social Security Review recommendations were readily accepted by the Department of Social Security. First, the department was under pressure from Treasury and Finance to cut expenditure overall, despite increasing numbers of unemployed who required welfare benefits. Second, the Review recommendations accorded with existing Department of Social Security proposals to corporatise the government retirement income regime.¹⁴⁴ They argued that reductions in projected government outlays could only be achieved by changing the balance between the existing provision of government-provided or public pensions and privately-provided occupational superannuation. Alternative options, such as a review of the efficacy of taxation concessions, the need for greater integration of occupational superannuation with the age pension, reduction in lump sum termination benefits, or the establishment of contributory social insurance or a national superannuation scheme, although considered, were not recommended. The consistent major tenet of the argument was the need to reduce government expenditure. Paradoxically, the policy changes created an entirely new and growing sector of public administration, through the establishment of the Insurance and Superannuation Commission, and increasing sectors of superannuation professional specialists in government agencies, such as the Australian Taxation Office (ATO), the Attorney-General's Department and the Securities Commission.

Pressure for privatisation of the national retirement income regime came particularly strongly from the Department of Treasury and the Department of Finance.¹⁴⁵ Some discussion of these departments' changing ideological orientations provides insights as to why this was so. Greg Whitwell says that the Treasury outlook changed slowly since World War II from a predominantly Keynesian model to a predominantly neoclassical one.¹⁴⁶ He claims Treasury responds in its daily activities to pragmatic policy considerations and the need to put forward views that are politically acceptable. There were already strong calls from

¹⁴⁴ See issues of the *Social Security Journal*, 1980-1986.

¹⁴⁵ The Department of Finance was split from Treasury in 1976.

¹⁴⁶ Whitwell, 1986, *op. cit.*

Treasury during the period of the Fraser Government for reductions in government expenditure, and these demands intensified in the early years of the Hawke Government. There was no escape, according to Treasury documents, from the need to reduce public sector demands on real and financial resources, and to make room for private sector activities. The total public sector's expenditure on goods and services was seen as too great to be sustainable over the longer term.¹⁴⁷

Treasury's analysis of government policy during 1980-1984 focussed entirely upon expenditure restraint to control inflation. Whitwell also suggests that implicit in Treasury documentation throughout the early 1980s is an assumption of the inability of governments to promote increased economic activity and lower unemployment by the use of stimulatory policies. Treasury consistently argued that government should concentrate on microeconomic policies rather than macroeconomic policies. In what Whitwell calls true neo-classical mode, Treasury documents identified an inverse relationship between the general vitality and efficiency of the economy and the degree of interference by government, and the overriding need to contain wages and other labour costs. Under the leadership of John Stone, Treasury attached primary responsibility for the wages surge to the institutional framework within which wage rises were negotiated, the short-sighted policies of the Conciliation and Arbitration Commission and the exercise of 'monopolistic powers' by trade unions.¹⁴⁸ Treasury's declared unbounded faith in the market and the need for decentralised wage determination system pervaded all Treasury documents during 1980-84. Treasury head Bernie Fraser argued in 1984 that:-

A characterisation of the Treasury is to see it as a force for 'economic rationalism'. In our mixed economy, market forces do play a major role. To ignore them or to intervene in ways which fly in the face of them, is apt to produce policies which do not contribute as they should to sustained improvements in living standards.¹⁴⁹

¹⁴⁷ Commonwealth of Australia, Budget Paper, No 1, Treasury Statement, No 2, 1981-82, p.49

¹⁴⁸ Whitwell, 1986, op. cit., pp.236-261.

¹⁴⁹ B. W. Fraser, 'The Australian Treasury-Tendering Economic Advice', paper presented to Royal Australian Institute of Public Administration, ACT Division, Canberra, mimeo, October, 1984, p.4.

In the early 1980s, Treasury consistently argued for the removal of traditional constraints, which had previously been seen as 'too much part of our accepted system for their removal to be widely advocated'.¹⁵⁰ Whitwell suggests that the shift in Treasury philosophy paralleled the rise of explicit monetarism and the rational expectations approach in the neoclassical resurgence within the economics discipline generally. He argues that Treasury took the lead in the 1970s in propagating the 'neoclassical faith'. Within Treasury, the emerging economic instability in the 1970s bred confusion. And confusion led not only to questioning accepted Keynesian wisdoms, but encouraged a search for simplicities and basic truths as the first stage of coping with the complexities of the new, altered and increasingly wayward economic environment. Herein, he argues, lay the attraction of the neoclassical model, for the central message was remarkably simple. The path to economic efficiency and the restoration of normal relationships was to let the market rule, thereby liberating the economy's inherent correcting mechanisms. Treasury head Stone argued in 1975 that:-

...the most overwhelmingly simple simplicity (sic) is the overriding need to reduce inflation, and as part of this to reduce the size of the public sector.¹⁵¹

Treasury often supported its case by pointing to the reaction to the 'kangaroo jumps'¹⁵² in policy which occurred during the Whitlam years, and which Treasury argued had created confusion and distortions, undermining business confidence. Treasury's consistently declared overarching desire was to balance the Federal budget. Their expressed goal was to ensure budgetary equilibrium by reining in government expenditure, and controlling budgetary imbalance.

Stone argued in 1981 that a prime requirement of economic policies is that they should promote a high degree of certainty as to basic philosophy and approach. The Treasury view was that the vitality and efficiency of the private sector

¹⁵⁰ Whitwell, 1986, op. cit., p.260.

¹⁵¹ *ibid.*, p.266.

¹⁵² Treasury continued to use this term coined by Centre For Policy Studies Director, Michael Porter.

derived from the discipline which market forces imparted. Whitwell, and later Pusey, emphasise the importance of the appointment of a new generation of comparatively young neo-classical economists to senior posts in Treasury in the 1970s. Langmore says their doctrinal purity and ideological rigidity caused them to neglect empirical evidence which didn't support the official Treasury position. Langmore accuses Treasury of mismanagement of economic policy-making, arguing that:-

...their passionate ideological commitment to cutting back the size of the public sector... their idealised view of the private sector... their idolatry of the free market... their neglect of market failure... their lack of common sense... and their economic fundamentalism, and the misdirection of Australia's public policy-making across a wide range of economic and social policy areas has contributed appreciably to Australia's long term high unemployment, economic instability, and the growth of inequality in Australia.¹⁵³

The official line was self-perpetuating, as new officers quickly learned that they must support the neo-classical line if they wanted higher promotions.¹⁵⁴ The result, according to Langmore, was that:-

... ideology overwhelmed common sense, and idolatry of the free market and economic efficiency dominated Treasury economic policy-making.¹⁵⁵

Treasury actively disseminated the neo-classical viewpoint outside government. Treasury papers were widely circulated to the mass media, to business and community elites, and throughout the academic community.¹⁵⁶ Langmore reports that Treasury developed a 'style' in dealing with the government - important submissions to cabinet were commonly late (the most important ones issued only at Cabinet meetings).¹⁵⁷ This prevented ministers, their staff and departmental officers from analysing and preparing comments on Treasury recommendations:-

...an effective technique which allows Treasury to dominate Cabinet discussions of complex economic issues.¹⁵⁸

¹⁵³ Langmore, 1992, op. cit.

¹⁵⁴ *ibid.*

¹⁵⁵ *ibid.*, p.15.

¹⁵⁶ The influence of John Stone, according to Whitwell, is most pronounced in Stone's strategies to disseminate Treasury views as widely as possible and his sustained emphasis on National Income Forecasting econometric models.

¹⁵⁷ Langmore, 1992, op. cit., p.15.

¹⁵⁸ *ibid.*, p.16.

Dr John Edwards, Paul Keating's adviser, noted that:-

In the Hawke Government, monetary policy has essentially been decided by the Reserve Bank, The Treasury, the Treasurer and the Prime Minister with their office advisers.¹⁵⁹

According to Whitwell, the attraction of neoclassicism for Treasury officers was that it offered order and obedience in a world which seemed to have become unusually wayward and unruly. Its underlying attraction was that it offered authority, without having to resort to increased meddling by the state and the introduction of a plethora of controls. Indeed its message was that the arbitrary and irksome intervention of the state should be minimised, and the self-equilibrating and disciplinary forces of the market be given much greater scope.

Hence, the major co-ordinating departments of the federal bureaucracy were united in their demands for revisions to the national retirement income regime, and in their calls to government to achieve its policy objectives by privatising the retirement benefit system.¹⁶⁰ Despite widespread support for the introduction of a national superannuation scheme¹⁶¹ and the ALP official policy for the establishment of national superannuation¹⁶², the Hawke Government's public policy directions unequivocally followed the Treasury line. In 1989 Social Security Minister Brian Howe argued that:-

A flexible and sustainable retirement income policy which delivers fair and adequate incomes needs to build on the twin pillars of the age pension system and private saving such as superannuation.¹⁶³

The perceived need for revisions to national retirement income policies was constructed entirely on the premise that 'the problem' for government was the need to achieve immediate and future reductions in government expenditure, and that this was resolvable only by purely economically rational means. Normative

¹⁵⁹ *ibid.*

¹⁶⁰ DSS, Treasury and Finance Annual Reports, 1981-1983 and DSS, Policy Review Division Papers., 1980-1983.

¹⁶¹ See for example National Superannuation Committee of Inquiry, 1986, *op. cit.* the Life Insurance Federation of Australia, Proposal. 1981., Dixon & Foster, 1982, *op. cit.* and ACTU Policy, 1979.

¹⁶² ALP party platform adopted at its National Conference in July 1982.

¹⁶³ Brian Howe, Minister for Social Security, 'Better Incomes: Retirement Income Policy into the Next Century', Canberra, AGPS, 1989

consequences of such changes on social outcomes were given no consideration. Even economic outcomes of the transformation of the national retirement income regime were not evaluated. These issues are discussed later.

After initial opposition, private corporate interests largely acquiesced to the state shifting the burden of retirement income provision onto employers, and accepted union participation in these initiatives. Australia's major employers, employer associations and the Life Houses supported government and union initiatives to expand occupational superannuation and privatise the national retirement income regime. The unprecedented nature of these compromises is explored below.

4.5 THE ACQUIESCENCE OF ECONOMIC INTERESTS: EMPLOYERS AND ESTABLISHED FINANCIAL INSTITUTIONS

Australia's employers initially opposed union demands for superannuation, and employer associations strongly resisted the incorporation of superannuation into institutionalised industrial relations processes. However, the lack of unity between employer organisations and amongst employers themselves, the highly volatile financial environment of the early 1980s, employers' desire to maintain the government's support for increased private profitability, and the prolonged periods involved in the phasing-in of employer contributions to superannuation benefits for employees all contributed to a substantial acquiescence by employers to the spread of superannuation entitlements for their employees. Continuing wage restraint by unions, and a prolonged period of industrial harmony, were satisfactory trade-offs for employers to contribute to superannuation funds on behalf of their employees. Employers were not alone in finding that what seemed originally to be a radical union demand for superannuation presented prospects which were advantageous to their interests. The Life Houses, for so long a bastion of conservatism and anti-trade union attitudes, unexpectedly became a firm supporter of union and government initiatives. For these corporate interests, the spread of occupational superannuation

and the establishment of privately-controlled huge new accumulations of private savings presented unprecedented benefits and opportunities. The conjunction of these interests is now considered.

I) Employers - Peace, Productivity and Profitability

Initially employers and their employer associations vehemently opposed union involvement in superannuation. Union demands were a ploy to get extra benefits outside agreed wage controls and contravened managerial prerogative. Their opposition acquired a more ideologically-based cant as union-initiated industry-wide funds grew in size. Employer associations warned their members of the dire consequences of union control of superannuation fund accumulated capital. George Polites of the Confederation of Australian Industry (CAI) warned:-

As many Australian unions are committed to a political and economic philosophy aimed at replacing the capitalist system with one based on varying shades of socialism, there does exist a concern about how trade unions would use the financial resources of superannuation funds should they ever achieve control over them. There can be no question that should this eventuate, the potential does exist for these resources to be directed towards partisan political ends.¹⁶⁴

Unionists responded that such warnings assumed the prior 'non-political' use of company superannuation funds by employers. They argued that investment decisions supporting, for example, labour-replacing technologies or uranium mining, the export of Australian capital and the transfer of Australian manufacturing to low labour cost Third World countries have significant social implications and political ramifications. Weaven of the ACTU said:-

Rarely do we see such actions criticised as reflecting the exercise of political interests by employers.¹⁶⁵

After sporadic opposition, employer associations mobilised organised opposition to the union campaign in response to the claim for award-based (the 3 percent productivity) claims in 1985. The CAI rallied employer opposition, undertaking a major advertising and promotional campaign to focus public attention

¹⁶⁴ G. Polites, 'Superannuation As An Industrial Relations Issue', in Superfunds, p.5, June, 1980.

¹⁶⁵ Weaven, op. cit., research interview, March, 1987.

on the increasing power of the trade unions, and the threat to Australia posed by union involvement in superannuation. CAI Director Bryan Noakes warned that:-

It needs to be understood that the cost of these union schemes will inevitably be borne not just by employers, but by everyone in the community, in the form of even higher prices, higher interest rates and higher unemployment. Trade union superannuation will have the most damaging consequences for the economy, and it has the potential to reduce the standard of living of every Australian.¹⁶⁶

Employers claims did not go unchallenged. Even the financial media, rarely noted for their support of trade union action, supported the need for revisions to existing occupational superannuation arrangements. Finance editor of The Australian national daily newspaper, David Potts said:-

For employers to view the superannuation claim only as a disguised wage rise is simply myopic. Their neglect of superannuation in the past is partly responsible for the urgency of the problem today. Properly designed, the union industry super schemes would not be the end of capitalism as we know it. On the contrary, they would give the unions a vested interest in the system.¹⁶⁷

In 1985 the CAI mounted a legal challenge to the constitutional jurisdiction of the Arbitration Commission to make award rulings on pensions and superannuation.¹⁶⁸ In a milestone decision, the High Court ruled in this case, known as the Manufacturing Grocers' case,¹⁶⁹ that the Commission had jurisdiction to deal with applications and to arbitrate for the inclusion of employee superannuation in industrial awards.¹⁷⁰ Following the High Court decision, the Commission ruled that:-

The expectations created by the ACTU/Commonwealth Agreement (the Accord) have led to the establishment of new schemes by employers and unions and to active negotiations and understandings between them for contributions to new schemes and improved benefits to existing schemes. These developments are likely to accelerate and could threaten the very foundations of the centralised system. We believe that to avoid

¹⁶⁶ CAI, Media Statement, May 5, 1986.

¹⁶⁷ David Potts, 'Super Push Deserves Support of Business', The Australian, April 28, 1986, p.14.

¹⁶⁸ For example Hamilton Knight, 1952, op. cit.

¹⁶⁹ Manufacturing Grocers' Employees Federation of Australia, 1986, op. cit.

¹⁷⁰ Superannuation payments, the High Court ruled, in this form were an integral part of the employer-employee relationship even though the benefit is deferred until after the employment relationship has terminated, *ibid.*, p.469.

such an outcome and to prevent superannuation agreements from overloading the economy, it is necessary to keep the cost of such agreements within the constraints of the centralised system. Our responsibility in this connection is reinforced by the jurisdiction clearly vested in the Commission by the recent High Court decision.¹⁷¹

Employer associations found difficulty coping with the neo-corporatist engagement of the ACTU and major unions with the government in economic policy-making. The lack of a strong employer organisation constrained direct employer representation in the Accord process as major employer groups (the CAI, the newly established Business Council of Australia and the Australian Chamber of Manufactures) competed for employer members and the right to represent the employer position in tripartite negotiations with government and the ACTU.¹⁷²

The severe international economic downturn and the increasing integration of Australia into the world economy increased the external vulnerability which Castles sees as so central to the acceptance of neo-corporatist arrangements.¹⁷³ Tariff reductions, continuing high interest rates, and increasing competition in international trade imposed unrelenting pressure on Australian employers. Trade union compliance with the Accord, the linking of wage increases to productivity gains and the extremely long phasing-in periods for superannuation contributions on behalf of their employees offered substantial incentives for employers to support the Accord commitment on superannuation.

Employers agreed to pay superannuation, despite the fact that many employers were ideologically opposed to union involvement in the control of industry-wide funds. As well, the increasing complexities of operating company-based superannuation schemes under new government guidelines, taxation and accounting requirements meant that many employers were prepared to roll over their own existing funds into industry-wide funds, rather than face the increasing legal and administrative costs of continuing to run their own funds. However, many small business employers remained largely unaware or chose to ignore their award

¹⁷¹ Australian Conciliation and Arbitration Commission, 1986, *op. cit.*

¹⁷² McEachern, 1991, *op. cit.*,

¹⁷³ Castles, 1989(a), *op. cit.*, p.31.

liabilities for superannuation contributions on behalf of their employees. The low level of unionisation and the high proportion of casual workers amongst employees in small businesses, particularly in sectors such as retailing and service industries, resulted in low demand for superannuation by these employees. The high level of non-compliance with award rulings on superannuation therefore went largely unchallenged. The 1991 Federal Budget introduced legislated and compulsory superannuation charge, as discussed previously. This once again aroused widespread employer complaints about the imposition of what many employers perceived to be just another government tax on wages. But by this time, the major employer associations saw occupational superannuation contributions as a tax-advantaged and economically advantageous means of averting union demands for immediate wage increases, and ensuring the persistence of the wage restraint promised by the Accord.

II) Financial Institutions and Professional Advisers - 'Business Is Business'

The most unexpected support for the spread of union-initiated industry-wide superannuation came from the Life Houses. The insurance industry, Jureidini argues, has historically been a bastion of conservatism, and of economic liberalist ideology.¹⁷⁴ It has depended on the acceptance and encouragement of self-provision for individual and family protection against the various financial risks and contingencies associated with a specifically capitalist society. Historically, the insurance industry in Australia has been tightly concentrated in the hands of a few life houses or insurance companies. The senior management of these companies has long constituted an economic elite, particularly amongst the Melbourne financial establishment, their views exerting continuing influence in government regardless of the political party in power.

¹⁷⁴ Jureidini, 1987, op. cit.

The institutional salience¹⁷⁵ of the Life Houses has also served to reinforce the political and economic power of those in managerial control of this industry sector. Encel has documented the long standing and important interaction, and even career mobility, between strategic elites in the financial sector and the federal bureaucracy.¹⁷⁶ The Life Houses' traditional control of finance capital and investment, and their crucial role as financial intermediaries for major national and international investment in this country increased dramatically from the 1970s and throughout the 1980s. The expanding role of institutional finance, and Australia's involvement in the complexities of the global economy enhanced the power and influence of the Life Houses in the economy, and with government.¹⁷⁷

The Life Houses support for union and government demands for occupational superannuation, a coalition which would have been previously considered ideologically unsustainable, requires explanation. Suffering a downturn in private insurance business, the extension of occupational superannuation throughout the workforce was a bonanza for the Life Houses. They earn extraordinarily lucrative management fees from administration of the funds, and have gained control of a huge new cash flow of investment income. Their initial criticisms of union-initiated industry-wide funds, changed dramatically following the success of the building industry fund BUS, administered by Jacques Martin (a subsidiary of Colonial Mutual Ltd). Led by the AMP Society, the Life Houses

¹⁷⁵ 'Institutional salience' as a concept refers to the vertical dimension of power, when a given institution holds power of greater issue strength than others, in Philip Stanworth & Anthony Giddens (eds.), Elites and Power in British Society, Cambridge, Cambridge University Press, 1974, p 8; And as C Wright Mills says some institutions and organisations 'shape modern life', whereas others have 'to adapt to it'. C. Wright Mills, The Power Elite, New York, Oxford University Press, 1956, p.6.

¹⁷⁶ Sol Encel has drawn attention to the important connections between the strategic elites of Australia's finance sectors with higher echelons of the Australian public sector. Encel, 1970, op. cit.

¹⁷⁷ Edward Wheelwright & Greg Crough, 'The Changing Pacific Rim Economy, with special reference to Japanese Transnational Corporations: A View From Australia'. in Takashi Shiraishi & Shigeto Tsuru (eds.), Economic Institutions in a Dynamic Society: A Search for a New Frontier, New York, St Martin's Press, 1989.; R. Catley & B. McFarlane, From Tweedledum to Tweedledee: The New Labor Government in Australia, Sydney, Aust. & N. Z. Book Co, 1974.

began to actively court unions involved in industry-wide funds.¹⁷⁸ By the second half of the 1980s all the Life Houses were involved in servicing union-initiated industry-wide funds. Even the extremely conservative Association of Superannuation Funds of Australia (ASFA), at its 1991 Conference, announced a major re-organisation of its organisational structures in order to accommodate the industry fund sector in its membership. The growth of this vast new repository of Australian savings has been an enormous boost to the investment management industry. Investment management companies which initially were concerned that handling union-initiated funds may alienate their corporate clients, soon overcame their concern as the funds' amounts of accumulated capital for investment grew.¹⁷⁹

The Hawke Government policy changes and union establishment of industry-wide occupational superannuation funds have revolutionised the traditional superannuation industry, causing radical changes to existing arrangements. The major beneficiaries of these developments are the Life Houses. In addition to huge increases in management and service fees and a major injection of new accumulated savings into the industry, there has been organisational expansion and a major growth in personnel required to service the new sector. Industry-wide universal superannuation has transformed the superannuation industry from a financial backwater to one of the major players in the national economy, its investments of vital importance both nationally and internationally. The Life Houses supported union initiatives to extend occupational superannuation benefits throughout the workforce for pragmatic, instrumental and self-serving reasons.

Australia's legal community too, traditionally conservative and antipathetic to trade unions, were a source of support for government moves to privatise the retirement income regime. The legal complexities of the new superannuation

¹⁷⁸ In the mid 1980s I attended several ACTU and other union meetings on superannuation at which major life house representatives appeared, speaking uncharacteristically in shirt sleeves without their suit coats and with a newfound level of bonhomie with union leaders.

¹⁷⁹ Russell Mason, Principal of Mercer Campbell Cook and Knight, research interview, June, 1991.

regulations and the expansion of occupational superannuation created a major new area of legal practice in Australia, and lucrative service fees for legal practitioners.

Even more exceptional, in the light of the discussion in Chapter Two, was the absence of dissenting voices to these policy changes. The general public, even the organised social welfare lobby, took no action to oppose the privatisation of Australia's national retirement income regime. Their lack of response is the focus of the following section.

4.6 THE ABSENCE OF DISSENTING VOICES: NO FUND OF CONTROVERSY

The most important preconditions for the passage of major transformation in public policies involve both the political will and the necessary climate of public support for such changes. Public support or at least the lack of potential resistance to public policy changes is essential. The political will of the Hawke Government was discussed above. In my view however, the trajectory of their policy changes was substantially influenced by the notable lack of public opposition to the transformation in the national retirement income regime. The lack of dissenting voices from Australia's employees, from the general public and from community groups is considered first, followed by examination of the lack of public opposition to national retirement income changes by other political parties (the Liberal/National Party coalition, and the Australian Democrats).

I) No Popular Protest

Australia's employees were silent on the issue of superannuation. In the early stages of the union superannuation campaign, when unions were negotiating directly with employers for superannuation benefits, many employees said they would prefer to have immediate wage increases rather than superannuation benefits.¹⁸⁰ However, they were bound by union commitments for wage restraint

¹⁸⁰ Field research interviews in 1985 and 1986 while accompanying FSPU industrial officers negotiating occupational superannuation benefits for employees with Victorian employers.

under the Accord, and direct wage increase were unavailable. The employer contribution to their superannuation was therefore better than receiving no salary increment whatsoever, and union members abided by the commitments of their leaders to the Accord. The constant promotion of the superannuation issue in union newspapers, and newsletters (often in a number of languages) was important in enlisting member commitment to accepting superannuation as a wages tradeoff. Employees were keen to receive lump sum cash payments on retirement, in the manner which had previously been regarded only as the province of politicians, public servants or management.

The enthusiasm of the unions and the support of their members for the concerted push for superannuation was considerably fuelled by the enormous early success of industry-wide union-controlled funds in 1986 and 1987. Most funds reported extremely high investment yields with immediate visible benefits for union members¹⁸¹ in the accumulation-type superannuation schemes.¹⁸² The stockmarket crash of October 1987, which hit sharemarkets worldwide, had some effects on the value of these fund accumulated capital assets, but the major growth in industry-wide funds did not occur until 1988 and 1989, and so those earlier stockmarket losses did not affect the enthusiasm of union leaders and union members for superannuation.

The issue of public support, or rather the lack of public opposition to government national retirement income regime changes, is more complex. As outlined in Chapter Two, the age pension had become historically something of a political sacred cow in Australia. The vast bulk of the population saw it as their right to collect the pension, and any moves to introduce contributory social insurance had always been vociferously resisted, the age pension frequently being an important election issue for all political parties. Public acceptance of stricter eligibility for

¹⁸¹ Investment returns are immediately credited to individual member benefit accounts in a similar fashion to bank accounts. Industry-wide funds introduced annual member statements sent directly to members. Further discussion of these advances in Chapter 4.

¹⁸² LUCRF in the year ending August 1987 reported an investment yield in excess of 40%, after 2 years investment yield well over 25%. Storetalk, SPU Newspaper, March, 1988.FSPU Archives.

government-provided age pensions, and the need to provide their own retirement savings by sacrificing take-home wages increases is explained below.

Donald Horne identifies post World War II immigration and increasing levels of affluence as complicit in the growing rejection of the Australian community for government-provided welfare benefits.¹⁸³ Castles cites the political hegemony of long periods of rightist government, and a growing perception that Australia's status as one of the elite group of super rich nations was in jeopardy as contributing to changing public attitudes on welfare spending.¹⁸⁴ Undoubtedly the strenuous attacks on welfare spending by the Fraser Government, most particularly the fostering of the 'dole bludger' mythology,¹⁸⁵ fuelled what Stretton refers to as a welfare backlash before Australia had anything like a fully mature welfare state.¹⁸⁶ In the context of the rapidly depreciating economic environment and to head off public opposition, the government actively tried to prepare the public for cuts in public spending and public services.¹⁸⁷ The parlous state of the national economy became a dominant feature of government discourse. The public's attention was best captured by Keating's much-publicised warning that, in the absence of tough measures, Australia risked becoming a 'banana republic'.¹⁸⁸

More explicitly, with regard to retirement income during the period of the Hawke Government, there were frequent media reports about the projected welfare crisis expected with the ageing of the Australian population. There was thus generated a climate of public disquiet about the capacity of the state to continue to provide age pensions. One media commentator commented:-

We baby boomers were frightened into superannuation, by the constant threats of government empty coffers when we reached retirement.¹⁸⁹

¹⁸³ Donald Horne, *Time of Hope*, Sydney, Angus & Robertson, 1980.

¹⁸⁴ Castles, 1989(a), op. cit., p.21.

¹⁸⁵ 'Dole bludger' was a term widely used by the Fraser Government and the Australian media during the 1970s to describe a person who is unemployed and lives on social security payments without making attempts to find employment.

¹⁸⁶ Hugh Stretton, 'Future Patterns for Taxation and Public Expenditure in Australia', In J. Wilkes (ed.), *The Politics of Taxation*, Sydney, Hodder & Stoughton, 1980, pp.43-60.

¹⁸⁷ Keating & Dixon, 1989, op. cit., p.19.

¹⁸⁸ Keating's comment was made in a commercial radio interview on May 14, 1986.

¹⁸⁹ Adele Horin, *Sydney Morning Herald*, August 17, 1992.

There was a virtual epiphany of what gaining a superannuation benefit might provide in terms of the general public's expectations for lifestyle in retirement which was fuelled by the constant media attention to the desirability of occupational superannuation and provision for one's own retirement.¹⁹⁰ A senior Life House executive said:-

As Australians become more and more preoccupied with their material well being and financial security, those who ignore the benefits of investing in super will surely come to be regarded as mildly eccentric.¹⁹¹

These perceptions were directly abetted throughout the second half of the 1980s by saturation campaigns of 'glitzy' television, newspaper and magazine advertisements from the Life Houses, showing superannuated couples in idyllic seaside retirement villages, playing golf, going on overseas trips and so on. As mentioned above, receipt of a lump sum cash payment on retirement had long been a dream for most Australian workers. Unions themselves aggressively marketed the benefits of occupational superannuation, devoting large sections of union newspapers and newsletters to the benefits of employer-provided superannuation, and, as mentioned earlier, many unions printed the salient features in a variety of community languages. These factors were instrumental in gaining the compliance of employees for the continuing wage restraint of the Accord, occupational superannuation being one of the few benefits for workers for their prolonged acceptance of real wage losses.¹⁹²

Historically, support for public provision of income to the aged has been very high, as shown by Smith and Wearing's analysis of Morgan Gallup Polls.¹⁹³ However, McCallum reports that public attitudes, as expressed in public opinion

¹⁹⁰ In reality the 3% or even the 1992 legislated 5% superannuation guarantee levy will provide the most meagre retirement benefits. Most workers will still have to depend on government-provided age pension benefits in retirement. Interestingly, this issue receives scant media attention.

¹⁹¹ Sandy Grant, Jacques Martin Pty Ltd Managing Director, research interview, Melbourne, July, 1989.

¹⁹² An assessment of real wage cuts, erosion of living standards for the Australian labour force, and comparative longitudinal analysis of wages and profit shares under the Accord is included in Ewer et al, 1991, op. cit., pp.26 -38.

¹⁹³ R. Smith & M. Wearing, 'Do Australians Want the Welfare State', in *Politics*, Vol 22, No 2, 55-65, 1987.

polls in the second half of the 1980s, reveal contradictory public attitudes.¹⁹⁴ Approximately two thirds of the population generally supported government provision of age pensions without means-tests and considered that public support for the elderly was inadequate. Yet, in the same polls, more than half the population supported cuts in personal income tax. Gruen sees the change as less problematic.¹⁹⁵ Reporting on the longitudinal National Social Science Survey, he states that almost half the population had changed their priorities as between taxes and welfare expenditure over a period of two decades from the late 1960s. Gruen sees this as a clear indication of a massive change in community attitudes, and argues that democratically-elected governments have tightened welfare expenditure in a wide variety of ways as a response to this massive change in community views.

Any move to change the retirement income regime had been traditionally electorally unsustainable. However, in the 'crisis' conditions of the early 1990s with the general level of public anxiety about Australia's future economic stability, new economic rationalist doctrines became accepted as part of a moral imperative and a new common sense ethic. This translation of a theoretical ideology into a populist idiom has been the essence of the transformation in Australia's political culture. It is a transformation which has created a new identification of economic liberal philosophies with competitive business practices and profitability and with sound financial decision-making. The essence of the new ideology is self-reliance and personal responsibility. This anti-collectivism and anti-statism gained public currency when set against the image of the welfare economy, which was generally presented as over-taxing those in the workforce to support the undeserving poor on social welfare benefits - the new folk-devils, the 'dole-bludgers', the drop-out youngsters and the 'wealthy aged'.¹⁹⁶ The continuing support for these ideological positions through the mass media, and the almost complete absence of any

¹⁹⁴ McCallum, 1990(a), op. cit. pp.3-9.

¹⁹⁵ F.H. Gruen, 'Australia's Welfare State-Rearguard Or Avant Garde?' Proceedings of National Social Policy Conference, Sydney, July 5-7, 1989, p. 35.

¹⁹⁶ Peter Davidson, Research Officer, ACOSS, research interview, Sydney, February, 1992.

opposing view, resulted in the lack of any significant public dissent or electoral resistance to government changes to national retirement income policies.

II) No Movement From Social Movements

This lack of spontaneous public opposition to retirement policy changes was reinforced by the virtual absence of organised resistance from social welfare organisations and community groups such as pensioner groups, welfare lobby groups and women's organisations. Not until 1988 did some organised resistance arise from the welfare lobby. The Australian Council Of Social Services (ACOSS) was the first to demand government and public attention for what they saw were the incipient dangers of the new privatised retirement income regime, and the inequities of the continuing erosion of government-provided age pensions. The regressive nature of the taxation concessions, the persistence of tax advantages to higher income earners, and the expected erosion of government-provided age pensions were emphasised.¹⁹⁷ ACOSS spokesperson Julian Disney called for public discussion of government support for occupational superannuation, highlighting the potentially damaging effects of the transformation of national retirement incomes policies on the future of government-provided retirement provisions. Although ACOSS demands gained some media comment, no major public debates ensued. For the reasons discussed above, as well as the fact that the system was seen as too complex for general debate and was by now a *fait accompli*, stifled any chance of widespread public discussion.

The women's movement similarly was slow to publicly take up the issue of government changes to the national retirement income regime. A 1989 Conference on Women and Superannuation organised by the Women's Electoral Lobby with the support of the Office of the Status of Women, at which many high profile speakers had agreed to speak, was cancelled and never re-scheduled. Even women within the union movement were reticent about criticising the essentially labourist,

¹⁹⁷ ACOSS, 'Position Paper on Superannuation', Sydney, September, 1990, ACOSS Archives.

and hence masculinist, model of the union campaign for occupational superannuation benefits. It was not until 1991, that the first conference on women and superannuation was held, organised by a coalition of women's groups including the Older Women's Collective with the support of the Office of the Status of Women. Other groups such as the Consumers' Association, women's groups such as the Women's Economic Network, pensioner organisations, and welfare lobby groups such as the Brotherhood of St Lawrence began to publicly question national retirement income changes from 1990. But the massive transformation of the national retirement income regime was already in place.

The changing priorities of the labour movement also disrupted traditional political alignments, resulting in a failure of organised opposition to new policies, such as retirement income changes. Beilharz and Watts have argued that the Accord and ACTU policies, ostensibly promising greater access to political decision-making and policy development, served to divert left opposition to neo-corporatist developments. According to June Hearn, the traditional core of opposition to neo-corporatist-style industrial relations (the political Left) was so fragmented organisationally and so deeply divided philosophically that there was little prospect of the emergence of any effective concerted Anti-Accord campaign.¹⁹⁸ She argues there have been remarkably few signs of worker discontent with what is basically a top-level deal between politicians and union officials. Questioning whether unions have lost their urgency as mobilisers of working class activity because of their preoccupation with summit-style deliberations, she states that historical precedents, especially in Britain but in other countries as well, demonstrate that union-government agreements in capitalist economies are short-lived, have mainly pragmatic motivations and limited effects in terms of advancing the interests of working people.¹⁹⁹

¹⁹⁸ June Hearn, 'Corporatism Australian Style: The Prices and Incomes Accord'. In G.W. Ford, J.M. Hearn & R. Lansbury (eds.), Australian Labour Relations Readings, South Melbourne, Macmillan, 4th edn, 1987, p.436.

¹⁹⁹ For additional discussions of neo-corporatist experiments elsewhere, see Gourevitch et al., 1984, op. cit.

The perceived complexity of superannuation was a crucial issue. Despite the substantial privatisation of future retirement income, costly fiscal support for occupational superannuation, and the regressive nature of government changes to the system, the complexities of superannuation *per se* and of the changes to the national retirement income policy regime discouraged public debate.

Superannuation itself had long been regarded as a 'black box' which only actuaries and accountants could understand. The complexities of the terms and the structures of the system all served to make superannuation an inaccessible discourse to anyone outside the Life Houses and the finance sector. Added to this, the changes to the national retirement income regime were embedded within the economic discourse and processes of change to the taxation system and the trilogy of monetary policy, fiscal policy and wages policy.

Many of the organisations which might have been expected to organise opposition were hard-pressed for funds. Government cuts in community welfare programmes posed more immediate targets for organisations already suffering from reduced resources as a result of cuts in government grants.

III) No Opposition from Political Parties

Despite their rejection of union involvement in occupational superannuation, the lack of sustained public opposition to changes in national retirement income policies by political parties failed to provide a focus or a trigger for widespread public mobilisation against the policy transformations. Australia's Liberal/ National Party conservative opposition consistently opposed the involvement of the unions in occupational superannuation, most notably the establishment of union-initiated industry-wide funds. In 1986 the then Opposition leader, John Howard, stated that:-

...the Kelty-Keating superannuation/productivity deal is the greatest political victory achieved by the Australian trade union movement since the passing of the Conciliation and Arbitration Act in 1904...The enduring legacy of the Hawke Government will be that it actively

facilitated a substantial increase in union power at a time when union strength in many western nations is diminishing significantly. Over the last three years the Australian trade union movement has moved into a totally unprecedented position of economic power and influence.²⁰⁰

Opposition leaders repeatedly remonstrated that superannuation was a ploy by which, through their shareholdings in companies, unions would put pressure on employers. Opposition spokespersons invoked spectres of socialism by the back door, union corruption and other dire consequences of union control of superannuation funds. Nonetheless, the increasing support of the Life Houses, for so long the bastions of the conservative parties, led to liberal coalition parties accepting government policy changes, even including the imposition of award-based superannuation contributions. Privatisation also accorded with conservative political parties views of the primacy of free market forces in all areas, and the need for reductions in government social welfare expenditure. The Opposition argued that trade unions should not be involved in superannuation funds, that superannuation should remain an issue solely for negotiation between the employee and employer at the enterprise. They also complained of what they perceived to be the partisan rulings of the AIRC in award rulings, which gave primacy to industry-based superannuation schemes. However, the Opposition failed to mobilise public support for their complaints.

The release of the Hewson 'FightBack!' package in November 1991 signified the Opposition's substantial acceptance of government revisions to the national retirement income regime, proposing greater privatisation and free market control, individual retirement savings, voluntary employee contributions, reductions in fiscal concessions, and more competitive and secure investment control for superannuation funds. The tenor of the 'FightBack!' proposal is evident from the following quotation from the Hewson charter:-

Superannuation must not be the milch cow which government can use whenever they need revenue, or to foster what they believe to be 'socially desirable' or 'national interest' projects. It must be, and will be under a Coalition Government, a means of ensuring a primary savings

²⁰⁰ Hon. John Howard, Address to Conference on Industry Superannuation, March 5, 1986.

vehicle providing all Australians with the opportunity to maximise their investment returns and retirement savings, such as to make an adequate provision for their retirement...The Labor Government has seen superannuation predominantly as either an increasingly important revenue raiser, or as an increasingly important element of their wage and industrial relations Accord. They have not really been driven by the correct motivation for an effective retirement incomes policy.²⁰¹

Until 1992, the Australian Democrats took a low profile on retirement income changes. But confronted with the SGC Charge legislation, the Democrats forced the government to revise the legislation to make tax concessions more equitable, and to raise the SGC cutoffs so that many more small employers were exempt from having to pay superannuation contributions.²⁰²

Empirical research has provided the opportunity to study the dynamic processes of neo-corporatist policy formation between 1983 to 1992, and to question the extent to which the relationship between the unions and the government are moving in a neo-corporatist direction. This analysis gains additional heuristic value by examining the perturbations of the policy process in terms of the three conceptual models of neo-corporatist arrangements introduced in Chapter One.

4.7 THE DYNAMICS OF NEO-CORPORATIST POLICY FORMATION

Neo-corporatist developments flourish best under a labour or social democratic government,²⁰³ so it is not unexpected that neo-corporatist developments became so widespread during the tenure of the Federal Labor Government. Neo-corporatist processes of policy formation which developed in Australia are unlike the neo-corporatist models which emerged in most European social democratic polities. The neo-corporatist model which provided the framework for the union participation in policy-making in the early years of the Hawke Government was

²⁰¹ Liberal and National Party Coalition Proposal, 'Fight Back!', p.117 and Supplementary Paper No 2, p.7, November 1991.

²⁰² The Australian Democrats hold a powerful position in Australia's Federal Parliament, and their vote was required for the Government to obtain a clear majority when the SGL legislation came before Parliament in June, 1992. For a full description of concessions won by the Democrats and the full conditions of legislation see CCH Australian Superannuation Law & Practice and Australian Superannuation Source Materials. Also, Australian Democrats, Media Releases, July 9, 1990, June & July 1992.

²⁰³ See Grant, 1985(a), op. cit., Williamson, 1989, op. cit., Lehmbruch & Schmitter, 1982, op. cit.

fashioned upon neo-corporatist developments in social democratic democratic countries overseas, particularly Sweden. It presumed the equal representation of capital and labour with the state in the establishment of tripartite neo-corporatist organisations to produce economic recovery, industrial regeneration, and increased international competitiveness within a context of income redistribution and industrial and social harmony. It did not long conform to this formulation. The nature and extent of neo-corporatist practices in 1987 and 1988 reflected liberal pluralist neo-corporatist doxy. I have identified a further shift by the end of the 1980s towards managerial or post-industrial neo-corporatism. These shifts are now analysed, and the reader may wish to consult the schematic model of these three formulations of neo-corporatist arrangements presented in Chapter Two on page 65.

To recap briefly, the three neo-corporatist models used are first, the 'social democratic' model; second, the model of 'liberal-pluralist' neo-corporatism; and the third, and my most original schema, owes much to neo-Marxist theoretical constructs of trade union 'collaboration' in neo-corporatist developments. This assumes union acceptance of capitalist logics and precepts, the sacrifice socialist goals, and integration and subordination labour, and so I chose to call this third model 'managerial or post-industrial' neo-corporatism. These policy changes did not proceed in an entirely temporally discrete and linear progression. The complexities of the changes and their integration with other policy patterns and institutional arrangements means that at any stage factors or facets of developments conform to any one or a mixture of these different formulations. Nevertheless, for analytical purposes, I postulate that over the period from 1983 to 1991 neo-corporatist policy formation moved through three stages in the manner that Offe suggests may be conceptualised as a neo-corporatist continuum.²⁰⁴

²⁰⁴ Offe, 1985, op. cit., p.236.

I) Social Democratic Policy Formation

Initial neo-corporatist arrangements, most clearly articulated in the first Accord but also implicit in policy negotiations for superannuation, were social democratic in character. They assumed a reformist state, operating on the basis of participatory decision-making and a democratic distribution of power. The organisational transformation, emerging professionalisation and broadening demands of Australia's labour movement are discussed above. As detailed earlier, labour movement theorists in Australia (many of whom were the architects of such developments), saw institutionalised participation in policy-making as a means of acquiring political power. In the social democratic tradition, this power would be used to produce a redistribution of the rewards and scarce resources of society from capital to labour, thus paving the way for industrial and economic democracy, and potentially socialism. Their goals for social and economic revitalisation based upon a broadly defined 'collective worker' were rarely explicitly developed, but can be seen as tentative moves towards social democracy. Legislation was intended to facilitate income redistribution and the development of industrial and economic democracy, as well as social policy considerations. The extension and attainment of social rights was to be the outcome of processes dominated by strategic issues and by questions of political choice. Public policies were intended to provide a foundation of long term economic security, the eradication of sectional differences, and a democratisation of political, social and economic life.²⁰⁵ Superannuation policy objectives, formulated by the ACTU in 1983 on the basis of FSPU initiatives, were an explicit codification of these goals. These arrangements offered the opportunity for the ALP and the union movement to move beyond their traditional labourist orientation, and for the labour movement to achieve credible social democratic policies.

²⁰⁵ Objectives of trade union participation in neo-corporatist or tripartite processes are variously outlined in publications listed in the bibliography of Winton Higgins; Higgins & Apple; Clegg, Dow & Boreham; Ewer et al. and in ACTU policy documents 'The Way Forward', 'Future Strategies for the Union Movement', culminating in their most sophisticated form in 'Australia Reconstructed', 1987. op. cit.

Beilharz cites the 1970s Green Bans as the only time Australia's trade union movement has broken its labourist tradition.²⁰⁶ This must surely be seen as another dysjuncture. The initial demands, undeniably pragmatic in response to constraints on claims for increases in wages and conditions, nevertheless contained broader objectives in the normatively based principles that the unions, and later the ACTU, identified as the basis for their superannuation policies. ACTU demands that the government provide a safety net for workers unable to gain superannuation benefits from their employers, or those outside the workforce, were important. They were part of unions' explicit attempts to address the social inequities of existing retirement income provisions. Likewise, trade union insistence on participation by union members in control of superannuation fund investments was to be a major thrust for an extension of economic democracy. Between 1983 and 1986, unions were closely involved in government changes to taxes and operational guidelines for superannuation. These changes were consistent with normative socially distributive goals - reducing the inequities in the structures and provision of benefits of the existing superannuation system, and encouraging extensions of superannuation as additional benefits for employees. The introduction of full vesting, preservation and portability of benefits was essentially redistributive, and at the end of 1985 the ACTU claimed superannuation as the great leap forward for the union movement, as discussed earlier. Policy formation up to 1987 retained the hallmarks of the social democratic neo-corporatist model. Union-initiated funds were established with equal representation of capital and labour, intending to equalise the distribution of wealth, and effect a redistribution of capital in favour of employees. Job creation and the use of accumulated capital funds to stimulate productive investment remained a priority, as were use of the funds to promote industrial and economic democracy, demands for full accountability of the funds, participation of workers in management and investment decision-making of the funds, equity in retirement and socially responsible investment. These were powerful new social democratic

²⁰⁶ Beilharz, 1986(a), op. cit.

objectives determined jointly by Australia's trade unions and the government, sanctioned by the state in the first stage of neo-corporatist public policy formation.

The original formulations of social democratic neo-corporatism sought most explicitly to provide opportunities for a public status and level of involvement for trade unions in policy formation and implementation. Korpi's admonitions of the increased power which unions gain from enhancing their resources *vis a vis* employers made ownership and control of collective capital formation instrumental to the then clearly articulated demands for industrial democracy as well as economic democracy.²⁰⁷ Conceptions of political unionism and the increasing sophistication and economic expertise of ACTU and major member union leaderships, and their new symbiotic relationship with the political arm of the labour movement, the ALP party structure and the new government, fostered trade union demands for neo-corporatist involvement. Initially, the Prices and Incomes Accord prescribed co-operation between government, trade unions and employers in the implementation of a fair, systematic and responsible wage-fixing system, complemented by just and equitable social and economic programmes.

II) Liberal-Pluralist Policy Formation

The social democratic neo-corporatist model however was short-lived. In renegotiating Accord Mark II in 1985, many of the earlier social policy considerations were sacrificed. Calls for universal protection of living standards for wage and salary earners as well as non-income earning sectors of the population, the call for equitable and clearly discernible redistribution of income and control of prices and all income groups (rather than to wages alone) were abandoned. Critics such as Stilwell, Beilharz, Watts and others pointed out that the Accord had fallen far short of its social democratic aspirations.²⁰⁸ Foremost amongst their criticisms was the essentially labourist orientation of the implementation of the Accord. Beilharz in particular argues that trade unions' historical immersion in a culture of

²⁰⁷ Korpi. 1978, op. cit.

²⁰⁸ Stilwell, 1986(a), op. cit., Beilharz & Watts, 1986(a), op. cit.

labourism, privileged incremental benefits for the most highly-skilled and highly-unionised sectors of the workforce.²⁰⁹ Conditions for low income employees, casual and part-time employees (most of whom are female employees) and for those outside the paid workforce had been sacrificed. The liberal-pluralist model assumes that institutionalised, monopolistic and non-competitive trade union co-operation with the state and employers is advantageous for the management of a complex economy, and that it will increase economic growth and efficiency, dividing up the national product through central and extra-parliamentary bargains. Social and industrial democratic reforms and social policy considerations, promised by the government in return for union wage restraint, and the intended reinvestment of increased enterprise profitability by employers came to nought. So too, by the end of 1986, government expenditure cuts in other areas of public policy had begun to bite deeply into employment prospects for those out of work, and to erode the lifestyles of large proportions of the population.

Towards the end of 1986 and early in 1987, changes in neo-corporatist policy formation became increasingly obvious. The above discussion addressed the detail of these shifts and the nature and extent of policy changes. In terms of neo-corporatist policy formation, decision-making became increasingly the monopoly of major functional interests, although the low level of institutionalisation at the level of policy formation ostensibly attested to a continuing pluralism in policy deliberations. A variety of welfare, community and special interest groups were represented on Hawke's 1988 Task Force on Superannuation, but their recommendations were not the substance of the policy changes. The state became facilitative - through its statutory agencies, superannuation became part of the award-based system of wages, and new regulatory legislation ascribed particular public status and responsibilities on occupational superannuation funds. As discussed above, the release of 'Australia Reconstructed' in 1987 demonstrated the ACTU commitment to liberal-pluralist neo-corporatist developments, and the ACTU

²⁰⁹ Beilharz, 1986(a). op. cit.

leadership became the progenitors of policy formation, with few opportunities for member union participation, and almost no possibilities for rank and file involvement. There were liberal trade-offs promised. The government accepted ACTU plans for a National Development Fund financed out of superannuation contributions to provide investments for expansion of public infrastructure and employment-generating enterprise. The monopoly position of the ACTU in neo-corporatist policy-making, deprived other organised interests (such as women's organisations, environmental groups, social welfare groups) of alternative effective channels of accountability and representation. Liberal-pluralist neo-corporatist processes provided an economic sub-system for policy-changes outside parliamentary accountability and electoral pressures, enabling the Hawke Government to make policy changes it would normally have lacked the authority and legitimacy to do alone. The Hawke Government accepted the recommendations of the co-ordinating departments of Treasury, Finance and the Department of The Prime Minister and Cabinet for major transformations in policy objectives, prioritising control of inflation through wage restraint and cuts in government expenditures, and increasing private profitability and international financial competitiveness. As outlined in this chapter, far from merely fulfilling their representative function, unions adopted formalised obligations to behave responsibly and predictably, guaranteeing compliance of the membership to restrain their wage demands, and to provide a substantially strike-free industrial arena.

III) Managerialist and Post-Industrial Policy Formation

By the end of the decade, and in the early 1990s, the ACTU and its major union leaders were entirely co-opted into a closed process of bargaining over public policy, where union leaders were inveigled to sacrifice the immediate advantages of their members, under the aegis of the 'national economic interest'. These managerial neo-corporatist arrangements privilege hierarchical authority structures, and economistic and free market approaches to decision-making premised on goals

of allocative efficiency and rational maximisation. I see it as post-industrial in privileging the role of finance capital, information and investment sectors, and the denial of the importance of manufacturing and industrial production.²¹⁰

ACTU and union leaders came to act in a 'system-regarding' manner, accepting obligations to support the national interest and macroeconomic priorities. Accord commitments by this time had sacrificed job creation, industrial and economic democracy and other social policy objectives in the interests of short term macroeconomic priorities and the aureole of free market forces. While the degree of participation for unions in shaping and implementing public policy (particularly economic policy) certainly increased sharply, the processes of policy formation and the directions of policy-making accorded with managerial and post-industrial priorities.

Perhaps the greatest problem was the astounding success of the industry-wide funds. Government patronage for the expansion of occupational superannuation, as detailed above, served many powerful interests and facilitated important major policy directions. To ensure that superannuation did in fact fulfil these objectives, government became increasingly directive, and policy-making with regard to superannuation was the fulcrum for pragmatic strategic trade-offs - maintaining the Accord, boosting domestic savings, ensuring continued industrial harmony and increased productivity, mollifying employers, gaining favour with the Life Houses and the banking sector. Superannuation became universal, legislated and mandatory, and the funds became a major player in the national economy. It was this success which most prejudiced the maintenance of union control.²¹¹ The success of the industry-wide union-initiated funds attracted the attention of the Life Houses, themselves suffering a downturn and looking for new avenues for

²¹⁰ See Boris Frankel, *The Post-Industrial Utopians*, Cambridge, Cambridge University Press, 1987.

²¹¹ Weaven admitted that the success of the funds was unprecedented and totally unexpected. 'The most we thought we'd ever get in the building industry fund (BUS) was maybe 25,000 members with maybe a quote of a million dollars in the fund. In that one fund alone now we've got upwards of 200,000 members and more than \$700 million in accumulated capital assets.'

expansion. The complexities and enormous responsibilities of these, now huge, funds led to the abrogation of control of the funds to the Life Houses. Government policy formation proceeded in a managerial, post-industrial neo-corporatist fashion. Decision-making became increasingly elite, informal and private, as the previous discussion demonstrated. Superannuation became the tool whereby economic, wages and industry policies could be achieved, and the government adopted occupational superannuation as a major plank of macroeconomic fiscal policy-making.

The major economic downturn in 1991, and the huge losses sustained by Australian companies as a result of the financial excesses of the 1980s, and the increasing complexity and uncertainty of global financial markets, exacerbated the changes in neo-corporatist developments. It is at the end of the decade that these changes have become revealed and most manifest. The initial demands for structural changes, so explicit in social democratic forms of neo-corporatism, have scant resonance in the managerial or post-industrial neo-corporatism of the early 1990s in Australia. The current system of relations between unions and government is anomalous and probably unstable. Were the ALP to lose office, it is more than likely that the political power of the ACTU and its member unions and the neo-corporatist patterns of relations, which have brought them such increased levels of participation in policy-making, will be substantially reduced if not abandoned altogether. It is the dependence on informal negotiations, factional deal-making and autocratic decision-making, the disregard for the institutionalised structures of interest intermediation, and the dearth of democratic participation which are the hallmarks of Australia's managerial and post-industrial neo-corporatism.

Schmitter argues that neo-corporatism flourishes best in periods of economic growth and affluence, when public policies have expansionary possibilities.²¹² Undoubtedly, Australia's parlous economic situation has contributed substantially to the direction of these developments. Increasingly the

²¹² Lehmbruch & Schmitter, 1982, *op. cit.*

ACTU and its member unions have become dependent upon the state for their organisational resources. Large numbers of employees of the ACTU, state labour councils, and individual unions and much union research and policy development and union activities are funded by government grants.²¹³ In all cases of policy formation, direct collaboration between government and unions is preferred to formal consultation through tripartite consultative bodies. Also of note, the strategic elite within the ACTU and its major member unions has gained prestigious and extremely senior positions on major public sector statutory authorities and private company boards.²¹⁴ While many of these positions attract minimal emoluments, the fringe benefits in terms of first class travel, hospitality and other benefits are extremely lavish, and are highly prized.

The extraordinary ascendance of the financial sector to unchallenged dominance in the national economy, and the obeisance of the government and trade unions to the priorities of this sector has been vitally important in establishing a post-industrial ethos within the ALP and the ACTU. Member unions have been substantially unable to focus policy formation upon issues of industrial reinvigoration, employment creation and social policies, or on issues relevant to long term economic growth, rather than short term financial returns. The finance industry had traditionally had strong connections with government, as discussed above, but it is the increasing dominance of institutional finance which now privileges their interests across all areas of policy-making, even the determination of social policies.

Examination of changes to national retirement income regime and the Hawke Government choice of privatisation as the preferred policy option reveals most clearly the nature of these shifts in the processes and practices of neo-corporatism in policy-making during the period of the Hawke Government. Privatisation of the national retirement income regime has massively increased the

²¹³ For example in December 1991, 46 staff members employed by the Victorian Trades Hall Council were paid from government grants. See for example ACTU Financial Report to the 1991 Congress.

²¹⁴ House of Representatives, Hansard, September 11, 1991 records the large number of senior public agency, board and statutory committee appointments of elite officers of the union movement.

supply of accumulated investment capital in the economy held by the private sector, but the net gain for the national economy is uncertain. The main beneficiaries of these policy changes have been the financial intermediaries of major insurance houses, the investment managers and other professional advisers whose extremely lucrative emoluments come increasingly from the retirement savings of employees.

Managerial and post-industrial neo-corporatist policy-making is a response to changing forces in global capitalism, and the enhancement of the power of financial capital relative to corporate, state and personal financing. The global co-ordination of finance capital has tended to limit the power of the nation state in its own fiscal and financial policies. Lambert argues that these changes have had a substantial impact on the role of the state, which is now called upon to enforce on the domestic economy the global conditions for competition, in particular the creation of a good business climate to act as an inducement to trans-national and global finance.²¹⁵ Such pressures are manifest in government policy-making in Australia, and increasingly affected all areas of policy decision-making. Public policy-making has become interdependent with economic policy-making. The new retirement income regime has become increasingly rule-governed, and legislation regarding retirement income, taxation and accounting standards have become exceedingly complex and detailed.²¹⁶

4.8 AUSTRALIA'S NEW QUASI-PRIVATISED RETIREMENT INCOME REGIME

Australia now has a quasi-private national retirement income regime. Government-provided age pensions are increasingly restricted, and almost all employees compulsorily contribute a proportion of their earnings to privately-controlled but government-subsidised occupational superannuation funds. The

²¹⁵ Lambert, 1991, op. cit.

²¹⁶ In the space of just four years the amount of legislation and rules and regulations has increased ten-fold according to CCH Australian Superannuation Law & Practice and Australian Superannuation Source Materials. The major growth sector in the legal profession in the years 1990 and 1991 has been the area of superannuation law, and all major legal firms within the past 12 months have established specialist superannuation departments.

private occupational superannuation system has been dramatically transformed. There has been an unprecedented increase in members and accumulated capital assets of the funds, a growth and the provision of a particular public status to large industry superannuation funds. The current system provides for preservation of benefits to the age of 55 and provides a lump sum benefit on retirement.²¹⁷ This is at odds with the expressed role of superannuation in the government's declared retirement incomes policy.²¹⁸ The policy therefore embodies competing, even contradictory economic, industrial and social policy agendas. This chapter has examined the process of these policy changes, arguing that they constituted institutionalised political responses to national and international economic exigencies, a changed institutional and political culture and the establishment of a new pattern of relations between major organised interests in Australia. The empirical research revealed that the direct participation of unions in national economic planning was not simply a given in the public policy-process. It was intentionally created by strategic elites within the union movement and the Federal Labor Government and was institutionally supported by strategically placed elite decision-makers in the higher echelons of the co-ordinating departments of the federal bureaucracy. The progress of such far-reaching policy changes gained the support of the Life Houses and major employers because, as this chapter has revealed, the extension of occupational superannuation benefits suited the Life Houses' economic self-interest and provided the employers with a sustained period of wage restraint, industrial harmony and enhanced productivity in the Australian economy. This offered substantial gains in private profitability. The lack of public opposition by individual citizens, community groups, special interest organisations, the welfare lobby or even opposing political parties meant that the transformation of Australia's national retirement income regime went unchallenged and broader public

²¹⁷ Preservation of superannuation benefits was increased to age 60 in July 1992. This refers only to benefits which accrue after July 1993.

²¹⁸ John Dawkins, Federal Treasurer, 'Security In Retirement: Planning for Tomorrow Today', Canberra: AGPS. June 30, 1992(a).

interests were not represented in the process of these changes. Many policy shifts came about as a result of informal trade-offs between the parties on the basis of what was economically and politically possible in a process which I have earlier described as adaptive rationality. As earlier argued, organisations have multiple goals which, when necessary, are traded-off one against the other according to their particular set of preferences and priorities. In a thoroughly neo-corporatist fashion, government and its key co-ordinating departments were able to legitimate and achieve policy changes deemed necessary in the face of imperatives of demographic changes and projected untenable burdens on government outlays. These imperatives posed major contradictions in the context of government plans to reduce public expenditure. These policy changes to the retirement income regime at the same time presented the possibility of meeting other policy objectives to foster economic growth and increase domestic savings.

The entire focus of social policy-making in the retirement income regime now revolves around accumulated capital and financial investment aspects of public policy-making. No longer are social needs, social equity or social justice considered policy priorities. Without explicitly articulated long term goals, policy-making has become increasingly subject to strategic policy trade-offs, negotiated according to the particular political and economic priorities of parties in neo-corporatist arrangements. This suggests that the extent to which, under capitalist conditions, centralised unions necessarily represent the interests of wage-dependent persons, and social democratic parties are necessarily parties of social reform cannot be taken for granted, but must rather be regarded as culturally and historically contingent, and therefore as empirically variable.

The granting of particular public status to unions to control large accumulations of capital is a major advance in the economic and industrial history of Australia. It is important to examine the particular institutional arrangements of these neo-corporatist enterprises, and explore their relationship with the state and with their constituent members. The following chapter addresses these issues.

CHAPTER FIVE

A PARTICULAR PUBLIC STATUS FOR NEO-CORPORATIST ENTERPRISES

5.1 INTRODUCTION

Privatisation of Australia's national retirement income regime has led to the attribution of a particular public status to Australia's occupational superannuation funds. In the previous chapter, I examined the process of government policy changes, suggesting that they came about as a result of strategic trade-offs in a new mode of neo-corporatist policy formation under the Federal Labor Government. The dynamic nature and extent of these developments, in particular the new pattern of relations between the union movement and government, was examined.

Transformation of the occupational superannuation industry along the lines proposed by the unions has resulted in the emergence of powerful quasi-private neo-corporatist enterprises in the form of industry-wide occupational superannuation funds ('the funds'). These funds are owned and controlled by trustee boards, and are constituted as an institutionalised mode of tripartite interest intermediation for capital, labour and the state. Analysis of the results of my empirical field study of the funds, and case studies of the funds on which the sector is modelled, provides insights into the institutional arrangements and the relationship of these neo-corporatist enterprises to the state. This is previously unresearched.

This chapter is divided into five parts. Following the introduction, part two considers how the union-initiated funds have revolutionised the existing superannuation industry. Part three analyses the institutional arrangements of the funds, through examination of the results of archival and documentary research and a national field survey of fund co-ordinators, administrators and fund managers and in-depth interviews with strategic actors in the government, the ACTU, major unions, the Life Houses and others involved in these developments. Full details of the

research methodologies are included in Chapter Two. The analysis proceeded on the basis of criteria proposed by Offe for examination of major organised interest intermediation in neo-corporatist enterprises. The conceptual frameworks for these measures are explained in Chapter Two, and are briefly reiterated here as a guide to the discussion. These criteria are examined in turn. First analysed is the resource status of the funds - the extent to which resources are supplied by the state or other outside organisations (such as the Life Houses). Second is the representation status of the funds - the extent to which representation in the funds is defined through political fiat. Third considered is the organisation status of the funds - the extent to which the internal organisation of the funds is regulated by the state. Fourth examined is the procedural status of the funds - the extent to which the funds are formally granted rights and responsibilities in legislation, the judicial system, policy planning and implementation. These measures were operationalised using eight criteria identified by Mathews specifically to study collective funds such as pensions and superannuation funds. These were detailed in Chapter Two. Part four presents case studies of the three union-initiated funds which were the prototypes for government attribution of public status to occupational superannuation funds. Part five examines the neo-corporatist enterprise and the state.

5.2 TRADE UNIONS REVOLUTIONISE AUSTRALIA'S SUPERANNUATION INDUSTRY

As a direct result of new government retirement income policies and the integration of these policies in new economic, industrial, wage and taxation policies, occupational superannuation funds have become one of the fastest growing sectors of the national economy. An estimated \$19 billion per year flows into occupational superannuation funds, and industry assets in 1992 total in excess of \$160 billion. By the turn of the century, with investment income, it is estimated that the industry will be valued at between \$400 billion and \$600 billion. Establishment of industry-wide funds, in which the supreme decision-making bodies (the trustee boards)

provide equal representation for trade union and employer representatives, opens up new possibilities for a shift in ownership and control of capital in Australia. These funds, and government support for the expansion of superannuation along the lines proposed by unions, have revolutionised the traditional insurance and superannuation industries in Australia. Once a financial backwater, occupational superannuation funds are now a major force in national economic planning and are of vital importance to the life expectations of all Australians, both fund members and others in the community whose employment prospects are affected by the funds' investment behaviour.

The union-initiated funds differ from traditional company-based funds in that contributions and benefits are set by awards and/or by government legislation, rather than at the behest of the sponsoring employer.¹ No longer is it the preserve of an employer as managerial prerogative to bestow the favour of superannuation, as an 'ex-gratia' benefit on an employee.² Government regulations prescribe who will be provided with superannuation benefits, who may contribute to a fund, vesting and preservation of benefits, the minimum level of benefits which must be provided, prudential investment regulations, the composition and selection of trustee boards, record keeping, disclosure of information to members and financial and actuarial reporting.

Funds are multi-employer funds, that is, payments arrive from many employers who contribute on behalf of their employees.³ Employees are usually in a

¹ As discussed in the previous chapter, almost all occupational superannuation funds (very small funds of less than 5 members are exempt) in Australia must conform to the union industry fund organisational model by July 1995, although benefits over and above the award or SGC minimum remain the prerogative of the employer.

² The term 'golden handcuffs' is used colloquially to describe superannuation as a worthwhile employment benefit, but one which ties the employee to an employer, and thereby limits employee mobility.

³ Whilst trade unions have sought to establish one single multi-union, multi-employer fund to capture award contributions within each industry, in some cases competition and conflict, most usually between employer associations but also sometimes between trade unions, have led to the establishment of more than one fund in some industries or the creation of 'net funds' which provide coverage for employees across a number of industries under diverse awards. Not all industry funds can be called 'productivity funds'. Several of the funds were established and contribution levels set by industrial agreements, and comprise benefits far above the basic 4% productivity allowance. Most notable among these are the largest industry funds, the Building Unions Superannuation Scheme (BUS) and the Allied Unions Superannuation Trust (AUST). These two funds alone account for almost one quarter of a million members, although because of the nature of building

single industry sector, but may be covered by any number of federal or state awards specifying their superannuation entitlements, or the minimum SGC requirements. Unlike the majority of company-based funds, which are 'defined benefit' funds based on defined termination benefits, the funds are 'accumulation type' schemes, based on a defined employer contribution invested by the fund to accumulate with interest to provide the ultimate payment to each employee. The employer contributions plus investment earnings, less any tax liability, are commonly fully vested in the employee, are preserved and portable within the industry sector, and are paid out either as a lump sum benefit on retirement at age 55 (or 60) or some other defined circumstance such as death or disability. The funds involve three basic functions - administration, investment, and in almost all cases, the provision of death and disability insurance cover for fund members.

The particular public status granted to these funds makes Australia's quasi-private system almost unique in the world.⁴ This derives from the following characteristics - legislated mandatory employer-provided entitlements for most employees, immediate death and disability insurance cover for employees, full vesting of all accumulated benefits in individual employees' accounts, portability and preservation of entitlements, private ownership and control of the funds by trustee boards legally constituted of equal employer and employee representatives. Funds are extensively regulated and monitored by the state, and there are prudential requirements on the funds, but the government does not guarantee the probity of the funds or the fidelity of employees retirement savings in the funds.

and construction industries only about half the membership are employed and actively receiving employer contributions in any one month. Analyses of these funds are the focus of case studies in the second half of this chapter.

⁴ Only Finland has a similar quasi-private system with government legislated compulsory employer contributions, accumulated in privately controlled funds. See Kangas & Palme, 1989, op. cit.; and Olli Kangas & Joakim Palme, 'Class-Politics And Institutional Feedback: Development of Occupational Pensions In Finland and Sweden', Stockholm, Institutet For Social Forskning, 1992.

5.3 THE RELATIONSHIP OF NEO-CORPORATIST ENTERPRISES TO THE STATE

I) The Resource Status Of The Funds

Government policies have been the major contributor to the unprecedented growth of fund resources, in terms of the establishment of the funds, the increase in membership of the funds and the large amounts of money contributed to the funds on behalf of employees. The 97 funds⁵ provide employer-sponsored retirement benefits and death and disability insurance for almost three million employees, and have an accumulated capital asset base in excess of \$6 billion.⁶ The funds have massively increased the proportion of employees in receipt of occupational superannuation, increasing from 42 percent of the workforce (in 1978) to more than 75 percent (in 1992).⁷ The number of employees with superannuation rose sharply as award-determined contributions came into force at the end of the 1980s, and is expected to rise to more than 85 percent within 12 months of the introduction of the legislated SGC. Consequently, the management and accountability of the funds and the direction of the investment of this vast new repository of savings are of major significance to all Australians. Prior to the acceptance of occupational superannuation as part of the centralised award-based wages system, benefits were individually negotiated by unions with employers.⁸ Case studies of the early union-initiated funds later in this chapter demonstrate the slow progress of recruiting contributing employers without the institutional force of the AIRC (to include superannuation as an industry-wide award benefit), and Arbitration Inspectorates to enforce award compliance.⁹ Problems of policing employer compliance were central

⁵ I estimated that the largest 35 funds account for approximately 95 % of all employees covered by these funds, and therefore I have concentrated my research on these funds. As well, the remaining small funds are expected to amalgamate with larger funds, a process which is already happening.

⁶ ASFA, Superfunds, September, 1992, pp.16-18.

⁷ The ABS reports that in just 12 months from June 1990 to June 1991, the proportion of employees covered by superannuation increased from 53% to 72%. ABS, Cat. No 6319.0.

⁸ Up to April 30, 1989, 284 superannuation awards had been handed down in the Federal arena. Of these, 162 awards offered no choice, directing employer contributions into a single industry fund; 90 provided limited choice, generally between a union fund and a pre-existing employer fund; 32 (11%) nominated 'preferred' schemes but gave an option to select a complying alternative fund.

⁹ The Federal Department of Industrial Relations in a confidential paper estimated that federal award non-compliance over superannuation exceeds \$350 million a year. Other estimates by the

to ACTU demands for government legislation of universal employer contributions, which resulted in the SGC in 1992.

Superannuation is but one facet of the increasing dependence of the union movement upon government-provided resources, gained through the Accord and Accord-related undertakings.¹⁰ As discussed in the previous chapter, numerous senior appointments to statutory authorities, government bodies and to boards of directors have been made by government from the leaders of the ACTU and its major unions. The union movement has also benefited extensively from government grants, particularly in terms of staff support resources, during the period of the Federal Labor Government.¹¹ Many of these appointments provided the research and industrial negotiations expertise for award applications to the AIRC for superannuation, were involved in the establishment of the funds, and continue to provide support for union-appointed trustees to the funds.

The funds have very little autonomy and few organisational resources of their own. The field research revealed that the vast majority of the funds have no independent administrative and organisational infrastructure. Most funds organisationally comprise only the trustee board, or are constituted as a corporate trustee with a board of directors. These boards usually meet only four times a year and, although legally vested with ownership and control of the funds, and legally responsible to the fund members for the management of the funds, the trustee boards perform only executive functions. All trustees of the funds, both employer and union representatives, are part-time appointments, and most perform their roles in an honorary capacity. Approximately half of the 35 largest funds have established sub-committees such as management, administrative or investment subcommittees. These subcommittees report directly to the trustee boards, and take an active role in

Department are that up to 40% of employers in the private sector are guilty of breaches in this area. *Australian Financial Review*, May 28, 1990, p.38.

¹⁰ The processes of award restructuring, skills-development and retraining, union amalgamations, occupational health and safety and research and policy development are substantially funded by government.

¹¹ For example, as at October 1991, 46 employees of unions at the Victorian Trade Hall were paid by Government grants.

the executive management of the funds, but are rarely involved with day to day management and administration of the funds or specific investment allocation.

The problems of very quickly establishing a national administration to deal with hundreds of thousands or even millions of transactions from hundreds of employers on behalf of many hundreds of thousands of members posed a daunting task for the unions and employer organisations charged with the establishment of industry-wide funds. In many instances, the fund was established only a matter of weeks before award judgements came into force directing employers to contribute at least 3 percent of wages into superannuation, and in most cases directing those contributions to be paid into an industry-wide fund. As a result, almost all industry-wide funds have retained major Life Houses to administer and manage the funds, and high profile investment managers to handle fund investments. With only four exceptions, the funds are administered by major Life Houses, and their investments are managed by the largest investment managers. This is because of the speed of the establishment of the funds and the constant scrutiny of the media and employers, who, as detailed in the previous chapter, were publicly sceptical about the capacity of trade unions to prudently control the funds, and privately ideologically opposed to union initiatives. While what seems to have been a wholesale handover of the funds to the traditional insurance and finance sectors has been a source of considerable criticism and debate, union leaders argue that it was essential to the success of the funds that they be seen from the outset as stable and financially sound. ACTU National Industry Funds Co-ordinator, Mavis Roberston said:-

When we first started off, we were very keen to use independent managers for the fund, but quickly realised that if we were going to be able to allay the fears of employers, and defuse the rhetoric of certain political forces who were making outrageous claims about the industry funds, then we would have to use well-established organisations who were acceptable to the insurance industry and the finance community generally. They really tried to use the general conservatism of the Australian community against the establishment of industry funds. It was absolutely essential that employees had confidence and valued superannuation benefits in return for wage restraint. We didn't want to

be accused of 'running a Bourke's store'.¹² The conservative political parties made it very difficult in the beginning. They insisted on calling the funds 'union funds', and kept talking about the unions taking over the country. The media were very quick to jump onto these attacks, and blow up the issue.¹³

Union leaders said they were extremely concerned about the security of members' money in the funds, and largely on the advice of the ACTU leadership, passed over control of investment decision-making to the most high profile, mainstream traditional investment advisers - the grey-suited investment mandarins of Melbourne's Collins Street and Sydney's Australia Square tower. Industry-wide superannuation funds are concentrated in the hands of the 'Big Five' fund managers - the AMP, National Mutual, Bankers' Trust, MLC and Westpac (in order of size of holdings). These 5 companies hold between them more than \$100 billion of assets under management.¹⁴ As detailed in the previous chapter, many left wing union leaders were against handing the funds to the Life Houses, but said they felt incapable of accepting the responsibilities of directly managing the funds, or of controlling the investment decisions. The complexity of administration was also a major factor in trade unions and employer organisations handing over the management of the funds to the traditional Life Houses, according to ACTU industrial officer and chairman of three of the largest funds, Michael McKay:-

They just came in and took over the whole operation. They arranged the insurance cover, installed computers in our office, and just took it over and ran the funds.¹⁵

The Life Houses were originally opposed to union-initiated funds, as discussed in the previous chapter. This issue is raised again here in order to explain the appropriation of control of the institutional arrangements of the funds by the Life Houses. Administration of the funds passed through several phases. At first

¹² The ACTU in the 1970s operated a retail store (Bourke's) in Melbourne, which was unsuccessful.

¹³ Mavis Robertson, ACTU National Industry Fund Co-ordinator, research interview, Melbourne, February 1990.

¹⁴ Greg Vaughan, TPF & C senior officer, research interview, Sydney, November 1991.

¹⁵ Michael McKay, First ACTU co-ordinator of industry-wide superannuation funds, now chairman of three of the largest industry-wide funds, research interview, May 1988. Interestingly, Michael McKay's wife is now a senior employee with Jacques Martin, a subsidiary of Colonial Mutual, which administers more than half of union-initiated industry-wide funds.

nobody wanted to have anything to do with industry-wide superannuation. The traditional Life Houses and employers said that it was impossible to have a multi-employer industry-wide fund providing portability of benefits for employees. The unions were not the only ones to try to get such schemes established. Mike Crivelli, a principal of Bankers' Trust Australia, recalled:-

I spent 10 years trying to convince some of the big companies to establish portable schemes, but the insurance industry and the employers all said it couldn't be done.¹⁶

When the building industry unions called tenders for the prototype industry-wide fund (BUS), the only serious tender to establish the national administration came from Jacques Martin Pty Ltd ('Jacques Martin'), an independent but wholly-owned subsidiary of Colonial Mutual Life Ltd established in 1983 by a group of people who saw the business potential of providing 'unbundled' financial services.¹⁷ National Administration Director of Jacques Martin, Robert Van Woerkom said:-

It was purely some sort of entrepreneurial spirit which decided us to take on what seemed to be an outlandish idea like industry superannuation. We had to start completely from scratch, designing administrative procedures, management and information systems. Nobody in the insurance industry had ever done anything like it before.¹⁸

By 1986 the success of the BUS and AUST funds meant that the Life Houses could no longer afford to continue to refer pejoratively to union claims for superannuation as merely an industrial bludgeon to get more money for the workers from their employers. The funds became the focus of enormous competition between the Life Houses, who now saw the potential of gaining access to management of the huge accumulated capital being generated by the funds. Intense competition for the administration of the funds led to a price-cutting war between the major Life Houses, intent on dominating what they saw as a potentially huge asset base. They committed large investments in time and money to gain a share of the

¹⁶ Mike Crivelli, Principal, Bankers' Trust Australia, (Australia's largest investment manager), research interview, Sydney, May 1991.

¹⁷ 'Unbundled' services refers to the practice of providing independent insurance, investment and superannuation services using a range of companies, rather than the one financial institution.

¹⁸ Robert Van Woerkom, National Administration Director, Jacques Martin Pty Ltd, research interview, April 1990.

funds business.¹⁹ One company was so intent on winning the tender for fund business that whatever the administration fees quoted by other companies, their organisation pledged to beat it.²⁰ Life Houses, long known in Australia for their anti-union, anti-labour conservative stance, suddenly gained a 'commitment' to provide superannuation benefits for all workers, and sought to provide management, administration, investment and other professional services to the union-initiated funds.

The complexity of administering and managing the funds not only forced trade unions to hand over the funds to the traditional insurance industry, but also created almost insurmountable problems for the industry. A senior life house manager said:-

In industry funds, we have to cope with an enormous complexity of different awards, some federal some state, each with different eligibility criteria, different starting dates, different benefits provisions. Overriding all this is the ever-changing complexity of the taxation regulations. It has been an enormously difficult undertaking for the traditional industry to come to terms with and meet these problems. The trustees are enormously committed, but theirs is a part-time commitment. They need people like us with expertise to run the funds.²¹

Trained personnel are at a premium in the Life Houses which handle the funds. The industry-wide fund sector has high labour mobility, as staff with expertise in industry superannuation are much in demand and can secure excellent salary packages. They work at high pressure, which is endemic to the industry as the funds continue to grow and government regulations become increasingly more complex, and hence fund administration more onerous. The need for trained personnel has led to the development of a one-semester university diploma course at Macquarie University in Sydney.²² Fund administrators and traditional

¹⁹ The life offices and insurance companies regard fund administration as the thin end of the wedge in superannuation services. In most cases, the administrator of the fund also handles investment management and group insurance cover, areas where large profits can be made.

²⁰ National Mutual Life were desperate to win industry-wide fund contracts for their subsidiary Nexis Pty Ltd.

²¹ Jo-Anne Bloch, NSW Marketing & Development Manager, Nexis Pty Ltd (National Mutual subsidiary), research interview, July 1991.

²² Macquarie University Diploma and Certificate courses attracted more than 650 students in 1991.

superannuation personnel comprise the bulk of the students. The number of industry fund trustees, union or employer organisation officers enrolled in the courses is very low.²³

The field survey revealed that the Life Houses control virtually all management and administrative decision-making and operations of all but four funds. Even trustee board meetings are controlled by the fund administrators, who set the agenda for the trustee board meetings, prepare the board papers for the meetings, are always in attendance throughout trustee meetings, take responsibility for passing on trustee board decisions to investment managers, supervise investment managers with regard to day to day fund operations, and generally represent the interests of the fund. Fund administrators take responsibility for all direct communications with fund members and contributing employers, and for preparing and distributing fund reports and individual benefit notices to members. There are virtually no institutionalised processes of direct communications for the trustee boards with fund members, no regular annual meetings at which members may address the trustee board, and no office to which members may direct their enquiries outside the fund administrator's office. The funds that have their own administrative secretariats are the long established industry funds - the Pulp & Paper Workers' Fund (PPWF), the Labour Union Co-operative Retirement Fund (LUCRF), the Stevedoring Employees' Retirement Fund (SERF), and the Superannuation Scheme for Australian Universities (SSAU).²⁴ They have stable memberships, unlike more recently established funds whose memberships are dependent on the ratification of awards, a process which hugely expands their membership or their membership potential on a single day. Trustees said this extreme volatility forces them to leave responsibilities for administration to the big Life Houses.

²³ ASFA Annual Report (1991) reported that in 1991 fewer than 5% of students were fund trustees, or were employed by trade unions or employer organisations.

²⁴ SERF and SSAU are defined benefit funds, not award-based productivity accumulation-type funds.

The contribution of the Life Houses to the funds is allegedly sometimes more direct than just contributing professional services. Some survey respondents made allegations of industry funds and of employer organisations and trade unions receiving substantial inducements from major insurance companies. These inducements, often in the form of free services, are made in order that the company be given contracts to administer the funds, or be engaged as professional advisers to the funds. There were also allegations that in return for 'strict control' of discretionary benefits by the trustee boards, fund surpluses are being paid back into fund reserves.²⁵

Organised co-ordination among the funds is restricted to the large funds with close connections with the ACTU,²⁶ or funds with full-time independent fund co-ordinators.²⁷ Full-time fund co-ordinators are an important support for members. They act as advocates for members with employers or insurance companies, assist members in preparing documentation for disability claims or families of deceased members in preparation of death claims. They mediate between the trustee boards and the fund administrators and investment managers to ensure that trustee board decisions are implemented. Co-ordinators said that they act as troubleshooters and minimise industrial disputes over superannuation.²⁸ Some co-ordinators said that many employers are still against industry funds, but that employer attitudes are changing. One commented that although some employers still fear union influence in the funds, their open hostility is a thing of the past:-

²⁵ For example minutes of meetings of the Victorian Farmers' Federation record allegations of 'kickbacks' to the Victorian Employers Federation, June 1991. This issue was also frequently discussed in research interviews and fund co-ordinator meetings.

²⁶ The ACTU in 1992 established an Institute of Superannuation Trustees to represent the funds and to provide education and training for fund trustees.

²⁷ Large industry funds such as BUS, AUST, STA and HESTA have fund co-ordinators situated in Melbourne in the offices of the ACTU, and in Sydney in the NSW Labor Council building in an office shared by the major industry superannuation funds. They maintain constant through informal communication about fund operations.

²⁸ The survey of the 29 industry fund co-ordinators revealed the enormous diversity of the co-ordinators' responsibilities. Co-ordinators listed among their duties - general fund management and administration, liaising with unions and employers, following up employer contributions arrears, meetings with Arbitration Inspectorate staff, and solicitors and accountants to collect outstanding contributions; membership recruitment, educating shop stewards, addressing employee meetings and conducting induction sessions for members.

The three greatest problems for industry funds in the 1990s are first, the misunderstandings which are the result of the enormous diversity of award conditions on superannuation within a single company; second, the inefficiency of employers who get behind in their contributions or have little payroll expertise and can't maintain accurate personnel records; and third, the difficulties created by commission life officers wanting a 'piece of the action' and sometimes stirring up the employers with misinformation.²⁹

The survey revealed that most fund co-ordinators have been recruited from the union movement, previously employed as industrial or research officers. Others come from professions such as teaching or nursing, or from other positions in the superannuation industry. Many have tertiary qualifications, and 19 of the 29 co-ordinators who were among the respondents to the survey reported that they are currently studying part-time in fields related to their new responsibilities - economics, business studies, industrial relations or management studies. Just over a third of fund co-ordinators are women. According to ACTU National Industry Funds Co-ordinator, Mavis Robertson, fund co-ordinators are not highly paid, but their commitment to fund members is exemplary. Fund co-ordinators and everybody in the office down to the most junior clerical assistant are working under enormous pressure trying to cope with the constantly increasing work responsibilities. Robertson said:-

It's only their commitment to industry funds, and the feedback co-ordinators get from members - that feeling that we're doing something extremely important and worthwhile - that keeps us all going.³⁰

Co-ordinators are slowly being appointed in other states, but the funds trustee boards are slow to commit resources for organisational infrastructures. In some funds, especially in the smaller states, fund co-ordinators have little more than a desk and a telephone in union or employer association offices. Few have support services, and many have to do their own secretarial and administration work. Some fund co-ordinators are situated in the offices of the insurance company which

²⁹ Briare McElhone, HOST-PLUS Co-ordinator, research interview, June 1990. Corroborating this allegation, ABC Radio Background Briefing program on Sunday, July 1, 1990 suggested that in order to get companies to sign up with one of the insurance company master funds, rather than contribute to industry funds, some life officers were splitting their commission with company employees responsible for company superannuation funds (such as accountants or finance directors).

³⁰ Robertson, op. cit., research interview, March 1990.

handles the administration of the fund. For example, Bob Menzies, the very energetic co-ordinator of the Non-Government Schools Fund (NGSF), had a desk and a telephone answering machine in the middle of an open plan office at Capita Benefits Planning in Sydney.³¹ From there, he maintains a media monitoring service on superannuation issues, and prepares information briefing material which is regularly circulated to trustees. He commented:-

We're on a tremendous learning curve. The information and expertise to be learned is enormous. Every six weeks, I send our trustees a selection of the best current articles on investment decision-making, plus they get the quarterly report from Capita giving them the fund administration report, with fund statistics and revenue statements, they get the fund secretary's report, and also the quarterly report on the fund investments from Mercer Campbell Cook, the Bankers' Trust report and the National Bank quarterly report.³²

In some funds, co-ordinators combine responsibilities for the industry fund with their other union duties. For example Louise Connor, co-ordinator of the Journalists' Union Superannuation Trust (JUST), works out of the Melbourne offices of the Australian Journalists' Association, and is also an industrial officer of the union.³³ She combines her industry fund responsibilities with dispute resolution, long hearings in the AIRC, and membership recruitment. Co-ordinators have little discretion over budgets and need trustee approval for major expenditure, which some said is often given grudgingly.³⁴

Overall, the funds have few independent organisational resources. Trustee boards and their subcommittees perform executive functions, but are not involved in the day-to-day operations of managing and administering the funds, nor of controlling investment allocations. Large funds have fund co-ordinators, but their involvement remains with minutiae of the fund operations. They are rarely, if ever,

³¹ As the NSGF fund is now one of the largest funds, Menzies has taken a small one room office in a Sydney suburb which has shared office facilities. He is the most active co-ordinator outside the ACTU, but as demonstrated he has few organisational resources.

³² Bob Menzies, Co-ordinator, National Non-Government Schools Fund (NGSF), research interview, Sydney, December 1989.

³³ Louise Connor, Co-ordinator, Journalists' Union Superannuation Trust (JUST), research interview, March 1990.

³⁴ For example, the co-ordinator of one of the major funds was unable to attend the annual combined co-ordinators conference in Melbourne in May 1990, because the trustees would not approve travel and accommodation costs for the two day conference.

involved in policy or management issues. The organisational resources of the funds derive mainly from government or from the Life Houses. It is their representatives and the six trade union leaders (who reputedly 'run' the industry funds³⁵) who control the funds. Broader policy decisions regarding occupational superannuation are made by an even more narrow enclave, comprising Prime Minister Keating, the new head of the Department of Prime Minister and Cabinet Michael Keating, and ACTU Secretary Bill Kelty, as discussed in Chapter Four.

II) The Representation Status Of The Funds

The representation status of the funds is now publicly defined as a result of the introduction of the multiplicity of government legislative and policy regulations and standards in this new public status for superannuation funds. The Occupational Superannuation Standards Act 1987 (OSSA) prescribes that trustee boards of the funds must comprise equal numbers of member or union representatives and employer or employer association representatives in funds which have 200 or more members.³⁶ Modelled on the representative structure of Sweden's wage earner funds,³⁷ in my view this prescription is an advance on the Swedish experience. By law in Australia, employer contributions to the funds are individually allocated to the employee member's account, and the trustee boards represent and can be held accountable by individual fund members. In Sweden, wage-earner funds were collectively held, and investment returns allocated to the state pension system. Employees reportedly did not understand the system and did not actively support

³⁵ According to Brian Daley, Assistant Federal Secretary of the Liquor, Hospitality and Miscellaneous Workers' Union, is a member of the ACTU Superannuation Committee and a trustee of four of the largest industry-wide funds. He trained as an actuary and worked for the AMP Society before joining the union movement and taking a leading role in union involvement in superannuation. Research interview, November 1991.

³⁶ The original OSSA regulations required equal representation only for large private sector funds (this was intended specifically for industry-wide funds) established on or after December 16, 1985, or large public sector funds established on or after May 25, 1988.

³⁷ For a comparison of Australia's industry-wide superannuation funds with Sweden's wage earner funds, see Diana Shaw, 'Employee Participation in Superannuation: An International Perspective', paper presented at the Annual Conference of the Labour-Management Studies Program, 'Superannuation and Industrial Relations', Sydney, Macquarie University, July, 1986(e). and D. Shaw, 'International experiences of Occupational Pensions and Superannuation: Lessons for Australia', paper presented at International Public Policy Conference, Australian Graduate School of Management, October 31, 1986(f), op. cit.

the wage-earner funds.³⁸ I hypothesise that, despite the alleged strong collective culture in Sweden, had employees gained benefits directly and individually from the funds (as is the case in the Australian funds), that public support would have been strong. Regular allocation of benefits into members' accounts here will ensure employee support for the funds, and in my view make it impossible for any government or employers to disband the funds. As well, it confirms the representative nature of the trustees and the direct relationship between the trustees and the members of the funds. Trustees' representative responsibilities are confined to fund members. There is no broader representation. Critics decry the narrowness of the neo-corporatist form of interest intermediation, and as seen here, by providing occupational superannuation benefits only for those in the workforce, the funds necessarily exclude the interests of those who are not in the workforce. In this way, tripartite arrangements benefit those who actually enter into them, but they cannot be presumed to have universally beneficial effects.

The government has legislated to ensure equal representation for labour in these neo-corporatist enterprises. However, they have required that unions in return perform a regulatory function over their members on behalf of the state, thereby ensuring that the government's electoral commitments to providing industrial harmony, productivity growth and increased private profitability are fulfilled. The ACTU has continued to promote superannuation to union members as the 'sweetener' to secure continuing wage restraint. My research in the field revealed that most employees would rather have had direct wage increases than superannuation benefits but, as discussed in the previous chapter, under the ACTU Accord commitments, wage rises were not available. Despite requirements for representation, there are no regulations which provide that funds need necessarily ascertain what the perceived interests or concerns of the members might be.

³⁸ Commentators suggests that the wage earner funds issue contributed to the loss of government of the long governing Swedish Social Democrats in 1982. The Social Democrats were re-elected in 1986, but lost government to a coalition of Conservative Parties in 1992 who have already announced their intention to disband the wage-earner funds. There has been no substantial public opposition to the announcement.

Trustees' fiduciary responsibilities to the members assume that financial benefits comprise the only and full extent of the beneficiaries' interests. Trustees' fiduciary responsibilities are discussed in Chapter Six.

III) The Organisation Status Of The Funds

Government control of the funds is complex and fragmented, but pervasive. The Australian Constitution does not confer direct power over superannuation on the Commonwealth.³⁹ Consequently, despite their size, complexity, and economic and social ramifications, the funds are regulated by a multiplicity of Commonwealth and State laws and authorities, 'a situation which leads to unnecessary confusion, uncertainty and inefficiency'.⁴⁰ In order to build their control of superannuation, the Hawke Government invoked legislation by using its conciliation and arbitration power (Constitution s51 (xxxv)), insurance power (Constitution s51(xiv)) and taxation power (Constitution s51 (ii)). The Conciliation and Arbitration Act 1904 was invoked to include provisions for industry-wide superannuation in federal industrial awards. The Insurance and Superannuation Commissioner Act 1987 and the Life Insurance Act 1945 provided the means for government to establish a national regulatory body (The Insurance and Superannuation Commission -ISC) and to regulate many superannuation-related products such as annuities, master trusts and personal superannuation which affect the operations of industry funds. The Occupational Superannuation Standards Act (1987) and the regulations made under it, allowed the government to establish a supervisory regime, operating standards and benefit limits for the funds, compliance with which is a precondition for taxation concessions. As discussed previously, the SGC legislation (1992) was introduced to provide basic compulsory universal superannuation benefits throughout the workforce. This plethora of legislated regulations and operational standards cover the establishment, eligibility and levels of benefits of the funds, the

³⁹ The Commonwealth of Australia's Constitution, Section 122, prescribes that the Commonwealth may only control the superannuation of its own employees, or as part of its unfettered power over the Territories, which it does not exercise.

⁴⁰ Senate Select Committee, 1992(a), op.cit., p.23.

operations of the funds, financial, actuarial, taxation, communications and accountability requirements of the funds. At the beginning of the 1980s, superannuation was covered under the Commonwealth legislation by one act of parliament which ran to 200 pages, and by 1992, there are now five acts of parliament which run to more than 2000 pages. A full exegesis of the legal, fiscal and regulatory requirements which have resulted in what is widely regarded as 'the most complicated and incomprehensible superannuation system in the world'⁴¹ is outside the scope of this thesis, and is already the subject of a profusion of weighty tomes.⁴² However specific regulations are referred to here and in later sections as pertinent to the discussion.

Almost all institutional arrangements of the funds and the relations between the fund and fund members are controlled, regulated or supervised by the Commonwealth Acts, OSSA and the Income Tax Assessment Act (1936), and by States trust laws. OSSA and its Regulations provide the standards that a fund must meet to gain generous taxation concessions. Three aspects of a complying fund's operations receive concessional taxation treatment - the deductibility of contributions, concessional taxation treatment of fund income, and concessional taxation on benefits when paid. Only the investment activities of the funds are free of regulation. There are already moves to bring the operations of the funds more fully within the bounds of Corporations Laws, and regulation is expected to increase.⁴³ There is a great deal of other legislation which can have a direct or indirect bearing upon the funds. In terms of taxation alone, there are (in mid-1992) 320 different taxation regulations which apply to contributions, income and benefits.

Public regulation particularly prescribes the relations between the funds and their members. The OSSA legislation and regulations prescribe that all employees'

⁴¹ Daryl Dixon, research interview, November 1991.

⁴² See for example Noel Davis, *The Law of Superannuation in Australia*, Sydney, Legal Books, 1985.; H. A. J. Ford & W. A. Lee, *Principles of the Law of Trusts*, Sydney, Law Book Company, 1983.; CCH, *Australian Superannuation Law & Practice* and *Australian Superannuation Source Materials*.

⁴³ ALRC, 1992(a) op. cit.

accumulated funds be portable within the industry, that they be preserved until the age of 55 (from 1993 to age 60), and that employer contributions be fully vested to the employee. Under OSSA guidelines, all funds must advise members annually of their entitlements and any changes to the fund. Most industry funds send benefit statements to members twice yearly at six monthly intervals showing contributions made on their behalf by employers, interest accrued from fund investment, and members' death and disability insurance entitlements. Requirements for regular reporting of benefits and fund operations were extended in the Hawke Government's August 1991 Budget. Of particular note was the requirement that reports to members must be prepared in a manner which makes the information accessible to the members. According to government, information about superannuation has been couched in language which makes it incomprehensible to the general public:-

We have to try to reduce the complexity surrounding superannuation, not only in the operations of the funds, but in the way that the funds report to their members. It is important that fund members understand what is happening to their money, and be fully cognizant of their rights as members of the funds.⁴⁴

Most funds have telephone contact numbers in all major metropolitan centres and toll free lines for members' enquiries in other places, services which are heavily used particularly at times when benefit statements are distributed. This supports my earlier argument about the powerful influence of the individual bank-style fund account statements sent to members informing them of their accrued superannuation entitlements. Major funds such as BUS and AUST report that they receive an average of 9,000 telephone enquiries per week from members at statement benefit time. Union leaders say that this openness, accessibility and regularity of communications are creating new attitudes to superannuation amongst the workforce:-

Now employees get six monthly statements which clearly show their accumulated entitlements, they see how much money has accrued in

⁴⁴ Ron Dean, Deputy Commissioner, Insurance and Superannuation Commission, research interview, March 1991.

their account, and what their insurance entitlements are. They start to understand what investment means in terms of their own return. They also see that hyperinflation erodes the value of their capital - they see that it's not only bad for the economy, but that it will affect their savings too.⁴⁵

Weaven said this communication had been crucial in terms of gaining agreement from the workers for Accord macroeconomic and industry policies.⁴⁶ He argued that for the first time workers were able to see that inflation was a bad thing. Previously, periods of high inflation had made little difference to the worker, and labour usually gained an increased share of the national cake in periods of high inflation. Superannuation gave employees a new sense of their own economic independence:-

Industry superannuation is undoubtedly a major factor in encouraging people to save for their own retirement, but it's more than that. It opens up the possibilities for ordinary workers to gain a level of economic democracy. Already we are getting workers to think about economic issues in a different manner, that having savings is not out of their reach, that they can also become more active in handling their own money. They can question the banks, question how investments are allocated.⁴⁷

But, no mechanisms exist within the funds for that promised participation to take place. There are no regular meetings of members, and there are no plebiscites of members or referenda concerning fund policies, discretionary decision-making or investment decisions.

Overall, the organisational status of the funds is almost entirely publicly defined. Relations between the funds and their members are based on legal statute and formally adopted procedural rules, resulting in, as Offe observes, an incomplete determination of the organisation's behaviour by its constituent members.⁴⁸ In the case of these funds, rather than an incomplete determination of the funds' behaviour by the members, there is virtually no opportunity whatsoever for members to participate in the decision-making or operations of the funds. The OSSA guidelines clearly specify the funds' requirements for communications and reporting to the

⁴⁵ Garry Weaven, Former ACTU Assistant General Secretary and National Co-ordinator for Industry-wide funds, now a member of senior management at Westpac, research interview, May 2, 1990.

⁴⁶ *ibid.*

⁴⁷ *ibid.*

⁴⁸ Offe, 1985, *op. cit.*, p.238.

members, but no specification whatsoever is included which refers to 'two-way' communications in the funds, nor is there any specification of the rights of members to actively participate in the funds or to demand accountability for the management and administration of the funds. There has been some discussion of the need for a dispute resolution mechanism or the establishment of a superannuation ombudsman.⁴⁹ But the provision of institutionalised mechanisms for member participation in the funds is either not seen as appropriate, or is not on the agenda for discussion by government, the superannuation industry or the trade unions.

IV) The Procedural Status Of The Funds

Occupational superannuation funds in Australia are subject to trust, corporate and taxation laws. The major policy changes invoked by the Federal Labor Government have brought the funds procedurally within the purview of new state regulatory bodies such as the ISC, and a new range of statutory regulations and standards have been brought to bear upon the funds, as discussed above. Almost all procedural practices of the funds are regulated by government fiat, even to the procedures of meetings of the trustee boards.⁵⁰ Policy and legislative changes were justified as a strategies to improve the equity and efficiency of superannuation arrangements, and to tighten the reporting and accounting standards of the funds. The overall result of the changes has been to massively increase the complexity of the funds, and to increase the cost and the difficulty of maintaining and administering the funds. Concern about prudential standards resulted in

⁴⁹ The 1991 Federal Budget announced that the Government would work with industry participants to develop a suitable low-cost disputes resolution mechanism. Also see 'A Superannuation Ombudsman? Or Is There A Better Way', *Session Report*, ASFA National Conference, Surfers Paradise, November, 1991. The UK Pensions Ombudsman, appointed in 1991 to investigate complaints of injustice as a result of fund maladministration, is the main overseas speaker at the 1992 ASFA Conference in Canberra. There are strong indications that a similar Superannuation Ombudsman will be appointed in Australia.

⁵⁰ For example, ISC regulations also require that for decisions at trustee board meetings to be effective, at least two thirds of the total number of trustees (whether in attendance or not) must have voted in favour of the decision.

announcement of more rigid and increased state surveillance of the funds in October, 1992.⁵¹

Australian Taxation Office (ATO) regulations apply to employer contributions, member contributions and member benefits, investment income, benefit payments, and fund expenses. All industry funds must lodge a tax return annually to determine the tax payable on the fund's contributions and investment income, resulting in an enormously complicated tax system, regulated by legislation of allegedly 'mind-bending complexity'.⁵² Superannuation funds are subject to Anti-Discrimination Legislation and Equal Opportunity Legislation enacted by the Commonwealth Government and by governments in New South Wales, Victoria, South Australia and Western Australia, although actuarial exemptions for pension entitlements disadvantage female employees.⁵³ In 1986 the Human Rights Commission recommended that such exemption provisions be removed,⁵⁴ and changes are already in process.⁵⁵ In 1992, a range of major government inquiries issued their reports and recommendations.⁵⁶ These included the Senate Select Committee on Occupational Superannuation, the Attorney General's Departments, the Australian Securities Commission and the Australian Law Reform Commission. These have already resulted in new legislation, and continuing regulations and operational standards are expected over the next two years. The Family Law Court is reviewing divorce law and property settlements with regard to superannuation, and the Human Rights Commission is considering issues of discrimination. Currently

⁵¹ Hon. John Dawkins, Federal Treasurer, 'Strengthening Super Security: New Prudential Arrangements For Superannuation', Canberra, AGPS, October 21, 1992(b).

⁵² Chris White, Principal, TPF & C actuarial and investment consultants, research interview, Melbourne, November 1991.

⁵³ Under Australia's Anti-Discrimination and Equal Opportunity Legislation Acts, discrimination on the basis of sex or marital status, race, physical or intellectual disability, religious convictions or political beliefs is unlawful unless the Act provides an exception. Some statutes also include age discrimination.

⁵⁴ Human Rights Commission, 1986, op. cit.

⁵⁵ See CCH, Australian Superannuation Law & Practice and Australian Superannuation Source Materials.

⁵⁶ ALRC 1992(a), op. cit.; Senate Select Committee On Superannuation, First Report, 1992(a), op. cit.; Second Report, 'Super Guarantee Bills', Canberra, Senate Secretariat, June, 1992(b); Third Report, 'Super and the Financial System', Canberra, Senate Secretariat, June, 1992(c); Issues Paper On Fees, Commissions, Charges and Disclosure In the Superannuation Industry, 'Super Charges', Canberra, Senate Secretariat, June, 1992(d).

fund investment practices are subject only to the prudential requirements of trust laws. However the importance of occupational superannuation fund investments for Australia's future economic security suggests that some regulation of investment practices and asset allocation may be in the offing.⁵⁷

The enormous complexity of new procedural requirements has placed a major impost on the superannuation industry. ASFA Director, Brian Scullin, complained that changes in 1991 cost:-

...a cool \$50 million to \$100 million dollars in legal fees for the industry. There are around 280,000 superannuation trust deeds and many have been in existence for a long time. All funds now have to lodge an annual return to the ISC, and change their trust deeds to comply with new regulations.⁵⁸

These new imposts on superannuation funds have resulted in many company or single employer funds transferring their fund into an industry fund or 'Master Superannuation Plan' now offered by major insurance companies and more recently some of the banks. The banking sector is eager to acquire some of the award-based superannuation business and to have control of this new source of investment capital, and all major banks have established individual retirement savings accounts. The Life Houses complain vociferously about the huge increase and volatile nature of government legislation and regulation on occupational superannuation. 'Government by press release' is a frequent charge, as various government ministers announce sweeping and far-reaching changes to rules and regulations regarding occupational superannuation. Industry spokespersons revile federal and state government departments for their tardiness in working out how such regulations are to be implemented, or how they co-ordinate with other departmental requirements.

Former ASFA President, Peter Cox said:-

There seems to be no coherence between the various government departments which concern themselves with superannuation - Treasury, Taxation, Industrial Relations, Trade and Industry. What we need are

⁵⁷ According to the ALRC, 1992(a), op. cit.

⁵⁸ Superfunds, June, 1989, p 16.

coherent policies, worked out in concert by the various government departments and statutory authorities.⁵⁹

These problems are exacerbated for the funds because of the already enormously complex structures of award provisions, multiplicities of diverse participating employers and extraordinarily mobile memberships. However the size of the funds does offer economies of scale in administration and compliance with regulations:-

When you are dealing with a bulk situation, you can accommodate reporting, prudential standards and tax changes readily - and communicate effectively to members, Industry funds are quite simple schemes. Fine tuning can also be accommodated by buying in the best advice - a small cost when you have hundreds of thousands of members.⁶⁰

Against this backdrop of increasingly complex standards and regulations, facilitated by the increasing proliferation of superannuation provisions in federal and state awards, the funds continue to grow at an unprecedented rate, and are gearing up to meet the target of universal superannuation for Australia's employees by the end of 1995. Membership of these funds is now almost 3 million, and assets under management exceed \$6 billion. The emergence of industry funds has made superannuation a legitimate entitlement for working people, has changed people's conception of superannuation as a retirement benefit, has brought dramatic changes to the life insurance and superannuation industries, and will effect future social welfare benefits. Less than 10 percent of employees currently make additional voluntary contributions to the funds, although there are future plans to increase voluntary contributions through government tax incentives.

The funds are national in scope, most confined to a single industry or allied industry sectors. The sole purpose of the funds is to provide retirement or employment termination benefits for fund members, by investing accumulated capital according to prudential considerations. There are 97 funds, but the sector is dominated by a dozen very large funds with another 20 funds of reasonable size which are active and influential. The remaining funds are expected to gradually

⁵⁹ Peter Cox, Former ASFA President, research interview, Sydney, March 1991.

⁶⁰ Garry Weaven, Australian Super Review, February, 1989, p 11.

amalgamate with larger industry funds. Accumulated capital in the funds is held as equity in firms, in real estate property, or as cash and securities. Capital is legally vested in the trustee boards on behalf of individual account holders or beneficiaries in the fund. The supreme decision-making bodies of the funds are the trustee boards of the funds, comprised of equal representatives of capital and labour. Attribution of particular public status to the funds has vastly increased state regulation and supervision of the funds. Effectively, the funds offer an institutionally fused form of representation and intervention for the state and are constituted as neo-corporatist tripartite structures of interest intermediation.

Analysis of the development of the funds and current institutional arrangements of the funds gains greater currency by analysis of the prototype industry-wide funds on which the sector was modelled. The Hawke Government and the ACTU in the mid-1980s expressly accepted that the Storemen & Packers' fund (LUCRF) and the building industry funds (BUS and AUST) provided the prototypes for public status of occupational superannuation funds. Consequently, case study analyses of these three funds are now considered. These case studies demonstrate the original social democratic normative orientations of early trade union initiatives, and hence more clearly pattern the contours of latter-day managerialist and economic liberal practices in the funds.

5.4 THE PROTOTYPES FOR INDUSTRY-WIDE OCCUPATIONAL SUPERANNUATION FUNDS: 3 CASE STUDIES

The remainder of this chapter examines the three funds which served as prototype models for Australia's new quasi-private retirement income regime. The first study examines the Labour Union Co-operative Retirement Fund (LUCRF), widely regarded as the progenitor of trade union participation in occupational superannuation. It is the only major fund independently administered and managed by the unions without the involvement of the Life Houses. The second section considers two case studies, the Building Industry Superannuation Fund (BUS) and

the Allied Unions Superannuation Trust (AUST). In 1984 they served as prototype funds for the major union campaign for industry-wide superannuation. These two funds were amalgamated in July 1992 into the one national fund (C + BUS), now by far the largest industry-wide fund.

D) CASE STUDY 1: LABOUR UNION CO-OPERATIVE RETIREMENT FUND (LUCRF)

Most observers trace Australian trade union participation in the control and administration of occupational superannuation funds back to the much-publicised industrial dispute in 1979 involving Woolworths, a major retail chain store, and the Federated Storemen & Packers' Union (FSPU).⁶¹ The FSPU launched its own superannuation scheme because, 'in the face of present inadequate benefits for working people'⁶², it was the only way to overcome the structural problems and inequities of existing employer-controlled occupational superannuation funds. By creating a union-controlled and administered scheme, the FSPU saw a way to ensure that adequate retirement and insurance security benefits would be provided for all union members, and that in the interests of its members, the union had the right to control the fund's investments. Industrial action was mobilised in the face of employer hostility to FSPU plans. The FSPU fund, the Labour Union Co-operative Retirement Fund (LUCRF) has approximately 37,000 members, with approximately 7,000 employers and accumulated assets totalling more than \$116 million (June, 1992). LUCRF remains the major industry superannuation fund administered and managed by the trade unions independently of the Life Houses.

The LUCRF superannuation fund pre-dates the Woolworths' strikes, although it was this dispute which brought the union initiative to public attention. The fund was born out of the exceptional advances wrought by the FSPU in the 1970s. Until the late 1960s, the FSPU had been regarded as a conservative right-

⁶¹ Following amalgamation with the Federated Rubber and Allied Workers' Union, the SPU was renamed the National Union of Storeworkers, Packers, Rubber and Allied Workers (colloquially the National Union of Workers).

⁶² Saint, *op. cit.*, research interview, July, 1990.

wing union with less than 24,000 members Australia-wide. With the election of Bill Landeryou as general secretary in 1968, the union was reborn. Landeryou started to recruit young people to the union staff from outside the industry - particularly university graduates with a commitment to the labour movement. Simon Crean, Greg Sword and Bill Kelty were among his appointments. It was with that team that Bill Landeryou embarked upon radical new directions for the FSPU. His concept of '24 hour unionism' was the ideological basis for trade union claims for improvements to the social wage, claims which some have argued were the basis for the Accord.⁶³ In September, 1978, Landeryou sent Sword overseas to study trade union involvement in supplementary social security and insurance programmes in Sweden and Germany.

Sword, originally an engineering student at university with a mathematics background and confidence in statistics and economics, joined the FSPU as an industrial organiser in 1974. He recalled his early experiences as being 'thrown in at the deep end'.⁶⁴ His first job on joining the FSPU was to deliver a receipt book out to a tannery. Arriving there, he discovered the workers were out on strike, and called upon him to take over negotiations and maintain the solidarity of the workers. His success gained him the loyalty of the skin and hides workers, and Sword was given responsibility for the 600 workers in 40 companies in the skin and hides industry. Landeryou had provided superannuation benefits for administrative staff at the FSPU, and Sword thought the benefit should be extended to union members. When Sword put the proposal to the skin and hides employers, they rejected the claim, proffering instead a \$3 per week over-award wage increase, and raising their offer to \$4 per week tax free travelling allowance rather than a \$4 per week superannuation benefit. Much to the employers' dismay, the largely ethnic workforce stood firmly

⁶³ The 'social wage' embodied the idea that the welfare of working people is fundamentally dependent on government policy, on the provision of government social services and community programmes, such as health, education and welfare.

⁶⁴ Sword, *op. cit.*, research interview, Melbourne, March 1990.

behind Sword's claim, and opted for the superannuation benefit. The problem for Sword was:-

We didn't in fact have a fund up and running. I think we succeeded because we didn't know how hard it was going to be. We just went ahead and started things rolling. The Pulp and Paper Workers' Union had a fund, and I borrowed their trust deed and gave it to our auditors Arthur Andersen to use as the model for our scheme, and by December, 1978 we were ready to go. In the skin and hides industry, 87 percent of the workers elected to join the FSPU fund. But things were not easy. We had to cope with lots of opposition, and when we started putting the proposal to employers in other industries things started to get very difficult.⁶⁵

Adrian Delaher was a storeman with Woolworths Ltd and an FSPU shop steward in one of the company's main plants in Victoria. He was conscious of the poor provisions of the Woolworths company superannuation fund (employees were eligible to join only after 5 years employment and received no vesting of benefits until they had been with Woolworths for 20 years). The Woolworths brochure for their company scheme as the first sentence in the introduction said then that the:-

Company's aim is to ensure that the welfare of its staff who have made the Company their career is adequately safeguarded.⁶⁶

Being a storeman and packer had no career structure, and was seen and paid largely as an unskilled position. Delaher had previously worked in the insurance industry, continued to have friends in that area, and himself had some knowledge of superannuation. He discussed the issue with Sword, and in March 1979 the FSPU served a claim for superannuation benefits to Woolworths management, containing the right for FSPU members to join the LUCRF union-run industry fund.⁶⁷ The two strikes which followed catapulted union superannuation claims into prominence, both in the general news media and in the business and finance journals. The FSPU backed down when union members voted to accept a \$10 per week pay rise instead of superannuation.

⁶⁵ *ibid.*

⁶⁶ Woolworths Ltd staff publication, 4/81.

⁶⁷ Adrian Delaher, LUCRF officer, research interview, Melbourne, June 1988.

However superannuation was now seen as an issue on which unions had a legitimate right to make demands. The most significant feature of the dispute was that it provided an opportunity for wide publicity of the LUCRF fund, which showed up the major inadequacies of most other occupational superannuation schemes in the private sector. Simon Crean (then federal secretary of the FSPU) argued that superannuation was in fact 'deferred pay' earned by the employee, to which he or she had an economic right, a benefit that should be fully vested, portable and preserved until retirement.⁶⁸ The LUCRF fund was premised on a range of normative requirements for occupational superannuation, a social democratic conception of what access to such benefits could provide for Australians. These are detailed in the previous chapter.

The LUCRF fund and the extensive publicity it achieved provided an enormously valuable 'demonstration effect' in providing a focus for other trade unions in their own negotiations with employers. Given the enormous success of the FSPU scheme and most importantly its value in putting superannuation on the national agenda, Sword commented:-

It was a combination of many factors that led to our success, but at the beginning it was the brashness of the union, and our innate confidence in our own ability to do things that caused us to just crash through and worry about fixing up the details of how we would actually do it later.⁶⁹

That confidence in their ability to 'do things' led the FSPU leadership to prominence in the labour movement in Australia in the 1970s and 1980s. Bill Landeryou, president and general secretary of the union, became Minister for Industrial Relations in the Victorian Labor Government; Simon Crean, general secretary of the union, became president of the ACTU in 1986 and is now a Federal Minister in the Federal Labor Government; Bill Kelty, formerly a senior research officer with the union, is now general secretary of the ACTU and a driving force in neo-corporatist decision-making, the Accord, trade union award restructuring and

⁶⁸ Simon Crean, 'Storemen & Packers' Take First Steps', ACTU Bulletin, June, 1980.

⁶⁹ Sword, op. cit., research interview, June, 1988.

union amalgamations; Dennis Lennen, assistant general secretary of the union, is also president of the Victorian Trades Hall Council; and Greg Sword is now general secretary of the union, now amalgamated with other unions and called the National Union of Workers.

i) The LUCRF Fund In Detail

LUCRF is administered by a board of directors with 15 members. Eight of these directors are state secretaries of the National Union of Workers or affiliated unions and seven are employer representatives from the private and the public sectors. Contributions to the fund are individually negotiated with employers, but usually comprise an employer contribution of 5 percent of wage, 5 percent employee contribution, plus the 4 percent award productivity contribution. LUCRF is committed to a policy of self-management both in the administration and investment of the Fund. LUCRF has its own offices in Melbourne, Sydney and Brisbane, and has a toll free number for members to call with enquiries. The fund is headquartered in Melbourne opposite Trades Hall, in premises which are far removed from the marble and mirror opulence of most insurance company offices. For most staff, it was their first experience in superannuation, but according to LUCRF Administrator Harry Saint, they learned on the job, helped by union purchases of the most up-to-date computer and management systems facilities to service the fund.⁷⁰ When the ACTU/Chamber of Manufactures scheme (ARF) was established, LUCRF offered to take over administration of the new fund and had the information systems already established to do so. Employers however were reluctant to commit the scheme to union management, and opted rather to have the AMP Society manage the fund.⁷¹

The FSPU was strongly committed to providing member services, to retain control of those services by the union, and to ensure that senior officers in the union

⁷⁰ Saint, *op. cit.*, research interview, January 1988.

⁷¹ This was a disastrous decision for ARF as the AMP used existing management systems to run the fund. These systems were designed to handle employer funds, their traditional business sector, and ARF continued to have enormous administration problems until 1988 when the AMP installed an entirely new computer system to handle the 14 industry funds then under its administration.

are elected by members.⁷² Analysis of their fund documents revealed that since 1978 LUCRF explicitly emphasised that the primary commitment of the fund was the interests of members.⁷³ The question used on LUCRF promotional material was 'Will Union entry into superannuation serve the interests of working people? The answer overwhelmingly is YES!⁷⁴ Speaking at an Australian National University Public Affairs Conference in 1985, Greg Sword explained this commitment. In traditional employer funds, the membership have an employer/employee-based relationship with the fund management. By contrast, in the LUCRF fund union officials (elected by the members) are directly responsible for the performance of the funds, and both the union management and the fund management have a more 'distilled sense' of responsibility and accountability. Moreover, the membership have an increased sense of control which encourages their expectations of fund performance. According to Sword:-

Union members do not have a different view than the general community. When it comes to the question of investment, they want their fund to achieve the best possible result.⁷⁵

LUCRF Fund Administrator Harry Saint put a more ideologically-based view of the union's decision to retain control of the administration and investment of the fund:-

If the union movement gets off its bum and trains people properly, there is no need to hand the union superannuation funds over to the insurance companies. The union movement is opting out of its obligations in going to the merchant banks and insurance offices, and leaving it all up to them. What's the point of going to fight for the money and then handing it all back to the bloody insurance companies? You couldn't get more anti-union bastards if you tried. You see these blokes with their pin-striped suits and starched shirts - they've got no empathy with us. But where the money is they don't care - they just dive in and grab it.⁷⁶

⁷² Superannuation was but one element in an overall package for members which included Credit, Insurance, Investment Counselling, Taxation and Social Security Advisory Services. In February 1981, FSPU established an insurance company for union members, Labour Union Insurances.

⁷³ Board minutes, speeches to members, fund statements and reports of fund decisions showed a strong priority for members' interests in fund decision-making.

⁷⁴ See for example SPU union newspaper, 'Store Talk', issues 1978-1983. FSPU archives.

⁷⁵ Sword, op. cit., research interview, Melbourne, February 1990.

⁷⁶ Australian Business, March 12, 1986, p. 38.

The fund manages its own investment portfolio with advice from an investment consultant company, Roach Tilley Grice & Co Ltd. In the early and middle 1980s the fund returned outstanding investment results - over 20 percent return for the years 1984 to 1986, and 40 percent return in the 1986/87 financial year. The fund was severely affected by the October 1987 stock market crash, and the return for the following year plummeted to 3.5 percent. Investments improved in 1989 (10%) and 1990 (8%) but fell again in 1991 (2%). The Life Houses have made much of this volatility, arguing that this demonstrates that the funds must be managed by established insurance and investment companies.

From the outset, the FSPU privileged the active direct participation of fund members. Whenever any changes were to be made in the fund, whether by government fiat or on recommendation of the trustees, these issues were taken to mass meetings of union members in every state. Regular communication to members was important, particularly with such a dispersed membership across a wide variety of unskilled and semi-skilled positions. Their journal 'The Storemans' Journal' (started in 1912) changed to 'Store Talk' in the 1980s, and every issue contained news of the LUCRF fund. Communications is the heart of changing workers' perceptions about superannuation according to Saint:-

We have a quarter century project in front of us to educate the workers that superannuation is an important issue for them. The problem is that superannuation has a very bad history. For males, it's been nothing but a monumental rip-off. For female workers, it's been an area of out and out discrimination.⁷⁷

II) CASE STUDIES 2 & 3: BUILDING UNIONS' SUPERANNUATION SCHEME (BUS) & ALLIED UNIONS SUPERANNUATION SCHEME (AUST)

The 'superannuation revolution'⁷⁸ dates from the establishment of the Building Unions' Superannuation Scheme (BUS) and the Allied Unions

⁷⁷ Saint, op. cit., research interview, Melbourne, February 1990.

⁷⁸ Paul Keating, Federal Treasurer, Speech at the CMSF Conference, Wollongong, March, 1991(a).

Superannuation Scheme (AUST) for on-site workers in the building and constructions industries. While not the first industry funds, they are by far the largest industry superannuation funds, and were the prototypes for other funds and for government policy changes. The BUS fund was established by industrial agreement in July 1984 after lengthy negotiations between the ACTU, the building and construction unions and the employers. The funds amalgamated in July 1992 into C + BUS which has accumulated capital assets approaching \$600 million, almost 200,000 members and approximately 22,000 participating employers, who contribute \$40 per week on behalf of each employee, including the 4 percent productivity award benefits.⁷⁹ Initially, there was widespread opposition to the funds, as detailed in the previous chapter. The Life Houses, employers and employer associations protested that industry-wide funds would be impossible to administer, that union officials would be incompetent trustees, that industry funds would be unable to deliver satisfactory investment returns to members, and that union officials would use the funds as a form of industrial blackmail.⁸⁰ The Life Houses claimed that such a multi-employer industry-wide fund in an industry with such a volatile labour force just 'couldn't be done'. Therefore the genesis and unprecedented success of the funds provide an important focus for analysis.

Building industry union officers said a union-controlled superannuation fund was necessary because of the prevailing inequities of the superannuation system in Australia, in which the vast bulk of working people were denied the benefits of superannuation. However the actual chain of events which led to the establishment of the building industry fund had more to do with gaining extra benefits for workers at a time when direct wage increases were impossible. Following the 1981/82 wages explosion, the Fraser Government introduced a wages freeze and the only possibilities for pay increases were through allowance payments

⁷⁹ Only about 100,000 are active members. The others are between jobs, moving around, not working or working in another industry.

⁸⁰ These are the four main arguments against union-initiated funds mounted by the Life Houses, employers and employer associations which gained a huge amount of newspaper, radio and television coverage in 1984 and 1985.

in the Commission. Building and construction industries were experiencing boom conditions and employers were desperate to keep sites working, and so had agreed to a range of allowances, presented to the Commission for ratification as the Building Unions' Rectification Payments package (BURP). Concerned lest approval would start another wages blow-out, the Commission disallowed the \$9 per week package. Garry Weaven had recently joined the ACTU from the Municipal Employees' Union where, as union general secretary, he had negotiated a superannuation package for municipal employees. He recalled how he had been entirely surprised to see how the conservative, mostly white collar, council employees set tremendous store by their retirement benefits:-

It also gave me an opportunity to learn a lot about superannuation, most particularly to realise how grossly inequitable the existing system was.⁸¹

According to Weaven, the Builders' Labourers' Federation (BLF) was under threat of deregistration when the ALP got into power in 1983, and it was politically unacceptable for the ALP to just sit back and accept a union deregistration, so the ACTU had to assist in negotiations in the building and construction industries. Superannuation had already started appearing on logs of claims (usually as item number 23 or 24 on a 30 point log of claims) as a result of the demonstration effect of the enormous media publicity given to the FSPU fund at the time of the Woolworths dispute:-

I realised that if we couldn't get the \$9 a week as an efficiency allowance through the Commission, then we would have to find a way that was outside the Commission's jurisdiction, and that of course was superannuation. We had a lot of trouble convincing the unions. Norm Gallagher of the BLF strongly opposed it, saying that the BLF would settle for nothing less than money in the hand, but eventually we talked them into it. We deliberately left out any mention of employee contributions, because the members would never at that time have accepted a proposal that meant them putting in any money, and we set up BUS and then AUST. We called tenders for administration and for investment and insurance, and finally by 1984, we were in business. We had to negotiate with each employer, company by company, so things

⁸¹ Weaven, op. cit., research interview, June 1988.

went pretty slowly, but we were getting members and eventually the employer associations could see that it was in their interests to get involved. I was quite conservative at first. I thought the most members we would ever get would be 50,000 and we really only expected 25,000.⁸²

The success of BUS and AUST and the extensive media coverage given to the fund led to other unions taking up the superannuation issue. The wide media publicity was also building up community expectations that workers were entitled to superannuation benefits, and that those benefits belonged to the workers as deferred pay, and had to be portable and fully vested. This led to the adoption of superannuation as a major focus of ACTU industrial demands and the endorsement of superannuation as a major issue by the Hawke Government:-

The Hawke Government was able to take advantage of industry superannuation because the insurance industry had failed to self-regulate and address the inequities which had been continuing historically for decades. People never ever received a benefit statement, usually because most employers wouldn't want to tell the employees how poor their benefit entitlements were. The structure of benefits for anybody who did other than stay with a company until retirement was abysmal. We decided that the best way to win membership support was to be completely open and above board about the fund. In this way we couldn't help but win out over the company superannuation funds. Anybody you ever speak to has a horror story that happened to either them or their mother or their brother - of contributing for years and then ending up with virtually nothing back. Sometimes they even got less than their own contributions back - some funds used to deduct administration charges. And nobody got any of the employers contributions back until you'd been there 10 or 20 years.⁸³

i) The BUS and AUST Funds in Detail

The BUS and AUST funds set new standards and substantially changed the nature and operations of Australia's traditional superannuation industry. The administration of the BUS and AUST funds, with thousands of employers (including some very small contractors) and hundreds of thousands of members in a very volatile labour force presented enormous problems, as some workers move to a new employer every six weeks:-

When we first started off the BUS and AUST funds, everybody said it couldn't be done. Insurance companies previously ran superannuation

⁸² *ibid.*, May 1990

⁸³ Greg McTaggart, Senior Director Industry Funds Management, Jacques Martin Pty Ltd, research interview, May 2, 1990.

funds. They looked after one employer with a certain number of employees and each month they made one payment and that was it. Suddenly we came along and asked them to do impossible things, and the industry said it couldn't be done.⁸⁴

There was only one serious tender to set up the BUS fund - Jacques Martin. They had to start completely from scratch, designing an organisational structure and management systems to handle the administration of an industry-wide, multi-employer fund with a highly volatile labour force. The primary task was the development of new management and information systems to handle what are now 200,000 members' accounts and 20,000 contributing employers, making monthly contributions for members, out of which administration fees and insurance charges have to be deducted, and individual members' accounts credited every month with contributions, accrued benefits and interest payments:-

It was an entrepreneurial spirit which led us to have a go when we were asked to take on the national administration for what seemed like outlandish industry superannuation schemes in BUS and AUST. No existing administrative system was suitable for dealing with an industry-wide scheme. The entire system for superannuation in Australia at that time was geared to the employer. We dealt with an employer, set up the scheme entirely in consultation with an employer with their interests at heart. Here with BUS and AUST, we had an entirely new concept, a totally different structure in which the members were the key, and it was, and is, the members' interests that are paramount.⁸⁵

Jacques Martin gained the support of the ACTU and major unions as a result of its involvement in setting up the BUS and AUST funds, and has continued to have a close relationship with the leaders of the ACTU and major unions. The company administers more than half of all industry funds, with well over one million members each with multiple transactions per month, and each provided with an accurate and up-to-date benefit statement twice a year.⁸⁶ Capital investment and their development of expertise gained Jacques Martin much lead-time in the area, and

⁸⁴ Weaven, op. cit., research interview, November 1990.

⁸⁵ *ibid.*

⁸⁶ The company uses mini-computer systems, the cost per transaction being about half the cost of using mainframe computers. A large integrated national network provides on-line access to employer and member information all over Australia. The capacity is constantly having to be upgraded. According to Jacques Martin Administration Manager, Robert Van Woerkem, 'The whole system runs on a one month cycle, we have to be able to allocate \$30 million a month, at a rate of \$1,500,000 a day coming in from 20,000 employers all over Australia, and be able to credit the contributions into more than 200,000 individual members accounts.' Research interview, Sydney, November, 1990.

contributed to its dominance in industry-wide funds. Some critics argue that the ACTU has accorded unfair preference to Jacques Martin in the placement of industry fund contracts. In 1987, then ACTU Assistant General Secretary and BUS and AUST Chair Garry Weaven accepted a position as a board member of the Jacques Martin company, but had to resign when member unions challenged his appointment as a conflict of interest.

Unions involved in BUS are the Building Workers' Industrial Union of Australia (BWIU), the Australian Building Construction Employees and Builders' Labourers' Federation (BLF), the Amalgamated Society of Carpenters and Joiners of Australia (ASC & JA), The Plumbers' & Gasfitters Employees' Union of Australia (PGEU), the Operative Painters and Decorators' Union of Australia (OPDU), the Operative Plasterers' and Plaster Workers' Federation (OPPWF), the Operative Stone Masons' Society of Australia (OSMSA) and several other Victorian unions, altogether covering well over 400,000 employees in the building and construction industry, although only 200,000 are currently active members of the fund. Employer organisations involved include the Master Builders' Association of Australia (MBA) and its various state organisations, the Australian Federation of Construction Contractors (AFCC), and the then National Industrial Construction Council (NICC, now disbanded). Each of the participating organisations contributed a director to the Bus Pty Ltd company which was set up as a corporate trustee. The fund started out with an \$11 per week employer contribution, and one computer installed in the ACTU offices.

The original intention was to have one superannuation scheme for all workers in building and constructions industries, but disagreement between a couple of the unions involved made this impossible. A separate fund, the Allied Unions Superannuation Trust (AUST), was established for members of unions working on building sites. The unions involved are the Federated Metal Workers Unions (FMWU), the Electrical Trades Union (ETU), the Federated Ironworkers' Union (FIA), the Amalgamated Metal Workers' Union (AMWU), the Australian Workers'

Union (AWU). AUST shares the same employer association members, the Australian Federation of Construction Contractors (AFCC) and the Master Builders' Association (MBA) and the FFTS. The two funds, BUS and AUST, operate closely. They have three trustees in common, and Michael McKay of the ACTU is chairman of both funds. Both funds are administered by Jacques Martin, and have a combined investment subcommittee made up of trustees and some additional advisers with particular expertise in the investment area.

Administering the funds was not the only problem. Getting death and disability insurance cover for fund members was extremely difficult. Most insurance companies said it was not possible to provide coverage for such huge numbers of people without medical examinations, considering also the high risk nature of the industry and the highly volatile labour force. No insurance company had any experience in Australia in dealing with such large numbers, and they were apprehensive or wanted huge amounts of money to do so. Finally, Victory Insurance Pty Ltd agreed to provide the insurance cover as they had had some experience in group coverage. BUS started with a death benefit only of \$17,500, improving later to \$22,500 plus temporary and permanently disabled allowances. By 1991, BUS and AUST together were strong enough and large enough to demand the benefits they sought. With the increase in employer contributions to \$40 per member per week, BUS provides members with \$50,000 death cover and temporary and permanent disability allowances. BUS and AUST trustees decided that the proportion of the contribution going to insurance benefits should be increased because members have high mortgages and a high level of outstanding debts nowadays, and so people need the best benefit they can when someone dies or has an accident and is incapacitated.

Death and total and permanent disability cover is the most immediate advantage for members in the BUS and AUST schemes. Most of the workers in

such a high risk industry would never previously have been able to afford to take out life and disability insurance cover.⁸⁷ A Jacques Martin manager said:-

Before the industry funds those workers and their families would have had nothing in most cases.⁸⁸

Because of the frequently broken nature of employment in the building and construction industries, BUS and AUST provide insurance cover for members for up to 26 weeks out of work.

ii) Separate Funds in Queensland

Vehemently claiming that industry superannuation funds posed a major threat to the economy, in 1984 the peak employer body Queensland Confederation of Industry sought the support of the Bjelke Petersen National Party Government in Queensland to head off trade union-controlled national superannuation schemes like BUS. The Petersen Government obliged, enacting legislation to outlaw national schemes in that state, to force all funds to have Queensland resident trustees, and state-based industry funds.⁸⁹ Despite the change to a labour government in December 1989 and the amalgamation of the BUS and AUST funds, the BUS (Qld) and AUST (Qld) funds retain their separate identities in Queensland. Trustees said that both BUS and AUST are very successful in Queensland, that the Queensland boards of trustees had worked hard to build up the funds' membership and expertise, and deserved to be able to continue their work.⁹⁰

⁸⁷ In 1989 BUS and AUST paid out death policies to 312 members, disability payments to 110 members, and retirement benefits to 932 members. In excess of 17,500 members received retrenchment payments, transferred their benefits to another fund or left the industry and were paid their non-preserved benefits during 1989. In total in 1989 BUS paid insurance premiums of \$10,185,110 and paid out claims to members and their families of \$4,077,500. For the same period AUST paid insurances premium of \$3,614,366 and paid out claims of \$1,367,500.

⁸⁸ Van Woerkom, op. cit., research interview, October 1990.

⁸⁹ The Queensland Superannuation Trust Funds (Protection of Employee Entitlement Act, November 1, 1984) provides unlimited and undetermined powers to the Queensland Government to regulate the operations of superannuation schemes in that state 'with respect to all matters required or permitted by this Act to be prescribed...including covenants and other matters that are or are not to be included in approved trust deeds'. The Act prescribes penalties of \$10,000 for employers who contribute to an unapproved scheme and for trustees who accept contributions to an unapproved scheme.

⁹⁰ Field survey interviews, March 1990.

iii) Accountability and Communications

From the inception of the funds, communication to members has been a crucial issue for BUS and AUST to ensure that members are fully cognizant of superannuation as a significant benefit. A BUS Fund Co-ordinator said:-

The few blokes who did have any super didn't know what it was all about. They're not paper workers - somebody shoves across a piece of paper and tells them to sign, they sign, but ask them whether it's any good and they haven't a clue. But now they're learning about super, they get their benefit statement twice a year and it shows them to the last dollar what they're going to get. What's more, they never doubt for a moment that it'll be there, because the union'll see to it - and we will!⁹¹

Direct regular communications to members revolutionised occupational superannuation. In addition to full-time fund co-ordinators at ACTU offices in Melbourne and NSW Labor Council offices in Sydney, Jacques Martin have member contact staff in offices in every state, with toll free telephone numbers for members outside the metropolitan areas. Within each state, each office has direct on-line computer contact and can deal immediately with the member or employer problem. As detailed earlier, with regard to BUS and AUST alone, Jacques Martin offices deal with approximately 9,000 enquiries from members each week - some members call in to the offices, some write letters, but the vast bulk make their enquiries by telephone. According to a Jacques Martin manager, this decentralised structure allows them to service members individually and accommodate interstate differences in membership attitudes:-⁹²

We individually assess and handle each enquiry without exception. Most importantly it gives the funds a wonderful opportunity to get constant feedback from the members and the employers - to be aware of their problems and their concerns.⁹³

Members are sent an annual report every year and a statement of accrued entitlements every six months. For the first four years both BUS and AUST made

⁹¹ Bill Boyle, BUS Fund Co-ordinator, research interview, April 1991.

⁹² Van Woerkom, op. cit., research interview, May 1990. He could not specify exactly how differences are manifest because they differed according to the issue, so that while members in Victoria were more demanding about investment returns, members in NSW and in Tasmania were more demanding about disability claims and benefits. These differences warrant further research about member attitudes to the funds and fund benefits.

⁹³ *ibid.*

the annual report available in nine languages apart from English, but as there was almost no demand for the reports in community languages, the practice was abandoned. Members are most interested in the six-monthly statements of benefit mailed to their homes twice a year:-⁹⁴

We put tremendous effort in making the benefit statements easy to understand. It took us a long time to develop and refine the format of the six-monthly accrued benefit statements. Many other superannuation funds are now copying how we do them, because everything is very clearly set out with detailed and easily understood explanations on the reverse side of the statement. In particular, this shows the member where the money came from, which employer made the contributions and for how long. This way, members are fully informed of their accrued benefits, and can appeal if they think there are any discrepancies.⁹⁵

Monthly contributions returns are sent to every employer to reconcile with personnel records, and to advise of new members or membership changes each month.⁹⁶

In the early years of the funds, regular meetings of union members were held to discuss superannuation. At the time of the share market crash in 1987, BUS and AUST organised mass meetings of members in all state capitals and some regional centres to inform members of the state of the funds' investments.⁹⁷ Regular superannuation meetings are no longer held. Building union industrial

⁹⁴ The benefit statement includes details of member's individual accrued benefit plus interest, the deductions for apprentice levy, administration and insurance charges, the individual member entitlement according to age for death, and total and permanent disability benefit. Deductions from the \$30 a week employer contribution are shown on the member benefit statement. These include \$3 per week for insurance, \$1 per week apprentice levy, 80 cents administration and reserves charge and 70 cents account keeping charge. Members of BUS and AUST who have been out of the industry for at least 26 weeks may claim amounts contributed before December 28, 1986, when Government guidelines ruled for preservation of ensuing increases in member benefits (over and above the existing \$11 a week employer contribution), or if they have less than \$500 in their account. Special advice letters are sent to members to advise them of issues such as new taxation requirements or investment issues such as the October 1987 stock market crash and the implications for member benefits.

⁹⁵ Robertson, op. cit., research interview, March 1988.

⁹⁶ The monthly contributions return has a space at the top of each return so that individual messages can be relayed to an employer. Jacques Martin are concerned at the huge volume of paper used up in the administration of industry funds. Monthly returns are currently sent to employers on floppy disk, amended and returned on disk. Preparations are under way to convert to open systems management using 'imaging', magnetic tape interchange with employers. Complex systems have been installed to develop off-line procedure back-ups for all offices, so that if there were ever an information systems breakdown or a state or national strike which disrupts the system that important procedures can be locally handled on PC computer installations in each office. Jacques Martin have also had to develop special procedures for handling such large amounts of personal enquiries at their offices throughout Australia.

⁹⁷ The large percentage of investments held in capital guaranteed funds meant that BUS and AUST sustained much less of a reversal than some other industry funds.

officers complained that superannuation issues since 1988 have had to be raised at general union quarterly meetings which are poorly attended.⁹⁸

Fund co-ordinators provide important communications networks for rank and file union membership. BUS and AUST have full-time fund co-ordinators in every state in Australia (including the Northern Territory) to assist both members and employers. Co-ordinators visit job sites to answer queries, and arrange on-site briefing sessions or individual consultations. They are also available to help employers set up their contributions system. They advise members on death and disability provisions, and other retirement and financial advice. BUS and AUST Co-ordinators said they frequently intercede with an employer or an insurance company on behalf of a fund member, and are also available to assist families when a member dies or is incapacitated:-

I know that we're really getting it right now, because when I ask the union industrial officers how the fund is going, they say they no longer get complaints about super. That must mean we're getting it right. We're also getting many more members to make their own contributions into the funds, so I think they're really starting to appreciate the advantages of superannuation benefits.⁹⁹

iv) Investment Strategies

From their inception, BUS and AUST have had explicit policy guidelines on investment. Never more than 15 percent of capital is invested overseas, and investment managers are instructed not to invest in companies which directly or indirectly have business in South Africa, nor do they invest in companies involved in uranium mining. The combined investment committee includes trustees from both trustee boards plus appointed professional investment advisers. They retain a number of large funds management houses who control most investment allocation. According to the fund trustees, the investment profile is conservative, and investment allocation is made according to traditional risk and return criteria.¹⁰⁰ However, with

⁹⁸ BWIU industrial officers (requested that they not be named), Research interviews, March 1992.

⁹⁹ Bill Boyle, AUST Co-ordinator, a boilermaker by trade and a self-avowed communicator, research interview, June 3, 1990.

¹⁰⁰ Tom MacDonald, Union trustee of BUS, research interview, March 1991. Michael McKay, chair BUS & AUST, research interview, March 1991.

the growth of fund assets, the funds have embarked upon a restricted program of socially responsible investment. In 1990, the funds acquired a collection of Aboriginal art works, and these have been exhibited in galleries in major metropolitan and country centres. In 1991, the funds joined with other major industry-wide funds (STA and HESTA) and the AMP Society in establishing the Development Australia Fund (DAF). With an initial capital investment of \$100 million, DAF is investing initially in government-guaranteed public housing projects and plans future investment in Australian medium-sized company developments. In 1992 the new C + BUS fund announced that it would spend \$330 million over the following three years on the design and construction of property. The fund will invest in building five shopping centres over the next three years which will create employment for fund members.¹⁰¹ BUS and AUST Chairman Michael McKay said that the funds cannot privilege socially responsible priorities in investments:-

Socially responsible investment is only something that the funds can consider maybe 10 years down the track. The trustees primary and indeed only consideration must be the security of members savings in the funds and maximising the return on investments.¹⁰²

v) Innovative Strategies Of The Union Prototypes

The building unions were extremely innovative in the design of the funds, and in the structure of member benefits in the funds in order to maximise member commitment to the funds and ensure employer compliance. One particularly successful strategy was the introduction of a plastic membership card, similar in format to a plastic credit card. Unions used the card to keep track of members and enforce employer superannuation contributions by declaring that no employee could work on a building site without a BUS or AUST membership card.¹⁰³ Unallocated

¹⁰¹ 'C + BUS New Investment Provides Jobs for its Own Members', In *Superfunds*, September, 1992, p 3.

¹⁰² Michael McKay, BUS and AUST Chair and senior ACTU officer, research interview, March 1991.

¹⁰³ Most employers readily co-operate and keep superannuation contributions up to date, but some were avoiding their obligations by handing out old cards to new employees, particularly short term employees. To overcome this problem BUS and AUST in 1990 reissued fund membership cards, this time individual cards with a unique number and a current address.

employer contributions for members continues to be an important issue in 1992, and government is expected to require the Life Houses to establish a national repository fund for these monies which at present remain as surpluses in the funds.

Another unique feature of the BUS and AUST funds was the inclusion of a special levy for construction industry apprentices, introduced to encourage younger workers to remain in the building industry and maintain regular employment.¹⁰⁴ The levy demonstrates the shared commitment of employer and union trustees and fund members in sacrificing immediate economic self-interest for the development of the building industry and for the welfare of younger workers. The funds also have special arrangements for casual employees on building sites. An employee who works four hours in one week gets the full employer contributions for that week. Some employers complain this means a casual worker can collect double or triple benefits if he or she worked several different jobs for the week, but unions argue that most casual employees don't manage to get regular work so their benefits usually even out.

The BUS and AUST funds continue to set the pace in the funds. Union representation on the trustee boards is dominated by senior ACTU officers, and policy decisions made by the C + BUS trustee board continue to set the standards for the industry sector. There is some dissent amongst some building and construction union rank and file members and shop stewards about the management of the funds by the trustee boards and about the direction of investment of the funds. The possibilities of mobilisation of members within the unions to demand greater participation in fund decision-making and accountability by the trustee boards and even industrial action may develop. These possibilities are discussed in Chapter Eight.

¹⁰⁴ Out of the \$30 a week benefit per member paid by the employer, \$1 a week from every member goes towards the \$17 per week superannuation benefit paid to apprentices in the building industry.

5.5 NEO-CORPORATIST ENTERPRISES AND THE STATE

The Federal Labor Government has transformed the national retirement income regime into a quasi-private system with a particular public status for privately-owned and controlled occupational superannuation funds, along the lines proposed by the unions. The plethora of legislative statutes, procedural rules and regulations has not only given government a new and pervasive role in the regulation and supervision of the funds. These changes have also resulted in the acceptance of a neo-corporatist sub-system of institutionally-fused representation and intervention for government in the national private economy. Intervention derives not from direct parliamentary control, but rather from the establishment and continued expansion of a supervisory regime that is structurally differentiated from government, and functionally specialised in its scope of operations. Government patronage of the funds has produced a large new direct source of government taxes, albeit with the continuation of countervailing tax subsidies to the funds. Despite their complaints about the impost of new government regulations, as a result of policy changes the Life Houses have significantly increased their influence in national economic planning through their control of the funds. Not only have they gained almost the entirety of industry-wide fund business, but previously independent funds have found themselves unable to cope with the volatility of administrative, management and investment changes, and have ceded control to the full-time professional expertise offered by the large Life Houses, actuaries and funds management houses.

Examination of the resource, representation, organisational and procedural status of the funds revealed that the funds and the trustee boards of the funds are highly dependent on government and on the Life Houses which administer the funds and manage fund investments. The speed of funds' growth, the complexity of superannuation, and the volatility and complexity of international financial investment has led to the abrogation of control of the funds to the Life Houses. As a result, the vast majority of the funds have no autonomous organisational infrastructure, and are entirely dependent on the Life Houses and professional

advisers from established financial and legal sectors, which are traditionally very conservative in Australia. There is a lack of co-ordination within the funds and between the funds, except for the extremely large funds which are reputedly controlled by a small elite cadre of ACTU officers. The scope of operations of the funds is increasingly publicly defined as a result of the introduction of new exceedingly detailed legislative and regulatory standards. Structures of the trustee boards, their responsibility and accountability to members and the general administration of the funds come increasingly within the purview of government authority. And yet the funds are ostensibly privately managed, and the government resiles from providing any guarantees on the probity of the funds or the fidelity of employees' savings in the funds.

Trade unions are equal partners with employers in the funds, as postulated in formal models of neo-corporatist interest intermediation, and the funds conform in structure to the original prototype union-initiated funds examined in the three case studies. But despite the new organisational and management structure of the funds and their particular public status, this empirical examination has revealed that they operate substantially in a remarkably similar manner to traditional company superannuation funds, both in the administration and management of the funds, and more particularly in the investment profile of the funds.

This analysis shows that the reasons for this are fourfold. First, although legally owned by the trustee boards on behalf of employee members, the funds are controlled by Australia's major Life Houses who administer the funds and manage fund investments. Second, under legal statute, the funds' sole responsibility is to the financial benefit of the fund members. Third, the funds operate within the confines of the capitalist economy according to prevailing capitalist logics and economic imperatives. Fourth, the unprecedented growth of industry-wide funds occurred at a time when free-market, liberalist, managerialist and neo-classical economic orthodoxies dominated strategic elite decision-making in political, industrial and economic arenas in Australia.

Australia's economy in the 1990s is dominated by finance capital and controlled by the Life Houses, and to use a favourite expression of the late radical economist Paul Baran, finance capitalism is 'where the dog is buried'.¹⁰⁵ The funds have a powerful role to play in the future directions of Australia's macro and microeconomies, but they are neither autonomous or independent, as the previous discussion has shown. These neo-corporatist enterprises are presently largely controlled by government and the Life Houses. As the empirical research demonstrated, however, policy-making derives from the choices of human actors in decision-making arenas, and the trustee boards may make other choices in the future. It is important therefore to examine the internal governance of the funds, and this is the focus of the following chapter.

¹⁰⁵ Paul Baran, & Paul Sweezy, Monopoly Capital, New York, Monthly Review Press, 1966.

CHAPTER SIX

THE INTERNAL GOVERNANCE OF TRIPARTITE INTEREST INTERMEDIATION: TRUSTEE BOARDS OF INDUSTRY-WIDE SUPERANNUATION FUNDS

6.1 INTRODUCTION

Occupational superannuation is now the lynchpin of Australia's quasi-private national retirement income regime, and Australia's employees are now compulsorily saving for their own future retirement pensions. Employer contributions to superannuation are an integral part of employees' remuneration, providing benefits at retirement, and death and disability insurance coverage for employees throughout their working lives. Over the next 10 years, increasing proportions of employees' wages will be saved in occupational superannuation funds. The supreme decision-making bodies of the funds, legally vested with ownership and control of the funds, are the trustee boards. Overseas research has ascribed the domination of conservative management and investment decision-making of pensions and superannuation funds to the predominance of employer representatives on trustee boards, the control of the funds by the Life Houses, and the strictures of legal prudential requirements on the boards.¹ The previous chapter examined the particular public status and institutional arrangements of the funds and their relationship to the state. The empirical research revealed that employers do not predominate here, but, similarly in Australia the trustee boards are subject to strict legal prudential requirements and a wide range of government regulation and supervision, and the funds are substantially controlled by the Life Houses.² The funds operate as capitalist enterprises, and the scope of their operations, their size

¹ See Minns, 1980, op. cit., Schuller, 1986(a) op. cit. and Ghilarducci, T., 'Strategic Use of Pension Funds Since 1978', in *Review of Radical Political Economics*, Vol 20, No 4, 23-39, 1988.

² Only three funds (LUCRF, SSAU and SERF) maintain their own administration and management, and only two funds (SSAU and LUCRF) retain direct control of investment asset allocation.

and unprecedented growth and their management and investment profiles are essentially conservative, as are most funds overseas. Yet, the particular public status of the funds and the structure of their trustee boards in this country present a unique advance on pension and superannuation funds overseas. Australian funds must have equal representation on the trustee boards for both capital and labour, employees save compulsorily in the funds, and the trustee boards are accountable to individual fund members for the probity of the funds and the fidelity of their savings.³ Currently, representation is through union appointees representing employee members of the funds, and employer association appointees representing employer contributors to the funds. This constitutes a shift in the ownership and control of capital in Australia.

An understanding of the internal governance of the funds will furnish insights into the processes whereby the funds have developed as they have, and why control of the funds has been almost universally abrogated to the Life Houses. As well, through the further field research and results of my second national survey presented in this chapter, I am able to continue to explore my remaining two propositions about union involvement in neo-corporatist tripartite interest intermediation. Briefly again, these are:-

1. Incorporation of the unions in neo-corporatist arrangements socialises the processes of national economic planning and policy-making.
2. Incorporation of unions in neo-corporatist arrangements demobilises the unions and their members.

Understanding the processes of decision-makers' strategic choices is crucial in the national economy in the 1990s. Enduring external vulnerability, economic instability and continuing uncertainty has destabilised policy-making according to previously prevailing constants of managerialist and economic practices based

³ These guidelines will apply to all large occupational superannuation funds in Australia from 1995.

upon general equilibrium orthodoxies.⁴ This may well open up interstices for new forms of corporate governance in the public and the private sectors in Australia, with more democratic, accountable and representative forms of representation and interest intermediation along the lines of these trustee boards.

As suggested in Chapter One, there are very few empirical studies of neo-corporatism as a form of interest intermediation. In many cases, institutionalised tripartite structures have been short-lived, or have been restricted to meso-level or micro-level neo-corporatist bodies, often confined to the industrial relations arena. This is not the case here, as the funds are integral to the country's national economic planning. Their internal governance is of major significance to almost the entire population - both those who are members of the funds, and those whose employment prospects are affected by the funds' investment behaviour.

This analysis examines the results of the qualitative and quantitative field survey of union and employer representatives on the trustee boards of the 35 largest industry-wide funds in Australia.⁵ Three broad criteria guided the analysis - first, the influences on the strategic policy and management choices of the parties to interest intermediation; second, the extent of participatory democracy in these neo-corporatist enterprises; and third, the power, social relations, strategic priorities and preferences of sectional interests on the trustee boards. The chapter is divided into six parts.

Following the introduction, part two looks at the various influences on trustee decision making. The first of four sections considers legal, moral and financial constraints on the trustees. The second section examines how these impact on the parties, in the context of their personal experience and expertise. The third section examines how gender influences trustee decision making, and the fourth

⁴ Jan Kregel, 'Markets and Institutions as Features of a Capitalistic Production System', in R. Albelda, C. Gunn & W. Waller (eds.), *Alternatives to Economic Orthodoxy*, Armonk, New York, M. E. Sharpe, Inc., 1987.

⁵ All funds were represented among respondents (n=197). Union and employer representatives and male and female trustees among the respondents were representative of cohorts in the full fund sample.

section examines the organisational support resources which trustees bring to the boards.

Part three examines the emerging organisational culture of the boards, analysing the conservative investment profiles of the funds. Part four analyses the extent of participatory democracy in the funds, investigating the accountability of the trustee boards to members of the funds, and member participation in fund decision-making.

Part five examines the power and social relations of parties to interest intermediation. The priorities, preferences, expressed practices and strategic objectives of sectional interests on the boards are analysed. Sectional differences between union and employer trustees and between male and female trustees are examined. Comprising of three sections, the first looks at the influence of sectional interests on policy outcomes, the second gives a statistical assessment of the influence of sectional interests on policy outcomes, and the third analyses the sectional consensus through mutual risk and dependency. Part six draws some conclusions regarding the role of unions in economic interest intermediation.

As detailed in Chapters Four and Five, new government legislation and regulation prescribes that trustee boards of occupational superannuation funds in Australia must comprise equal representation for employers (or employer associations) and members (or their unions), plus an independent chairperson, if desired by both parties, and must abide by a variety of legislated and regulatory requirements. The trustees of Australia's 35 largest industry-wide occupational superannuation funds (the funds) hold legal title to the accumulated capital assets of the funds. Within the stipulations of their fiduciary responsibilities, and in accordance with the trust deed of the fund, they manage the funds and invest fund assets for the benefit of the beneficiaries (the employee members).⁶ Trustees are almost all appointed, not elected, to the trustee board. Their trusteeship is linked to

⁶ The 35 largest industry-wide funds had almost 3 million members and accumulated capital assets in excess of \$6 billion at June 1992. ASFA, *Superfunds*, op. cit., pp 16-18.

their employment position, as most trust deeds nominate the position whose incumbent fills the trusteeship.⁷ Trustees are not appointed for any specified period, and will cease to be trustees if they change or leave their position. In a multi-union and multi-employer fund, each union may have one or more seats on the trustee board. Similarly, employers or employer associations are granted trustee positions as a result of combined union and employer negotiations - in some industry funds, large employers may have a seat on the trustee board, in others only the executive director or industrial relations director of one or more of the major participating employer associations will be granted a trustee position.⁸ The chairperson is either an independently appointed person, who serves for a prescribed term of office (usually 2 years), or the chair is filled alternately by a union or employer trustee, nominated by the sectional interests on the board, usually for a one year term. Trustee boards range in size from eight trustees to up to 14 trustees (BUS the largest, CTRF the smallest).

Full details of the process of the empirical research are explained in Chapter Two, and hence are not repeated here. However, the reader is reminded that only results that were found to be statistically significant at the .05 level are presented here. This chapter presents the results and analysis of the qualitative and quantitative field survey of the 319 individual trustees or directors of corporate trustee companies who hold full responsibility and authority in the funds.⁹ The relative proportions of union and employer and male and female respondents accurately reflected the relative proportions of trustees in the trustee boards, and is indicative of the soundness of the sample and the validity and reliability of the data.

My research revealed that the trustees are generally not seen as 'working for' or 'employed by' the funds. They are regarded as part-time members of the

⁷ For example, a fund trust deed may nominate the union federal secretary or general secretary, or branch presidents or secretaries as union trustees, and a major employer and/or employer association nominate their general manager or industrial relations director as employer trustees.

⁸ The composition of the board is detailed in the trust deed, and cannot be changed without full trustee board approval. Members must also be informed of any changes to the trustee board.

⁹ All charts presented here are produced from contingency tables which have been submitted to Chi square testing and reveal statistically significant relationships at the .05 level of confidence.

organisation, and are not expected to have specialised expertise in the full range of the fund's activities. For most, this is their first experience as a fund trustee, and almost 80 percent of trustees have held their positions for three years or less. However, most have had many years' experience in senior positions in the industrial relations arena, negotiating and decision-making in a representative capacity in unions or employer associations. Trusteeship for these trustees is a part-time responsibility, over and above their own full-time career responsibilities, and the vast majority are full-time senior union or employer association officers. Trustees operate within the strictures of many strong influences, and they bring a diversity of resources, in terms of their experience, expertise and organisational support, to their role as trustees of the funds.

6.2 THE INFLUENCES ON PARTIES TO INTEREST INTERMEDIATION

I) Legal, Moral, and Financial Constraints

Although institutionalised and extensively regulated by the state, the funds operate within the confines of the essential imperatives of the private capitalist economy. The trustee boards are responsible for the monies accumulated in the funds, their mandate essentially being to invest the accumulated capital held by the funds in order to provide retirement and associated benefits for fund members. Huge accumulations of capital are held by the funds, much of it in overseas investments, so the trustees are embroiled in the complexities and exigencies of both the national financial system and the transnational realm. The boards operate in Australia within a socio-political and economic context which is dominated by economic rationalist and free market orthodoxies, as discussed in previous chapters. In order to examine how these and other strictures impact upon the strategic choices of the parties, it is necessary to analyse both exogenous and endogenous influences on the trustees, taking account of those which I believe to be most directly implicated in the strategic choices of the trustee decision-makers in the funds.

I found there to be consistent patterns in the influences on the trustees across all funds, regardless of the size of the fund or the industry sector. I suggest this demonstrates the systemic nature of these strictures on the independence and autonomy of the trustees, and their policy-making. There were some differences in the priorities of the trustees which were contingent on the size of the particular fund, and this is discussed. Analysis of the constraints and influences on the trustees follows.

Previous chapters have examined the socio-political and economic context in which the trustee boards operate in Australia. The political and organisational mobilisation of economic rationalist and free-market ideologies, and the socio-cultural acceptance of these discourses permeates the organisation and practices of the trustee boards. This emphasis on market rationality and contractual relations is reinforced by the legal fiduciary constraints on the trustee boards, by which the fund property is entrusted to trustees to hold, control, manage and invest on behalf of the members. The trustee boards are constituted under the provisions of trust deeds, formulated and executed by the trustees, and are bound by the responsibilities of trust and corporations laws.¹⁰

The fiduciary relationship constitutes an attempt to legally define the morally binding relationship - of rights and responsibilities - that the trustee fulfils on behalf of the beneficiaries or members of the fund. These rights and responsibilities are accepted as socially legitimate because of the social acceptance of the relationship of trust. While the excesses of corporate governance in Australia in the 1980s have

¹⁰ In Australian statute, a trust is defined as 'an equitable obligation, binding a person (who is called a trustee) to deal with property over which he (sic) has control (which is called the trust property) for the benefit of persons (who are called beneficiaries) of whom he may himself be one, and any one of whom may enforce the obligation.' Ford & Lee, 1983, op. cit. p.416. Trustees in Australia and the composition of trustee boards are bound by legislation and regulations under equity and statute law and the requirements of the trust deed constituting the trust or fund. Australian regulations under OSSA relate to the composition or membership of boards of trustees, but do not detail who is eligible to stand or be appointed as a trustee. Normally any private individual, over the age of 18 years, who is not disqualified by virtue of bankruptcy, incapacity or imprisonment, may stand. A corporation can act as a trustee, or individuals and corporations can jointly form a trustee company. This is a separate company set up to handle the responsibilities of trusteeship for the fund, and avoids the necessity for full member endorsement of changes of individual trustees. Because in industry funds trusteeship is associated in most cases with a particular employment position, most industry funds do have a corporate trustee company through which the directors serve as trustees.

somewhat eroded the unquestioned acceptance by the public of the probity of corporate boards of directors, the trustee boards still enjoy a substantially trusted position in society and with members. There is some concern, considerably inflamed by the mass media, about the possibilities of malfeasance by superannuation fund trustees.¹¹ This is discussed later, but essentially the community accepts that in most instances fund trustees will act to protect the fidelity of the funds.

Sociological understandings of the nature of relationships of trust in the corporate world are under-researched empirically, and limitations of space preclude exploration here, although this is an important issue for future research. Sociologically, trust can be seen as a socially constructed concept, essentially abstracted from the nature of trust between people in everyday life. Two major works are Niklas Luhmann's theoretical treatise, Trust and Power, which draws on the ideas of Simmel and Parsons, and The Logic and Limits of Trust by Bernard Barber.¹² They argue that the concept of trust (and distrust) is a most fundamental principle that underlies social order. Luhmann's central thesis is that the function of trust is to reduce complexity in an open-ended world which presents itself as unmanageable. Barber characterises trust as the expectations of stability in the moral social order, in the same way that people perceive the persistence of 'natural' physical and biological order.

Occupational superannuation is a most complex issue, and there is therefore a need to safeguard the sanctity of this social relationship of trust in order to maintain the stability of the relationship between the trustees of the funds and their beneficiaries. Perpetuation of relations of trust is vital for the success of the new quasi-private retirement income policy regime in Australia. If employees lose trust in the fidelity of funds management, they will no longer regard it as legitimate for

¹¹ Examples of pension or superannuation fund fraud or collapse, such as the case of Robert Maxwell in the UK, and Qintex Ltd in Australia, arouse extensive public debate.

¹² See N. Luhmann, Trust and Power, New York, John Wiley & Sons, 1975.; and Bernard Barber, The Logic and Limits of Trust, New York, Columbia University Press, 1983.

them to contribute to retirement savings in the funds, and social and industrial conflict will ensue.

Legally, trustees must be able to demonstrate their discretion in investing trust funds in a prudent manner. The threat of individual legal and financial responsibility constituted in their fiduciary responsibilities has led almost all trustee boards to depend entirely upon the most high profile professional administrative and investment managers and advisers for the funds. The spectre of these responsibilities and personal liabilities is constantly promoted by the Life Houses and by the legal profession. My examination of superannuation and finance industry and legal publications distributed regularly to trustees reveals an extraordinary emphasis on the fiduciary responsibilities of trustees of the funds. These 'information' tracts draw largely from the British 1886 court ruling, which called on trustees:-

...to take such care an ordinary prudent man would take if he were minded to make an investment for the benefit of other people for whom he felt morally bound to provide.¹³

and the more recent 1984 British High Court ruling,¹⁴ which specified that trustees' fiduciary responsibilities are to maximise the financial return to the members of the fund, and that their legal protection resides in their engagement of professional advisers with recognised competence in management and investment of superannuation funds. This litany is heavily promoted in all Association of Superannuation Funds of Australia (ASFA) publications, all Life House and finance industry publications, and is repeatedly invoked in training and information courses for trustees. The large number of privately organised conferences on superannuation, put on by the superannuation and finance industries, the ASFA, and even government and ACTU conferences, on every occasion have focussed on the fiduciary responsibilities and personal liabilities of fund trustees.¹⁵ There is no

¹³ L. J. Lindley in *Re Whiteley*, 33 Ch.D 347, 1886, p.355.

¹⁴ *Cowan & Scargill*, 2 A11, E.R., 750, 1984.

¹⁵ Conferences on occupational superannuation have become a hugely profitable growth industry in the past 3 years.. For references of trustee responsibilities, see for example agendas for all ASFA Conferences and Trustee Seminars, 1989-1992; Towers Perrin, Mercer Campbell Cook and Knight

Australian legal precedent for trustees' fiduciary responsibilities, and trust law is arcane and largely uncodified. There are also other competing legal precedents for trustees' responsibilities,¹⁶ but these remain unmentioned. Wider interpretations of trustees' rights as well as their responsibilities, or the possibility that trustees may act according to the determination of their members, and thus discharge their responsibilities by other avenues, are similarly ignored.

Three issues stand out here. First, this is an attempt by established and conservative financial institutions to maintain their entrenched dominance of the superannuation industry, to retain control of this vast new repository of Australian investment capital, and to extract huge management and professional advisory fees from industry-wide funds. Second, the explicit gender blindness of such legal panegyric lays bare the essential male model of occupational superannuation, an issue which is directly addressed in the following chapter. Third, the legal profession now perceives superannuation as a major growth area for legal counsel. In my interviews, leading legal specialists in superannuation exulted over the growth of superannuation legal practice in Australia in the 1990s.¹⁷ The excess and increasing legal complexity of new government regulations have exacerbated these developments. The influence of this unremitting litany of the dire legal fiduciary

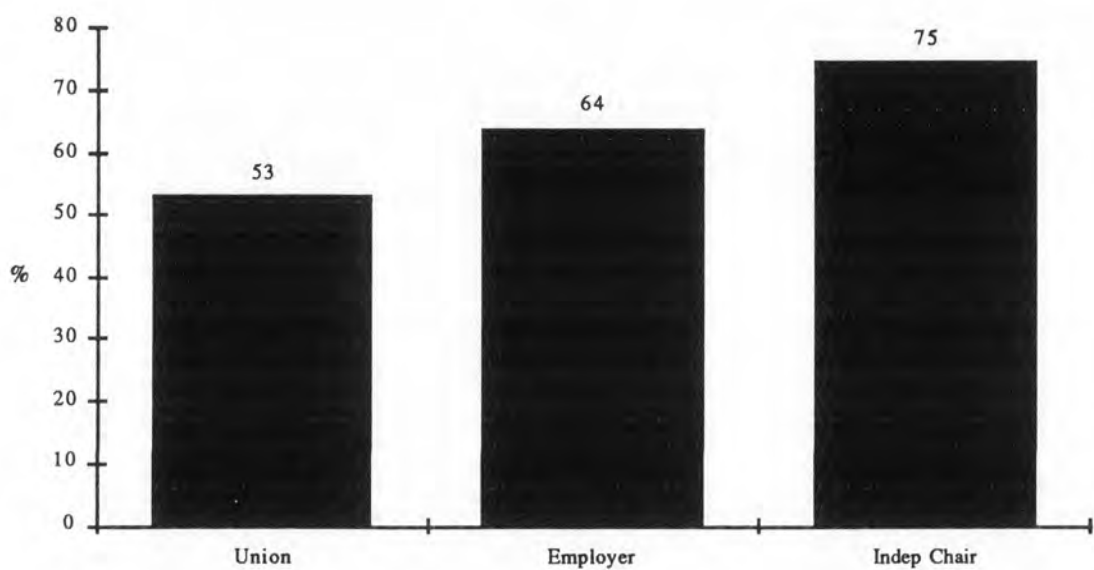
and Bankers' Trust seminars and conferences for trustees, 1989-1992; and even the ACTU sponsored Conference of Major Superannuation Funds (CMSF) conferences, 1991 and 1992.

¹⁶ The lack of formal legal codification of trust law and the attendant fiduciary responsibilities and legal liabilities of trustees is already the subject of extensive study in the discipline of law. Despite the long standing legal jurisdiction of trusts, the standard of conduct expected of trustees is extremely vague and a recent summary of the trustee's role in law observed that 'there is no codification of the law of trusts... The law of trusts is constituted of a distillation of the wisdom of judges in the British and Australian legal system, as relates to property held in a fiduciary capacity, in which until now little statutory intervention has been necessary'. (Superfunds, June, 1991). However in Australia, as in Britain and the United States, there is mounting pressure for at least a clarification and codification of trust law, much of it stemming from people and organisations concerned with the management and accountability of superannuation funds. As Schuller comments '...antiquity is not of itself a vice, but trust law was developed long ago out of concern for the management of individual people's benefits. It is certainly not for the handling of huge capital sums on behalf of hundreds of thousands of beneficiaries. Laws originally framed to deal with individual patrimonies are inappropriate for huge blocks of collective saving. Schuller, 1986(a), op. cit. p 60.

¹⁷ Research interviews with Noel Davis (December 1990, April 1991 & March 1992); and Jane Paskin, (November 1991 & October 1992) Senior Associates, Clayton Utz, Solicitors, and Andrew Fairley of Hunt & Hunt (March 1991, November 1991 & February 1992), now heading expanding superannuation divisions in these major law firms report also that they are presently much in demand for public speaking engagements and for writing articles and educational material on the fiduciary responsibilities of trustees. They also report that every major law firm in Australia is now in the process of establishing high profile superannuation law departments.

responsibilities of trustees is manifest in high levels of anxiety about their personal liabilities by the trustees of the funds. Figure 6.1 below reveals that more than half (52%) the union trustees and over two-thirds (64%) of employer trustees are worried about their personal liabilities and the threat trusteeship presents to their own financial security.

FIGURE 6.1 - TRUSTEE ANXIETY ABOUT FINANCIAL LIABILITIES



Few funds have formal policies other than vague motherhood statements on investment performance criteria or how to judge the success of the fund, but trustees in many funds said they are currently developing and instituting more explicit investment objectives and performance criteria. Trustees agonise over their responsibilities for the prudent management of the funds.

One employer trustee commented:-

I hold a position of trust in looking after our members' money.

and a union trustee said:-

It's an issue of enormous concern for me to ensure that correct decisions are made in relation to individual members' money, and that proper and sensible investment decisions are taken. My personal liabilities guide the decisions I make.

Another employer trustee said:-

The general membership is becoming more knowledgeable and the chances of litigation are increasing. Because our members are a litigious lot and one day one 'will have a go', I am anxious about being a trustee, and hope the insurance policy protects me.

Such a huge capital cash flow has given trustees enormous power to influence the investment environment in Australia, but this is a challenge and an opportunity about which trustees are very anxious. Trustees said that protecting the members' money is their most pressing responsibility. One union trustee commented:-

Our main concern is not to lose money. Our membership will not accept any lower return on their account than they had at the last balance, and we have to make gains when we can. Many members ring you up and demand to know why the fund that their brother is in returned a higher return, or that the local building society had a higher rate of interest. We're constantly under scrutiny on the rate of return.

Trustees said that fund members are unaware of the long term nature of superannuation liabilities, and according to the trustees, most fund members view the success of the fund entirely in terms of the current rate of return on investment capital compared to other superannuation funds or the investment returns of building societies or banks. The exceedingly high rates of return which capital-guaranteed investments returned in the late 1980s have given fund members and even trustees an unreal expectation of what fund investment possibilities and expected accumulated retirement benefits may be produced by the funds. Financial experts predict that the expected lower returns in the next decade will produce considerable dissatisfaction amongst fund members, and will place considerable pressure on fund trustees to maintain the trust of the membership. One employer trustee talked of his concern about his responsibilities in decision-making in the fund:-

There is rarely a black and white answer to a key question. In an investment and economic environment which is very uncertain, we are extremely cautious about making decisions. Also, industry super is caught up in an industrial political scene where sensitivities abound.

Many trustees commented that recognising these problems leads to excessive concentration on comparative rates of return in the funds, and constant comparisons

of investment manager performance. Many trustees said that their conservative management, particularly their concentration on capital guaranteed investment, has been shown to be a most prudent strategy, as they were thus protected from the investment excesses and subsequent losses of the late 1980s.

The Federal Labor Government constantly reaffirms the final and prudential responsibility of the trustees for the probity of the funds, largely as a means of legitimating the absence of government guarantees for the security of members' monies in the funds and their expected future retirement benefits.¹⁸ Federal Treasurer and now Prime Minister Paul Keating said in 1988:-

Trustees of superannuation funds have the prime responsibility in ensuring the effective development of superannuation on a sound and equitable basis. It is to them that the members of funds must look for the prudent management and investment of the resources placed in their trust, and the equitable administration of the benefits available to fund members.¹⁹

The large number of recent government and statutory inquiries, discussed in previous chapters, explicitly address the necessity for ensuring the prudence of fund trustees, and the imminent dangers to employees' retirement benefits. They refer to the problems of Australia's financial sector which in the 1980s has been beleaguered by mismanagement, misallocation of investment and even corruption. Most invoke the need for increased regulation on the trustees, yet all demur to government guarantees for the funds or direct government intervention into the financial management and investment allocation of the funds.²⁰

Complex regulation is no guarantee for the fidelity of the funds. In Britain, a plethora of legislation and regulation imposed on the financial services industry, including pensions funds in the second half of the 1980s, has made fraud easier, according to leading British jurist Lord Browne Wilkinson.²¹ British lawyer Robert Ellison agrees, arguing that increasing regulation has encouraged bigger and better

¹⁸ Dawkins, M.P., op. cit., 1992(b).

¹⁹ Address to ASFA Conference, October, 1988.

²⁰ ALRC, 1992(a), op. cit.

²¹ Lord Browne Wilkinson, Speech at Legal Aspects of Superannuation Conference, Canberra, March, 1992.

fraud, as it has removed a great deal of the responsibility from pension fund trustees.²²

The complexity of superannuation and the multiplicity of new legal and supervisory regulations on occupational superannuation are major influences on the trustees. One union trustee said he is worried by:-

...the constantly changing laws governing directors and super funds, both of which and particularly the latter are changed in a most reprehensible manner, most often by undefined press statements for which legislation lags 12 months or more.

More than 65 percent of trustees placed a high priority on the need for government to simplify the regulations on the operations of the funds. They complained of the difficulty for them as part-time trustees to keep up with, and understand, the enormous changes which have taken place, and are taking place constantly, in regulations and government requirements of the funds. They complained about the speed and undefined nature of much government regulation. This has resulted in trustees becoming dependent on professional advisers, whose full-time involvement in superannuation allows them the opportunity to concentrate entirely on superannuation developments, to study all new regulations and requirements, and attend courses and conferences which explain the ramifications and implications of policy and regulatory changes. Trustees' complaints included:-

Superannuation is very complex. Changes are on all the time, both industry-wise and government-wise.

The rate of change in legislative requirements is beyond the ability of anyone other than the full-time professional to accommodate.

It's the huge number of transactions involved in industry funds. There are always people changing jobs, or going in and out of employment, or working according to a huge variety of work practices. Nobody could have ever understood the complexity of setting up and running an industry super scheme, never mind the responsibilities of investing the money safely and well.

²² Robin Ellison claimed that the bizarre point of the Maxwell pension fund fraud was that the Financial Services Act, 1986 had made the fraud easier. Business Review Weekly, May 15, 1992, p 81.

The impact of these constraints on the trustees is contingent on their own life histories, their experience and expertise and their organisational support, and the emerging organisational culture of the funds and trustee board meetings, which are considered below.

II) Trustee Resources - Personal Experience and Expertise

It is clearly apparent that a new kind of trustee has emerged in these funds. They are different to company superannuation fund trustees in the resources they bring to the funds - in terms of their own expertise, experience, and their organisational support. As well, their responsibilities are broader than either company fund trustees or trustees of other trust bodies. This arises because the nature of Australia's collective investment funds are different to traditional trusts. The money involved is immense, there are large numbers of beneficiaries, members must contribute compulsorily to the funds, they have no choice as to the destination of their savings, and for the vast majority of members this is their only accumulated capital saving. These differences, and the strongly expressed commitment by the trustees to safeguard the accrued savings of members, have resulted in new standards in the funds which have substantially changed Australia's existing occupational superannuation system.

The different personal priorities of these trustees have reportedly had an enormous impact on the rest of the superannuation industry. Life House people, fund administrators and investment managers said they have had to change their thinking considerably as a result of their association with these trustees, particularly strong union leaders. Those who haven't made the change have already found themselves unable to attract or retain a share of industry fund business, according to a senior fund administrator.²³

Both the formal structures and the practices of these funds are different from traditional occupational superannuation funds. The requirement for equal

²³ Grant, *op. cit.*, research interview, March 1991.

representation for employees means that trustees are drawn from different organisational strata and institutional locations to company fund trustees. As well, the profile of industry fund trustees, their responsibilities and intentions is distinctly different to that of company fund trustees.²⁴ Women, for example, have rarely made it onto traditional company trustee boards. Although the proportion of female trustees is still small, an issue which is to be discussed later in the chapter, at least there are some female trustees on these boards.

Company superannuation fund trustees are usually appointed by the employer from the ranks of senior management or company directors on the basis of long, loyal service, often are approaching or already in retirement, their abiding commitment is to the employer, and they frequently have considerable time available for their trustee duties.²⁵ A comparative national survey of company fund trustees would be an appropriate and valuable focus for future research, but was outside the scope of this thesis. However, many trustees interviewed in this survey are, or have been, members of company fund trustee boards. Without exception, they commented that there were enormous differences between these funds and company superannuation fund trustee boards.²⁶ While in company funds the main priority was to safeguard the interests of the company, in these funds the interests of the members is paramount. Demands and levels of activity in industry funds are much greater than company funds, and correspondingly the duties of these trustees are far more onerous, they said. One employer trustee (senior management) commented:-

Trustees are enormously committed to their trustee role and as a result are far more likely to get involved in the management and be more available to the members than in any company scheme. In all my years as a company fund trustee not one employee ever got in touch and

²⁴ Although government regulations which require equal representation in company trustee boards by July 1995 are expected to produce changes in company fund boards. J Balchin, Former research officer ASFA, research interview, Sydney, February 1991.

²⁵ Former board members, and present or retired company secretaries, and the company accountant were the usual nominees for company superannuation funds.

²⁶ Superannuation, insurance and investment industry spokespersons comment on the differences between these new kind of trustee boards in industry funds and the trustee boards of traditional company funds, as discussed in the previous chapter.

questioned the trustees either personally or in writing, and that was an accumulation fund too. Mind you, we never reported to the members, and our only communication was when the employee left or retired.

Fund managers also commented on the differences between company fund trustees and these trustees. National administrations manager of Jacques Martin, Robert Van Woerkom (who manages approximately half of all industry funds and attends many trustee board meetings) said these trustees behave quite differently to company fund trustees. Unlike traditional company funds where trustees' responsibilities were always to think about the employer company's interests, in these funds the trustees' one and only consideration is the interests of the members. They demonstrate a far stronger commitment to the funds, and have an obvious desire to make the funds succeed. Trustee responses bear out his comments. One trustee of 3 of the largest funds said:-

My main concern is that employee members obtain the best return on funds accumulating in their accounts, and are progressively advised of details of contributions credited and expenses debited.

Trustees often spoke of their satisfaction as a trustee. One employer trustee commented on his responsibility as a director to see justice maintained. Another employer trustee said:-

It's a rewarding experience to be able to help administer an industry fund. To be able to provide a dignified retirement package and a death cover for young providers.

One female trustee said:-

This is the most important job I have ever had, ensuring that I protect workers' savings for their future retirement.

Many trustees expressed enormous optimism about the future for industry-wide superannuation. They wrote of their interest in linking up with funds in similar industries, or those with similar work patterns (many were worried about the problems of high proportions of casual and part-time employees).

The complexity and fast changing nature of superannuation regulations and the necessity for keeping abreast of financial developments particularly concerns the trustees. More than 85 percent said that keeping up to date with financial news is a top priority for them, and most trustees depend on the mass media for financial

news, as revealed in Figure 6.2 below. Muetzefeldt highlights the very narrow nature of financial media reporting in Australia. He argues that free market and economic rationalist ideologies dominate Australia's mass media and there is a lack of any alternative views of investment.²⁷ Hence, the nature of financial information which trustees receive is extremely limited. There appears to be no independent information source for trustees, most respondents said they depend on their administrators and investment managers for investment information (see Figure 6.3). Even personal discussion with other trustees is very limited. Only 37 percent of trustees reported that they have any regular contact with other trustees, and even when they do, they said that the main issues for discussion are their problems administering and managing the fund. This demonstrates the very narrow information base on which trustees depend, and in particular reveals trustees' reliance upon the Life Houses for financial information and advice.

These pressures have influenced trustee boards to appoint a vast array of professional advisers to the funds - fund managers or administrators, investment managers and investment consultants, management and information systems advisers, legal advisers, taxation advisers, actuarial advisers and more recently communications advisers proliferate. Because of the unprecedented speed of the growth of the funds, it is only from within the already existing insurance and financial management sectors that expertise is available and professional advisers are drawn. Analysis of the relationship between the trustees and their fund administrators, investment managers and other professional advisers affords important insights, and is examined later in the chapter in the discussion of the organisational culture of the funds.

Legislated requirements of trustee boards impose increasing demands and responsibilities on trustees. Award-based determination of superannuation entitlements across a wide variety of employees, and a high requirement for

²⁷ Muetzefeldt, *op. cit.*, 1992, and research interviews, May, 1992.

FIG 6.2 - TRUSTEES' GENERAL NEWS SOURCES

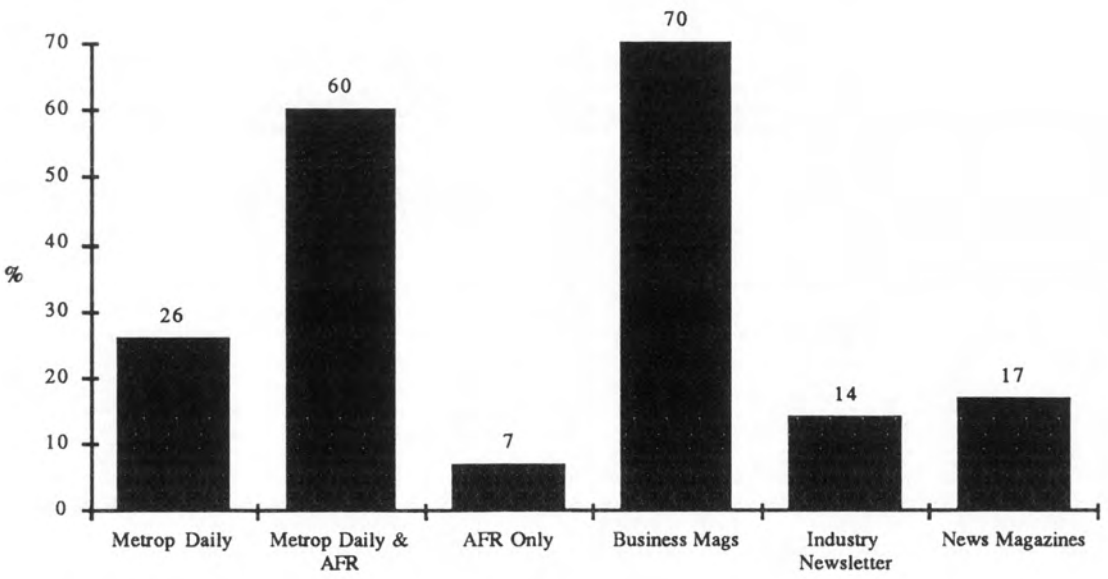
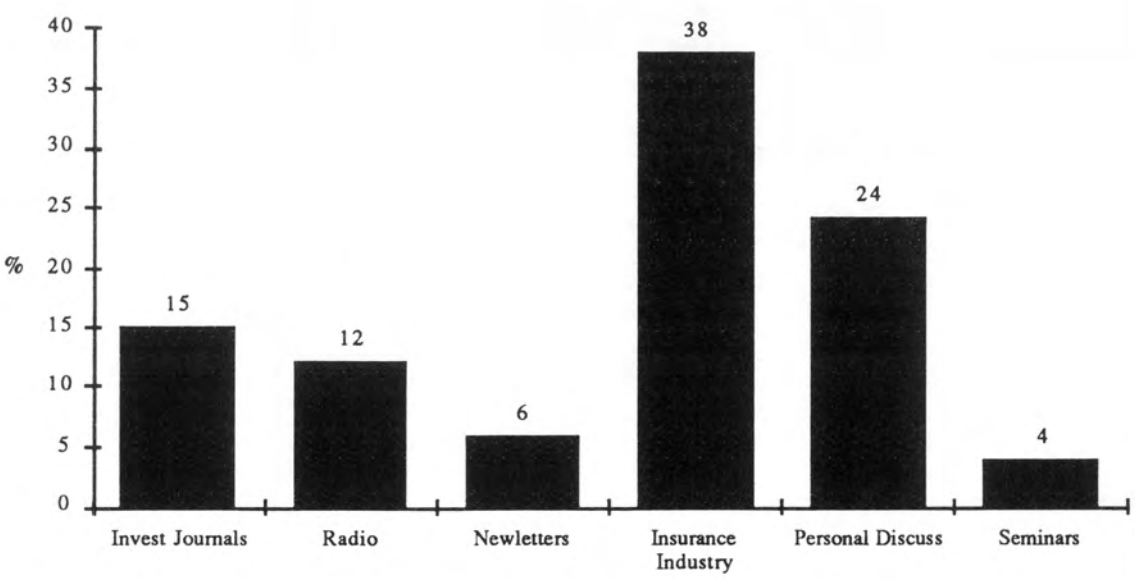


FIG 6.3 - TRUSTEES' FINANCIAL INFORMATION SOURCES



communications and reporting to members are all enshrined legally in the funds. In addition, the growth in membership and size of the funds is unprecedented. The cash flow and accumulating capital asset base of the funds present challenges and opportunities for these trustees never previously experienced in superannuation funds. The only similar experience of huge injections of capital into a newly established sector with equity representation for capital and labour have been the wage-earner funds in Sweden, and comparisons between them and these funds are made elsewhere by this writer.²⁸

Trustees are constrained by pressures of time to attend to their trustee responsibilities, and their lack of previous experience in superannuation or the investment management area. This affects both union-appointed and employer-appointed trustees alike. Trusteeship of an industry-wide fund is a part-time responsibility. As revealed in Figure 6.4 below, by far the majority (almost 90%) of union trustees are full time senior officials of trade unions - usually federal or state secretaries, branch presidents, union organisers or in some cases industrial officers. Somewhat fewer, but still a large percentage (over 40%) of employer trustees are full-time officers of employer associations, usually the executive director or general manager.²⁹ Other employer trustees are senior corporate executives, frequently chief executives or company secretaries. It is in this capacity, by reason of their career positions that they serve as trustees of the funds. But being at the peak of their own

²⁸ Shaw, 1986(e) and 1986(f), op. cit.

²⁹ Union officer trustees include secretary/treasurer, branch, state and national or federal secretary, senior industrial officers and industrial officers, industrial research officers, research and planning officers and union organisers. Employer association trustees include executive director, general secretary, state, national or federal director, chief executive, director or manager of industrial relations, senior industrial counsellor. Professionals constitute less than 10% of both union and employer trustees, their occupations include lawyers, solicitors, teachers, professors, chartered accountants, registrars, and health professionals. Over half the employer representatives are senior management, listing as their occupation managing director, general manager, chief executive, employee relations advisor, industrial relations manager, business manager, company secretary, financial director personnel director and manager, employee relations adviser and manager. Union trustees tend to have served as union officers for longer than employer representatives have been with their organisations. 75% of union trustees have been a union officer for more than 5 years (more than 20% have been officers over 20 years). Many employer associations have only been established in the past ten years, far shorter times than trade unions, and the briefer tenure of employer trustees is a result of this.

careers means that they are already largely overburdened by work and responsibilities, and under intense pressure from time constraints.

FIG 6.4 - TRUSTEES' OCCUPATION



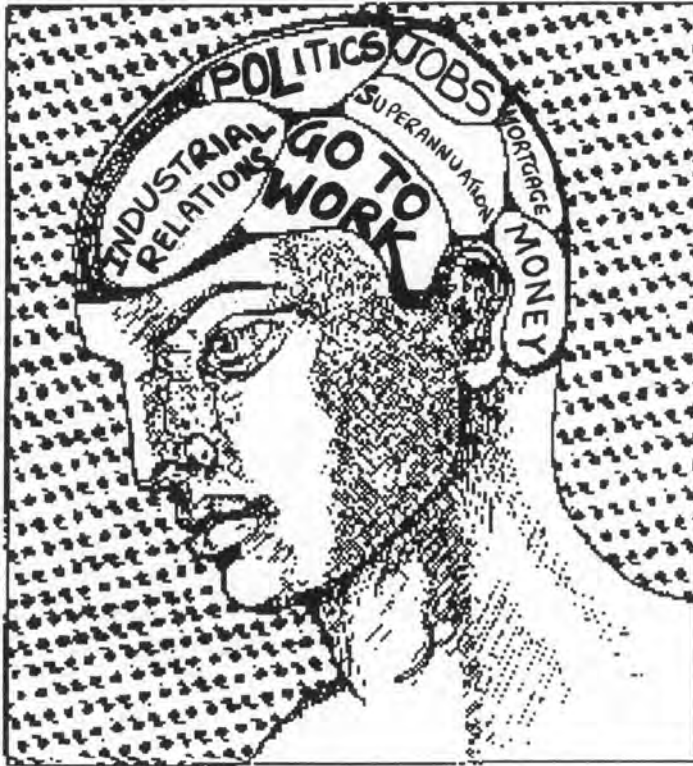
Because trusteeship has to be accommodated with their other extremely demanding full-time job responsibilities, trustees almost without exception complained of the problems of keeping up with their trustee duties. For example, most of the funds surveyed circulate their board papers not more than three days before the trustee board meeting, in many instances just one or two days before the meeting. Most trustees interviewed said they put aside the evening or morning before the meeting to study the board papers, but many said they sometimes only manage to read the board papers in the plane on the way to the meeting. It is the pressure of their other activities that limits the attention trustees can contribute to the funds. Typical comments were:-

It's not just the union trustees - the employer association reps too. We constantly have to put aside something important like superannuation for something urgent like a dispute. If you've got a dispute, or you've got a case before the Commission, there's no putting that off, so you just have to put the superannuation issue to one side.

At present, I spend about 20 percent of my waking time on superannuation, but that has to be fitted in on top of all my other work, so it means that I'm just about working every night on super.

We're absolutely flat out getting the employers to contribute, and to keep their payments up to date. That's about all we can manage.

FIG. 6.5 - TRUSTEESHIP - A HEAVY BURDEN FOR BUSY PEOPLE³⁰



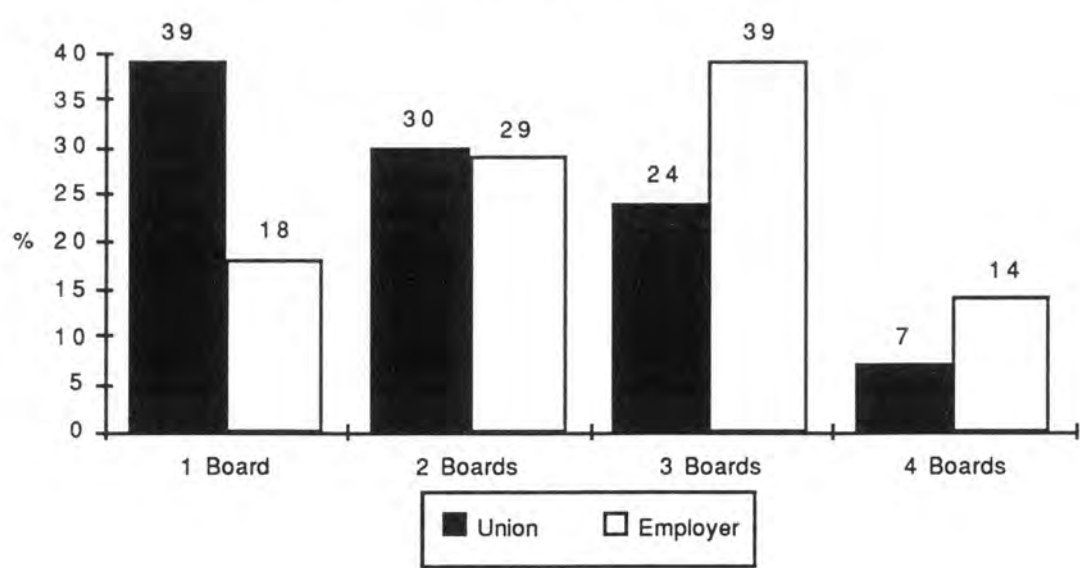
Despite their time constraints, both union and employer trustees said they were wholeheartedly committed to the success of the funds and the welfare of the members. This was apparent both in their expressed attitudes and in their levels of activity and participation in the management and decision-making of the fund. Most trustees said they saw their service on the trustee board as a growing and increasingly demanding part of their career responsibilities.

³⁰ Reproduced and amended with permission from New Socialist, No 5, October/November, 1988.

For most trustees, this is their first experience as a trustee, and because most funds were established after 1988, they have served on the boards for less than four years. Some, in the longer-established funds like BUS and AUST and LUCRF, have served as trustees for 8 to 10 years (there is not a high turnover in trustees). However, while their direct previous experience in superannuation, investment and financial management is not high, most trustees have had many years involvement in the industrial relations arena, representing capital and labour in high level negotiations and decision-making.

Trustees are part of Australia's decision-making strategic power elite, most serving on a number of other executive boards (such as other corporate boards, government advisory committees and community organisations).³¹ More than 83 percent of trustees are members of other executive boards, and as Figure 6.6 on the next page shows, employer trustees serve more often on a wide range of boards than do union trustees.

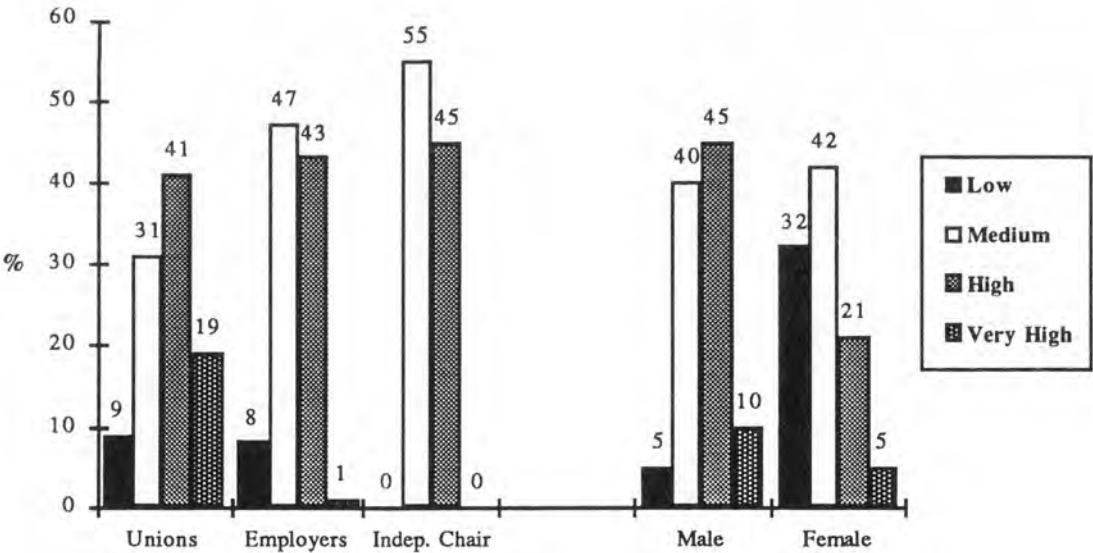
FIG 6.6 - TRUSTEES - ELITE EXECUTIVES



³¹ Encel, 1970, op. cit. suggests that membership of a number of executive boards confers strategic elite status in Australia. See also A Giddens, *Elites & Power in British Society*, London, New York, Cambridge University Press, 1974; C Wright Mills, 1956, op. cit.

Despite other pressures, trustees said that their levels of commitment and activity in the funds is high. As can be seen in Figure 6.7, union trustees were more likely to have high or very high levels of activity in their work for the funds than were employer trustees, and male trustees were more likely to have high or very high levels of activity than were female trustees. Trustees' levels of activity were measured by scoring and aggregating the regularity of their meetings with fund members, with participating employers, with fund administrators, with investment managers, the nature and extent of their direct communications with fund members, their involvement in monitoring fund performance, and their engagement in discretionary claims assessment.³²

FIG 6.7 - COMPARISON OF TRUSTEES' LEVELS OF ACTIVITY



³² Both union and employer trustees report high levels of activity in monitoring fund performance, in reporting to their constituents, and dealing with personal claims. Employer trustees however are more likely to have a high involvement in the development and supervision of investment policy (55% to 37%) and in the appointment of professional advisers (56% to 41%). Independent chairpersons almost all have a high level of involvement in investment policy, monitoring fund performance, administration and management and the appointment of professional advisers. Their activity however is quite low in areas of reporting to members and dealing with personal claims and other discretionary judgements.

Union and employer trustees overall engaged fairly equally in most fund activities, from management and administrative duties, investment responsibilities, involvement with discretionary claims and communications with members. These trustee experiences differed markedly from the experiences of trustees in British pension funds. Schuller's and Hyman's survey of pension funds trustees in Britain revealed that employee representatives rarely served on investment committees, a minority served on management subcommittees and most employee trustees were restricted to involvement in dealing with discretionary benefits in the funds, handling member pension and death and disability entitlements.³³ British pension funds rarely have equal representation for employees on pension fund boards. As Batstone found in his research on union representation on corporate boards³⁴, Schuller, too, found that there were usually only one or two employee representatives on pension funds trustee boards and their decision-making power and areas of responsibility were consistently limited.³⁵

Although few trustees of these funds have a background in financial management, since their appointment to the funds almost half have done courses specifically to help them in their role as trustees.³⁶ Many said the pressure of their responsibilities left them little time to undertake additional training or courses. The Life Houses and investment managers are the most usual source of training for the trustees. Almost 40 percent of trustees had had special seminars put on for them by their fund managers and investment managers. One employer trustee commented:-

We depend almost entirely on fund managers and investment consultants for the information we need to run the funds.

³³ Tom Schuller & Geoff Hyman, 'Economic Democracy and Pension Funds', in R. N. Stern & S. McCarthy (eds), The Organisational Practice of Democracy, London, John Wiley & Sons, 1986. A study of Schuller and Hyman's survey, comparing their findings with the findings of this research study is included in Diana Shaw, 'Superannuation: An Australian Perspective', paper presented at the International Conference on Labour Movement Strategies for the 21st Century, Evatt Foundation International Conference, September 26-28, 1990.

³⁴ Eric Batstone, Unions on the Board. An Experiment in Industrial Democracy, Oxford, England, Blackwell, 1983.

³⁵ Schuller, 1986(a), op. cit.

³⁶ More union trustees (50%) had done courses than had employer trustees (42%), but the difference was not statistically significant.

Many trustees spoke, and wrote, of their dependence upon financial information and investment advice from their fund managers or investment managers. One employer trustee said:-

Due to lack of knowledge and experience in areas such as financial investment, administrative requirements, taxation and other liabilities, I have to rely on advisers, which demands a lot of trust.

Some trustees said that, even though they conduct their own performance assessment, they are conscious that they do so on the basis of criteria and to benchmarks set by their fund investment advisers. Investment managers are aware of this. One investment manager commented:-

The trustees are not experts at what they are doing. Mostly they don't have a lot of money themselves nor have had experience of how to manage money. They are sensible rational thinking people who appropriately seek advice. Trustees main problem is knowing the right questions to ask. Trustees have a bewildering array of choices open to them, particularly on issues relating to investment, and the idea is to narrow down those choices. Consultants present the trustees with a range of decisions to be made. We find the best way is to break down the process into a number of small decisions, and take the trustees through them one at a time.³⁷

Trustees are very conscious of their lack of previous trustee and superannuation experience, and many trustees (regardless of their own previous expertise) said they wanted additional training and support in a number of key areas. One male employer trustee (a university commerce graduate) said:-

My current lack of experience is necessitating a steep learning curve in a variety of areas to which I had previously never been exposed.

Another male employer trustee (a senior corporate executive) said:-

I feel most trustees could do with more information on their legal responsibilities, looking at particular case studies as a guide to the decisions we have to take.

His attitude was echoed by a union trustee, who said:-

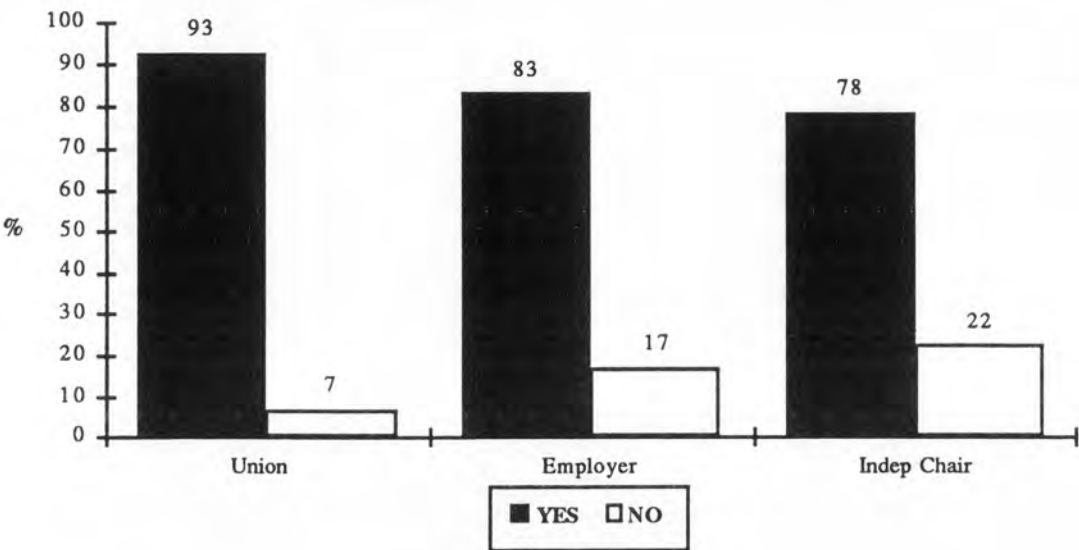
An introduction to company law, trustee legal responsibilities and more knowledge on how to judge investment performance would be most beneficial.

³⁷ Keith Knapman, TPF & C superannuation consultant, research interview, April 2, 1990.

A male employer trustee (a senior corporate executive) said:-

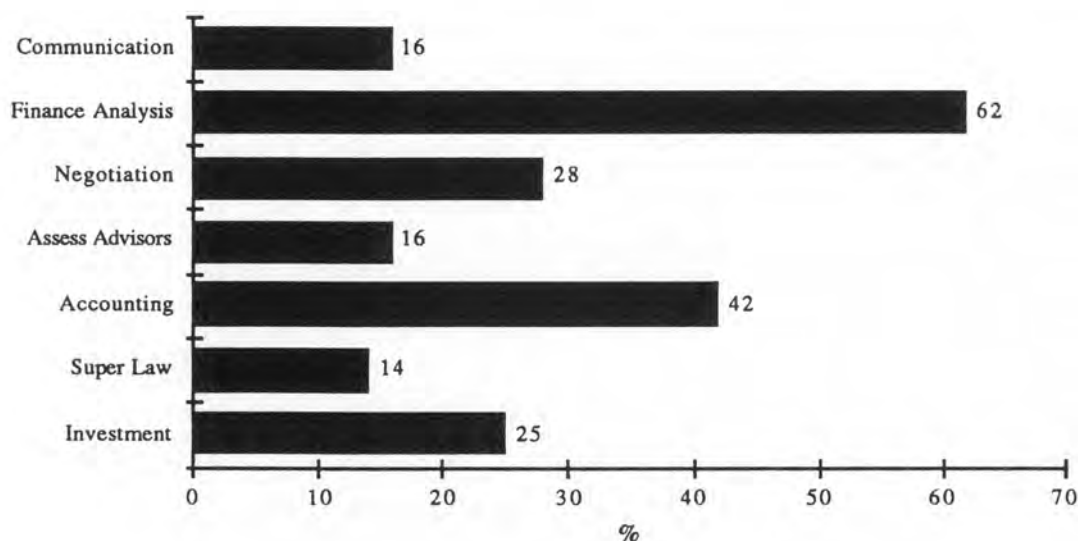
I have been given no instruction on how to carry out my duties. I know sufficient about trust law now to know that I don't know enough.

FIG 6.8 - TRUSTEE RESOURCES - NEW SKILLS GAINED



Most industry fund trustees said that in terms of their own skills, they have benefited from being a trustee board member, and as can be seen from the Figure 6.8 above, union trustees were more likely than employer trustees to say they had gained new skills since becoming a trustee. Seventy four percent of all trustees said specifically that they had improved their financial and superannuation knowledge. Trustees were asked about areas in which they would like to receive additional training or support and, as can be seen in Figure 6.9, the areas of investment, superannuation law, financial analysis and the selection and assessment of fund managers were the areas most nominated.

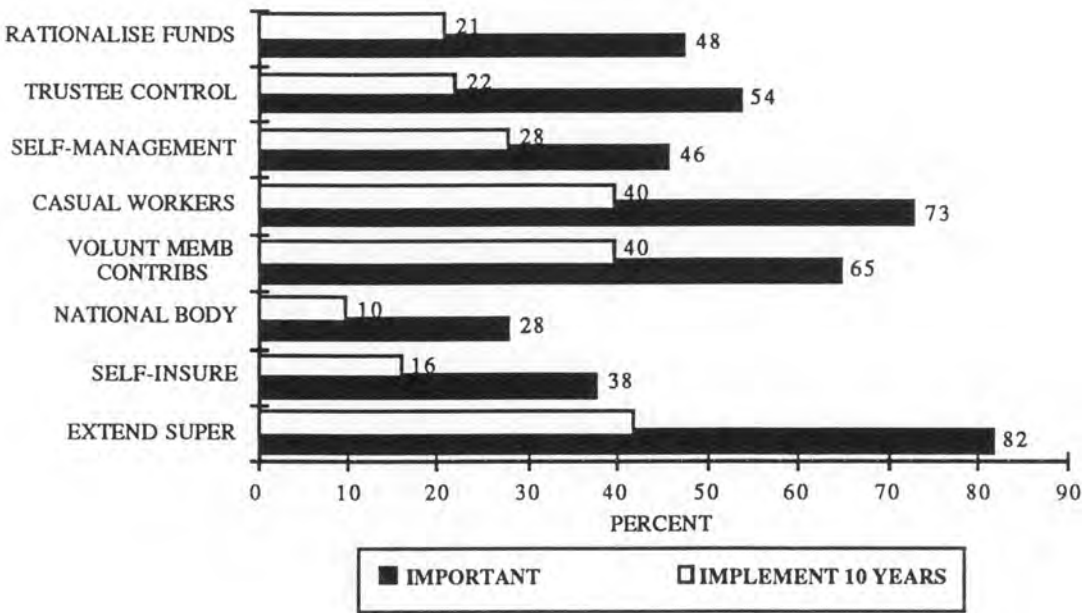
FIG 6.9 - EXPERTISE DESIRED



Many trustees said that when they began, they were passive decision-makers, who deferred to the expertise of their professional superannuation and financial experts, and allowed them to consistently dominate trustee board meetings regardless of the issue. They said their attitudes are changing. The pressures of the establishment period are over, and trustees said they intend to take a more active decision-making role in the funds in future, though their priorities continue to be conservative. Figure 6.10 shows trustees' declared future administrative objectives in detail. As the figure shows, large proportions of trustees indicated that many of these objectives were important policy issues. More than half said that extending superannuation to all employees, increasing direct trustee control of investment allocation, increasing benefits for casual and part-time employees and encouraging voluntary member contributions were all important policy issues. The proportions reduced markedly, however, when trustees were asked to say whether these policies would definitely be implemented in their funds within the next 10 years, as the figure demonstrates.³⁸

³⁸ Trustees were separately asked whether they considered a nominated range of policy objectives were important or not important and whether or not these policies would definitely be introduced in their fund in the next 10 years. The policy objectives nominated (and results reported in Figure 6.9) were (i) rationalising and reducing the number of funds reduced, (ii) more direct control by

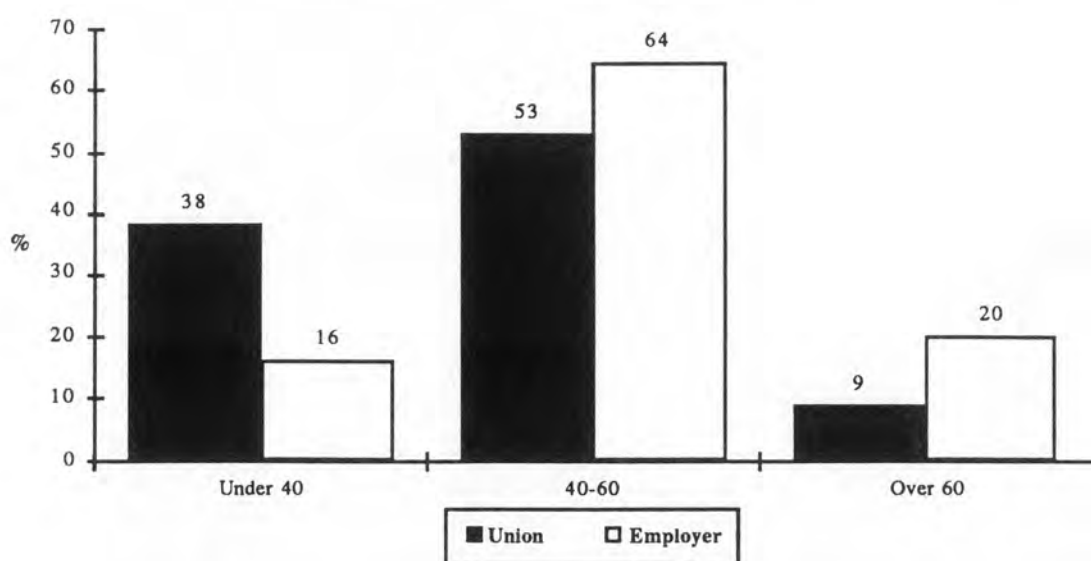
FIG 6.10 - ADMINISTRATIVE MANAGEMENT OBJECTIVES



The trustees have the characteristics, esteemed in Australian society, that tend to qualify individuals to take executive, financial and management positions - that is, they are overwhelmingly male, white, middle-aged and tertiary-educated. As discussed above, in traditional company superannuation fund trustee boards, appointment was largely seen as a sinecure for long service, associated with mature age and experience. As is evident in the age spread of industry fund trustees revealed in Figure 6.11, these trustees are comparatively young and at the peak of their careers. Union trustees are younger than employer trustees - almost 40 percent of union trustees are less than 40 years of age. The older age profile of employer trustees becomes even more accentuated in the 61-70 age group, where 20 percent of employer trustees are located.

trustees of investment asset allocation, (iii) establishment of independent fund self-management and administration, (iv) continuing contributions for part-time and casual employees to increase their accumulated retirement benefits, (v) encouragement of voluntary member contributions, (vi) establishment of a national body to represent industry funds, (vii) self-insuring fund members, (viii) extending superannuation benefits to all employees.

FIG 6.11 - TRUSTEES' AGE



III) Gender Influences Trustee Decision-Making

Gender presents as an influence on decision-making in the trustee boards, even though the proportion of female trustees is remarkably low. Less than 9 percent of trustees are female, although unions have far higher representation of women than do employers. Figure 6.12 shows that 18 percent of union trustees are female, while only 3 percent of employer trustees are female. In no industry fund are there more than two female trustees, and in more than half of the funds there are no female trustees at all. There is no more telling indication of the exclusion of women and women's interests from superannuation than the abysmal lack of female trustees in industry funds. And yet, although they are few in number, female trustees are making a particular contribution in the funds.³⁹

³⁹ Women are also making their mark as fund co-ordinators and service providers for industry-wide funds within the insurance houses. According to Jo-Ann Bloch, Marketing Manager of Nexis (National Mutual subsidiary), women gained a foothold because industry-wide funds were a new field, and the major life houses initially did not see it as an important area for business. Research interview, June 1990.

FIG 6.12 - TRUSTEES' GENDER



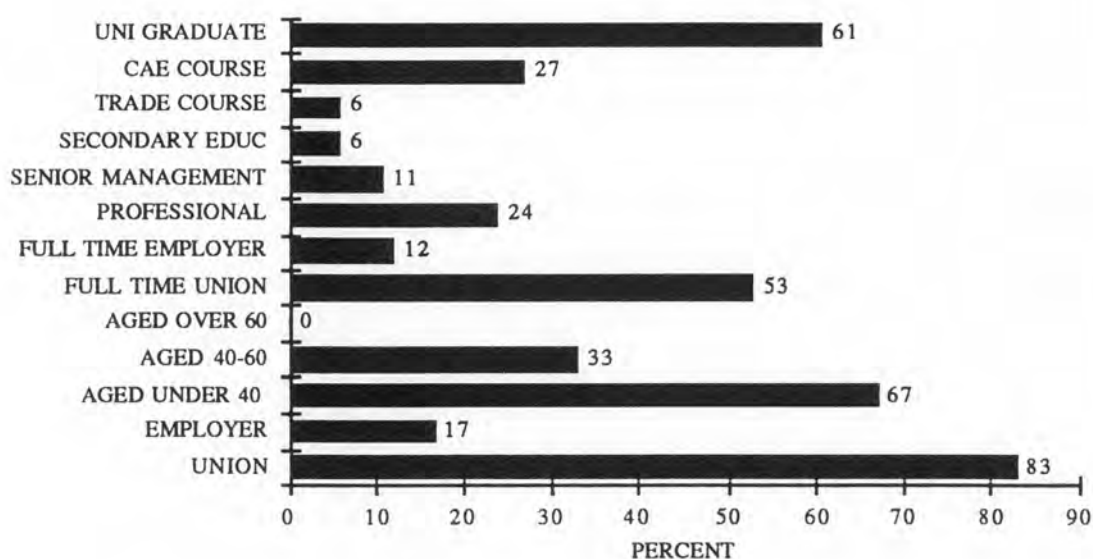
Analysis of the profile of female trustees reveals distinctly different demographic patterns to those of male trustees. As Figure 6.13 shows, their education profile is extraordinarily high - 61 percent are university graduates and another 33 percent have other tertiary or trade qualifications.⁴⁰ More than half the female trustees are full-time union officers, a quarter are professionals and 11 percent are senior corporate executives. Female trustees are much younger than male trustees, almost 70 percent under 40 years of age and none over 60.

Female trustees said that they tend to concentrate on employee benefits and discretionary decision-making for death and disability benefits, and on dealing with fund communications to members. Only one or two female trustees currently serve on investment committees in the funds, although several female trustees said that they wanted to be further involved in this area. In interviews, most female trustees said they didn't see their responsibilities as in any way confined only to women's interests. One female trustee commented:-

I see my role rather as trying to get more emphasis on human interests by the fund. I want to see us taking a very much more long term view and thinking about what will happen for our future fund members.

⁴⁰ Only 44% of male trustees were university graduates, 26% had other tertiary or trade qualifications, 30% had no post-secondary qualifications.

FIG 6.13 - FEMALE TRUSTEES - A PROFILE



Some female trustees said they did have a specific commitment to the interests of female employee members. In particular, some said they wanted special considerations for casual and part-time workers, most of whom are women. Yet, women continue to be grossly under-represented on the trustee boards. Even a fund like the Retail Employees' Superannuation Trust (REST), with a more than 80 percent female membership, has not one female trustee.

Many female trustees said they were committed to getting more women into decision-making positions in industry funds. Most said they would like to see policies introduced which prescribe representation for women on all trustee boards, and for the special needs and experiences of female employee fund members to be considered by trustee boards. They want female trustees to gain a say across all fund decision-making. As one female trustee commented:-

I have been on the trustee board for two years now, and although I repeatedly ask to serve on the investment subcommittee, the men argue that I have no experience or qualifications in this area, but since coming on the board I have done more specialised study on investment than any other board member.

Not all female trustees are so confident. One female trustee commented:-

I have had lots of experience fighting for benefits for individual employees, so I feel very comfortable arguing about discretionary

benefits, but I am apprehensive about taking responsibility for major investment decisions, although I have some very clear ideas about what I would like to see happen.

One female union trustee said that in her experience female trustees often have different views on discretionary rules than do male trustees. She said:-

Some male trustees seem more concerned about the legal formalities and the exact wording of trust law, than about the people whose lives we are dealing with.

Some female trustees commented on the difficulties of coping with their trustee duties on top of their job responsibilities and their domestic obligations. One female trustee from South Australia said that despite her requests, the fund administrators schedule trustee meetings at a time which she cannot attend:-

I have to send an alternate to every meeting, which means that I have to do a lot of negotiating before the meetings to ensure that I can fully brief my alternate on how I want him to vote on my behalf. Its not easy, but there's no way that I'm going to pass up my chance to participate in running the fund.

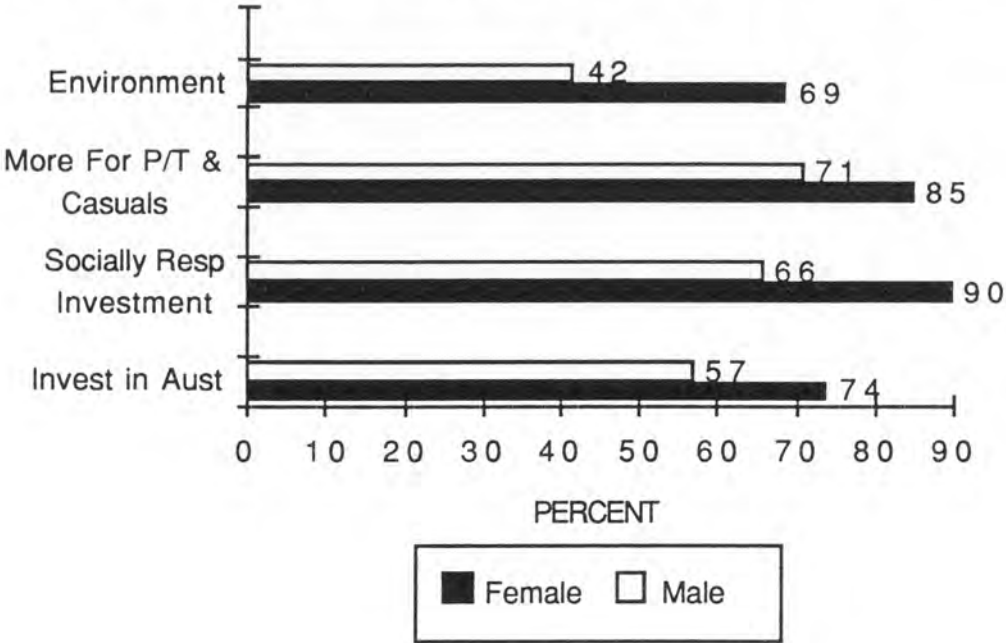
Female trustees demonstrated a high level of commitment to their trustee responsibilities. In almost every case, this is their first experience as a trustee of a superannuation fund, but they are actively upskilling and more than 50 percent of female trustees had completed special courses to help them in their trustee responsibilities since becoming a trustee.

Despite their small numbers, many female trustees are at the forefront of radical changes in the funds. My analyses of trustee board minutes in 5 industry funds showed that female trustees tended to be more likely than male trustees to ask difficult and provocative questions of fund administrators and investment managers and advisers. Although this has not been quantified and statistically proven, in interviews with female trustees some volunteered that they are more likely than the male trustees to ask difficult questions of the fund and investment managers. One female union trustee said:-

Sometimes the male trustees almost are afraid to show that they don't know all the answers. It seems I'm always the one who says, hang on a second why are we doing it like this, why can't we do it another way. What is very reassuring is that many times, by taking a completely different tack, things work out much better, sometimes with distinct financial advantage to the members.

Female trustees in general demonstrated a greater awareness of social issues and the desirabilities of balancing economic considerations with more normative considerations of issues of social equity than did male trustees. Figure 6.14 reveals that almost 70 percent of female trustees considered it important to take account of ecological and environmental considerations when making investments (compared to only 42% of male trustees), 85 percent of female trustees said they would like to have improved benefits for casual and part-time workers (compared with 70 % of male trustees), 90 percent see socially responsible investment as important (compared with 60% of male trustees), and almost three quarters of female trustees want to see some portion of fund assets invested in Australia (compared to 57% of male trustees).

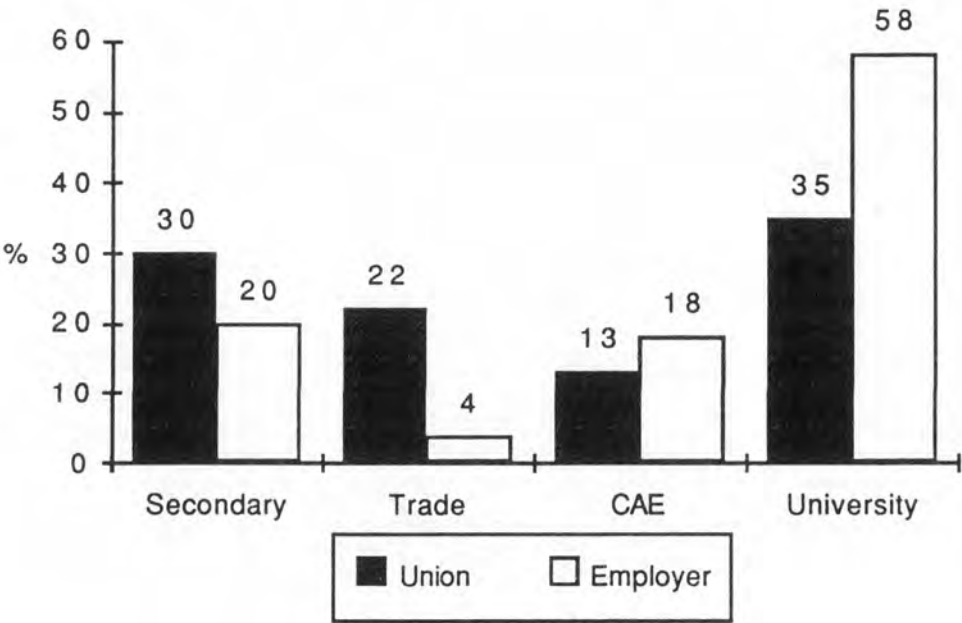
FIG 6.14 - GENDER ANALYSIS - POLICY OBJECTIVES



The trustees overall have diverse educational backgrounds. As Figure 6.15 shows, a high proportion are university graduates (47%), a quarter of whom have liberal arts degrees. Employer representatives were more likely to be university

graduates (56%) than were union trustees, and of independent chairpersons (of whom none are female) more than two thirds are university graduates. Predictably, larger number of union representatives have trade qualifications, and more employer representatives have business and management studies qualifications from what were previously colleges of advanced education (now mainly converted to universities).

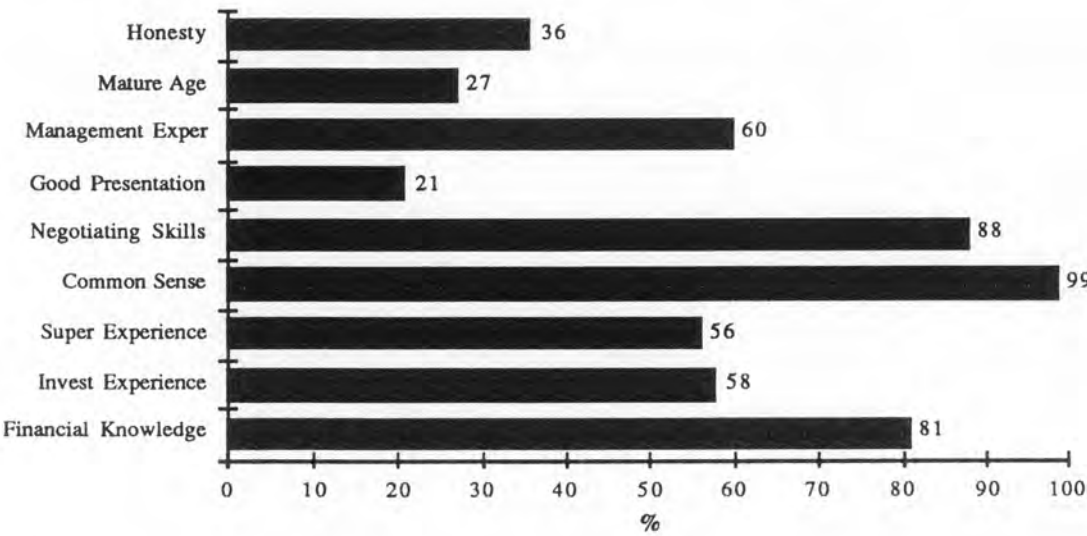
FIG 6.15 - TRUSTEE RESOURCES - EDUCATION



Trustees themselves had a very clear view of what they consider to be important or unimportant attributes of a good trustee. As Figure 6.16 shows, common sense was unanimously rated by all trustee respondents as important. Other highly-rated attributes were negotiating skills (88%), financial knowledge (81%), management experience (60%), investment experience (58%) and superannuation experience (56%). The next most highly rated attribute, and one of particular interest in these days of financial disenchantment, was honesty, nominated spontaneously (and added to the prescribed categories listed in the questionnaire)

by almost 40 percent of trustee respondents. Mature age was rated as important by less than 30 percent of trustees, reflecting the new approach to trusteeship in these funds.

FIG 6.16 - ATTRIBUTES OF A 'GOOD' TRUSTEE



IV) Trustees' Organisational Support Resources

A most important resource which trustees bring to the funds, and which influences board decision-making, is the organisational support and expertise of the organisations they represent. The field research revealed this to be an area in which these funds are particularly lacking. Most trade unions and employer associations are organisations which traditionally have been poorly resourced. The strain on their resources has become particularly acute in the last three or four years, as award restructuring, the development of enterprise bargaining and certified enterprise agreements, trade union amalgamations, and retraining and job redesign initiatives have placed enormous strain on union and employer association resources. The involvement of union leaders and employer association officers in a range of neo-corporatist government and statutory boards and policy review processes has placed increasing strain on organisational resources, as too has the reduction in federal and state government funding for many of these initiatives. Declining union membership

in the past three years, and the inability of unions or employer associations to increase member capitation fees has also left these organisations sorely stretched financially.⁴¹ Many unions and employer associations have had to reduce staff, and in most cases it has been research and advisory staff which have been cut.⁴² Many trustees complained of the lack of available resources within their own organisations to support their trustee responsibilities. One union trustee commented:-

If only I had one or two people within the union office who could work on superannuation, go through the board papers for me, and provide me with the right questions I need to be asking.

Trustee boards which have been most active and progressive in investment strategies are those which have union trustees who are senior officers of the ACTU, and who thereby have access to sophisticated research expertise within the ACTU. For these trustees, superannuation commitments constitute the major portion of their work responsibilities. For example, in the larger funds, such as BUS and AUST, STA, ARF and HESTA, where trustee boards include ACTU officers, the unions involved have devoted considerable resources to training and supporting the union representatives on the trustee boards. Union trustees in these funds have taken a strong role in investment decision-making, and have developed detailed investment strategies and performance assessment criteria. These trustee boards have historically recorded their investment strategies, documenting the philosophy and the rationale behind the board's investment decisions. This gives the trustee board the ability to assess their investment performance historically in the light of overall investment strategies. These funds are successfully broadening perspectives for investment, supporting public housing and other socially responsible investments, as detailed in Chapter Five. This highlights the possibilities that active trusteeship of the funds presents.

As discussed previously, the Senate Select Committee on Superannuation, the ALRC, the Attorney General's Department, EPAC and other bodies recommend

⁴¹ Plowman, 1991, op. cit.

⁴² For example, the reductions in NSW Labor Council staff in February 1992 were entirely retrenchments of research officers and advisory staff.

tougher prudential safeguards and rules on the direction of superannuation fund investments, demanding the establishment of some form of interventionist regulatory framework for the funds. They claim government intervention is necessary to guard against fraud, theft or misappropriation in superannuation funds. Recent suggestions, which come loudest from the the traditional insurance and investment community, call for all trustees to be professional full-time financial experts. Trustees said that this is inappropriate, and that all they need is the sort of support that very large industry funds have developed. Strategies which unions and employer associations could implement to support their trustee representatives have been expounded elsewhere by the writer.⁴³

The importance of organisational support resources for trustees is best highlighted by Cyril Twomey, now an actuarial consultant with Towers Perrin and formerly one of the principals of Jacques Martin, whose involvement with industry-wide funds stretches over almost 10 years since the establishment of the BUS scheme. Twomey said the most effective trustee boards with whom he has ever dealt are the Australian Government Employees' Superannuation Trust (AGEST) and the Journalists' Union Superannuation Trust (JUST):-

The most effective industry funds are those whose trustees have both personal and organisational resources to bring to their trusteeship. For example, in JUST, the Journalists fund, the trustees are almost entirely financial journalists, both from management and from the union, and they bring considerable expertise and awareness of latest developments to their trusteeship. Perhaps even more dynamic is the Australian Government Employees' Superannuation Trust trustee board. The chairman is the chairman of the SECV, other trustees include someone from the Federal Department of Finance, the Federal Department of Industrial Relations and Brian Daley from the Miscellaneous Workers' Union, who has spent years specialising in superannuation issues. They have enormous resources, they get senior staff officers to research issues of importance, and to give them constant advice, independently of the fund administrators and the investment managers. It is a diverse board, most are either trustees of other funds or on other boards and have access to much other information. They have fine minds, experience and importantly the back-up in-house resources.⁴⁴

⁴³ Evatt Foundation, 'The Super Rich and the Super Poor', Research Monograph, November, 1991.

⁴⁴ Cyril Twomey, Consultant Towers Perrin, research interview, December 1991.

6.3 ORGANISATIONAL CULTURE OF THE TRUSTEE BOARDS

The Life Houses dominate the structures, the practices and decision-making processes of trustee board meetings. While most funds meet on a rotating basis at union or employer venues, a third of the funds meet regularly at the offices of the fund manager. For these funds, and others as well, it is the practice at Christmas that the trustee board meeting is held at the offices of the fund manager, which then hosts a special festive function for trustees. These are generally lavish social occasions, at which administrators and investment managers and other professional advisers provide generous hospitality, and actively cultivate personal social bonds with trustees.

Trustee board meetings typically last between 2 and 5 hours - most last approximately 3 hours, but were longer in the developmental stages of the funds. Board papers include reports from the fund manager, investment managers, and any other consultants currently engaged by the board. One trustee said:-

Board papers are extremely substantial, usually between a half an inch to an inch thick, so there's a large amount of material to be considered.⁴⁵

The meeting agenda is usually set by the fund secretary or the fund manager/administrator. In some funds, the trustees said it was a combined task between the trustees and the fund manager or secretary. Trustees were solely responsible for setting the agenda in less than 12 percent of cases. However, some trustees explained that, although the fund administrators or fund secretary set the agenda, that trustees are welcome to suggest agenda items. And they do. Almost 80 percent reported that they had suggested an agenda item for a meeting. However, this tended to be an infrequent occurrence, and agendas and the meeting structures are usually dictated by the fund administrators.

Trustee board meetings are reportedly extremely consensual, and rarely do issues come to a vote. In Figure 6.17, the left hand section shows trustees' responses to the question of whether their trustee board had ever made a decision

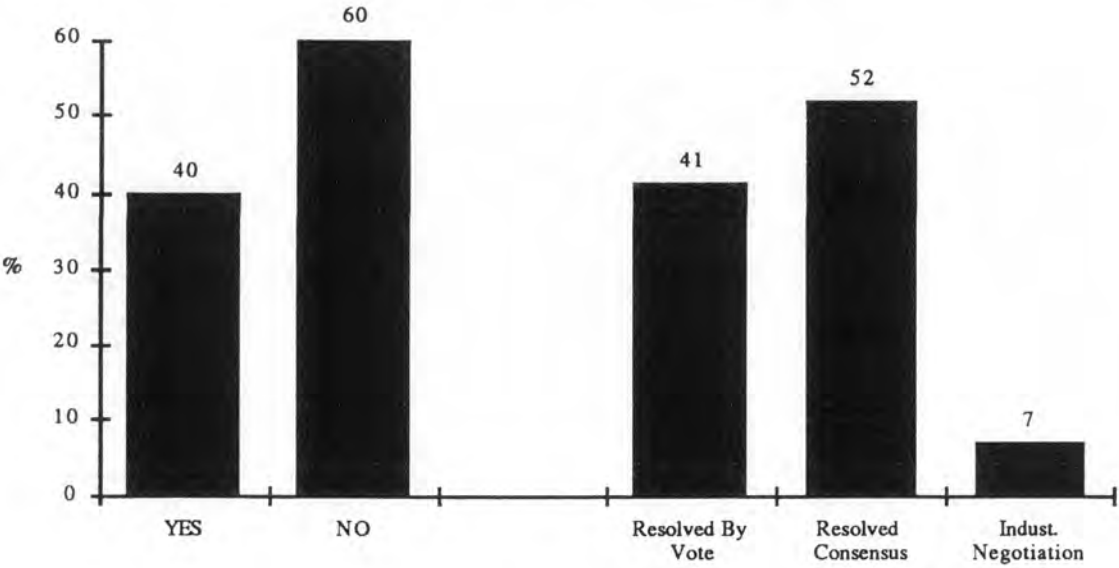
⁴⁵ Mike Devlin, TWU trustee, research interview, January, 1990.

with which they were not in agreement, and 60 percent of trustees said that this had never been the case. The right hand side of the figure shows results of the question concerning the process of resolution of contentious issues, revealing that more than half such issues are resolved by consensus and less than 10 percent of contentious issues had needed resolution by industrial negotiations outside the trustee board.

One union trustee commented:-

All decisions but one have been unanimous. The only time we ever had to take a vote was when one of the employer trustees voted against an increase in contributions for the benefit of employees. He privately said he agreed with the increase, but had been directed to vote against it by his employer organisation.⁴⁶

FIG. 6.17 - TRUSTEE MEETING CONSENSUS



The faction fighting and conflicts of interest which many people expected to arise in the funds have not happened. An employer trustee commented:-

I expected there would be intense faction fighting between the trustees, but in fact there's only been one occasion when we have had to take a vote. If you could change the clothing on the trustees as they come in, you really wouldn't be able to identify which of them were employer trustees and which are union trustees. Trustees at first tended to look

⁴⁶ Jack Cambourne, CTRF trustee, research interview, March 2, 1990.

very different. The union representative turned up in an open-necked shirt and a cardigan, and the employer people all wore a suit and tie, but gradually over a couple of years, we all wear suits now.⁴⁷

Not all trustees are so sanguine about relations in the trustee boards. A union trustee said:-

I can dress like the employers and the life house and investment people, I can go to the functions and the meetings, I can even talk like those buggers, but thank God I'll never think like they do.

Many trustees stated that there is no need for conflict at trustee board level, because all areas of potential conflict, most particularly the scale of contributions and member benefits, are resolved industrially in the AIRC. This resolves what trustees said would be seen as contentious issues for sectional interests on trustee boards. One union trustee said:-

Now superannuation is for everybody, the first 3 percent is included in almost every award, and now with the Superannuation Guarantee Charge, the employer contributions will continue to increase. It all seems fairly reasonable on paper, and anybody who has any knowledge about retirement benefits knows that 3 percent is not going to be sufficient retirement benefit, so they realise it is inevitable that there will be increases.⁴⁸

One fund manager explained that the various interests always sit together at trustee meetings, the union trustees with the union trustees and the employer trustees with employer trustees. The fund manager usually sits between them as a sort of buffer. Trustees rarely meet alone. Trustees reported that the fund manager/administrator is almost always in attendance throughout the meeting, as sometimes are investment managers. At the very least, the investment managers will attend the meeting to report on the fund's performance. The discussion at the meeting is largely orchestrated by the fund managers or the investment managers. One trustee said that after investment managers had made their presentation, trustees' questions and following discussion were usually a response to the presentation. One investment manager commented:-

In board meetings, trustees ask 'flavour of the month' questions. Usually something that's very big in the media at the moment - you know what's going to happen after the market crash in Japan, or have we got any

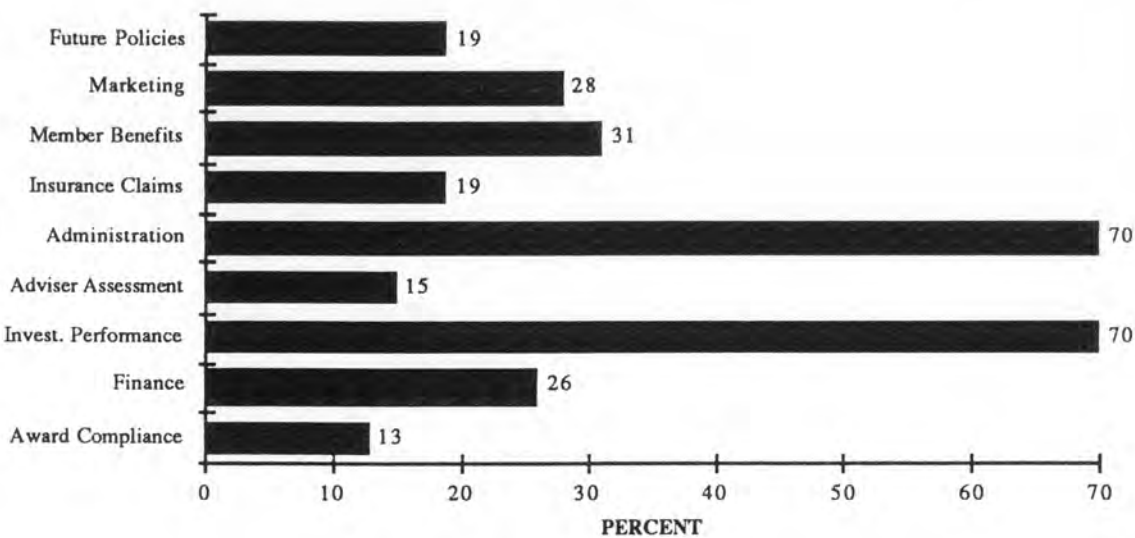
⁴⁷ Jeff Nash, Capita fund manager, research interview, March 28, 1990.

⁴⁸ Bruce Bevan, REST Trustee, research interview, April 4, 1990.

money in Bond or Skase? Our presentation largely directs the questions. Trustees ask questions about the issues we raise in our investment presentation.⁴⁹

Fund co-ordinators and other consultants or advisers also report in person at trustee board meetings. As many of the funds are still expanding, much time is taken up with administrative issues, developing and approving the introduction of management and information systems for the funds. A large number of fund trustees said that they are presently developing and codifying investment policies, determining investment objectives and investment criteria for their funds. Trustees reported that the issues which take up most time at board meetings are overwhelmingly administration and investment, strikingly obvious in Figure 6.18. Member entitlements and communications to members and marketing to new members are also time-consuming issues in trustee meetings.

FIG 6.18 - ISSUES WHICH DOMINATE TRUSTEE MEETINGS



The longer established and larger funds have set up subcommittees to handle investment, or finance, or communications and marketing, or administration and management issues. These subcommittees report directly to the trustee board, and usually comprise a few trustees together with experts in the particular field who are

⁴⁹ John Hamer, Bankers' Trust Australia, research interview, March 17, 1990.

invited by the board to serve on the subcommittee. The more recently established funds have not yet established subcommittees, but several trustees stated that they intend to do so, as it was impossible for trustees to handle all the issues at trustee board level. Most funds are growing at an absolutely unexpected rate, so that systems are continually having to be upgraded and extended to cater for more members and more employers, and handling more money all the time. One union trustee listed as issues which take up most time at meetings:-

Fund membership review, co-ordinators' reports, administrators' reports, investment managers' reports, expansion of fund membership, employer non-compliance and defaults or late payments, unallocated contributions, appointment of new co-ordinators and establishment of fund service in every state, communications to members, accounts, mobility, government and taxation regulations issues, death and disability claims.

Is it any wonder trustees regard their duties as onerous, or they say, as one trustee did, that 'my place should be taken rather by a professional trustee'? Many trustees reported that they feel under enormous pressure in coping with their trustee responsibilities.

The problems of non-complying, defaulting or tardy employers take up a large portion of trustee meetings. Debt collectors have had to be engaged in many of the larger funds, and their reports, either in person or in writing, frequently take up considerable time. Funds are most successful in recouping contributions in industries such as building and construction, where good credit ratings are essential to employers' businesses. The issue of 'renegade' employers has been substantially resolved by the introduction of the SGC, as detailed in the previous chapter.

Administration charges by the Life Houses and investment managers are an issue of great importance, according to the trustees. One union trustee said that in some instances up to 25 percent of members' accumulated retirement benefits are being paid out in professional service fees by the funds.⁵⁰ Although they have handed over control of the administration of the funds and the investment management to the Life Houses, many trustees said that they were worried at the

⁵⁰ Industry-wide fund trustee, research interview, May 1990.

huge fees being paid out to professional managers and advisers, the many hidden charges and the sometimes poor standard of service they provide. Examination of the relationships between the trustee boards and the Life Houses and the professional advisers is essential in the analysis of the emerging organisational culture of the trustee boards.

Fund managers are selected by tender, usually for a 3 year term. Rarely have funds changed fund manager, and most trustees said that service delivery and personal service are the main criteria for assessing fund manager performance. Although they complained about hidden charges on top of agreed service fees and inefficient service delivery, trustees said the administrative complexities of the funds and the huge computerised management information systems required for the funds made it almost impossible to move. Only one major industry-wide fund (REST), and one smaller fund (JEST) have changed fund managers since the funds were established.⁵¹

I) Conservative Investment Profiles

The investment profile of the funds is essentially conservative. As discussed above, most funds have only vague motherhood statements of fund investment objectives, such as seeking 'maximum return with minimum risk', and leave most investment decisions to the investment managers. Large proportions of fund investments go into Life House pooled investment funds, where the exact destination of investment is not clearly identified. Broader investment priorities are

⁵¹ In 1992 the Retail Employees Superannuation Trust (REST) with a total membership in excess of almost 300,000 and accumulated capital assets of \$200 million called for tenders and changed fund managers from Nexis (a National Mutual subsidiary) to AAS Services (an AMP subsidiary). The move followed the appointment of a General Manager to REST who came from outside the superannuation industry and, according to industry sources, was keen to demonstrate his capacity to reduce administration costs. The new REST General Manager George Lillicrap is quoted as saying that the decision to change was totally based upon cost considerations. The problems of moving the national administration are evidenced by the problems of shifting the huge management information systems of the fund. Nexis and AAS have incompatible computer system and are also unwilling to provide direct access to their own computer information systems. Therefore a neutral intermediary management information system had to be developed to receive the fund employer and member data and management systems, convert this data and render it to the AAS system. Costs of this transfer operation or assessment of the management costs of the change have not been disclosed. Reputedly the tender document issued by REST ran to over 100 pages, and the trustee board were totally preoccupied by the move for several months. These management costs are also not disclosed. Members were not consulted about the change.

rarely discussed, according to the trustees, although many individually said they have strong personal commitments to broadening the fund's investment priorities.

One union trustee said:-

I'm strongly opposed to investment in South Africa or uranium mining or investment offshore in free trade zones of South East Asia where workers are dreadfully exploited. We direct our investment managers not to invest in these areas, but sometimes with managed pooled funds, we're not sure where the money ends up.

Another union trustee said that taxation incentives are needed to encourage socially responsible investment:-

I would like us to invest in socially useful projects like public housing, but we need taxation incentives to do this. I worked out that if our fund put our money into housing and say our income dropped 3 or 4 percentage points, if we had a tax benefit, then the members would accept that because their immediate disposable income would be improved.

Other trustees are more cautious. One employer trustee commented:-

Funds are not there to do a social environment engineering job. That is for governments. (*his emphasis*)

A union trustee said:-

We strike a cautious balance between Australian equities and overseas investments, seeking a top return which is cautious in investment strategy, building reserves which we hope will allow us in 10 years to achieve greater control over our investment strategies and options.

It is difficult for trustees to impose their choices over the conservative priorities of the investment managers. For example, in most funds, I found that the trustee boards selected a particular investment product out of the range of products the investment manager offered. Investment managers retained almost complete freedom to make investment choices. For instance, even if a trustee board specified a particular asset sector mix, the investment manager usually had unbridled authority to select between stocks within each sector, and freedom as to the timing of sales and purchases. One of the top fund managers said that trustees didn't exert the muscle they justifiably should in regard to investment management.⁵² Nevertheless,

⁵² Greg Vaughan, Rothschilds, research interview, Sydney, November 1991.

many investment managers I interviewed said that these trustee boards are more demanding than trustee boards of company superannuation funds. For example:-

They ask more questions, they say things like, 'I need to know more about that before we make a decision', or 'I don't understand what you're saying, could you please explain what this means'. What they are doing is building their knowledge constructively, and that's what trustees in all funds should be doing.⁵³

Investment managers are usually selected by the size and reputation of the organisation, and are paid either time-cost service fees or commissions on turnover or asset allocations. Most funds started with one investment manager, but with the growth of the funds, 40 percent of trustees said they had recently diversified their investment management. Only 20 percent of trustees reported that they had changed their investment managers since the fund started. The industry-wide fund of which I am a trustee board member, the Superannuation Scheme for Australian Universities (SSAU), has established its own independent company to administer and manage the fund.⁵⁴ Active asset allocation by the investment subcommittee and the trustee board of SSAU has resulted in some confrontation with investment managers, and it is obvious that few trustees challenge their investment managers.

We have had to fire investment managers who either did not take due notice of our allocation instructions, or were otherwise inefficient. Without exception, they were shocked at our demands. One investment manager from one of the biggest firms broke down and cried when we terminated his asset allocation contract. We even once wanted to sue a major investment manager for what we considered errant investment practice, but legally we were advised that the case would be unsuccessful in the courts. Investment managers are just not used to being challenged and continually called to account, and obviously it is most unusual for their contract to be terminated.⁵⁵

The field research confirms my own experience, and there is therefore an issue as to the extent to which trustees impose mandates or challenge investment

⁵³ Mason, op. cit., research interview, May 1990.

⁵⁴ SSAU is the largest industry-wide fund, offering defined benefit superannuation for the tertiary education sector. At September 1992, SSAU had almost 30,000 academic and general staff members and accumulated capital assets in excess of 1.7 billion dollars.

⁵⁵ Delphina Grillo, Financial Director Unisuper, research interview, May 1992.

managers about their investment choices. One employer trustee commented:-

I am never entirely comfortable with my role as a trustee as my lack of formal training in key areas means I have to depend on others, and therefore have to place a lot of trust in their advice.

The lack of reliable and independent means for assessing the performance of administrators and investment managers is a major issue of debate in Britain,⁵⁶ but is rarely discussed here. Most trustees in Australia judge administrators on the basis of service delivery and judge investment managers on the basis of published indicators which are based primarily on past financial returns.⁵⁷ Nevertheless, assessment of the performance of fund managers and investment managers is important, complex and onerous for the trustees. One union trustee said:-

Whether legal or moral, the responsibility for such large sums and the dependence on administrators' and investment managers' honesty and reliability is of tremendous concern to me.

Trustees reported that at first investment managers were judged solely on the percentage rate of return, but increasingly trustees are turning rather to performance assessments in which risk factors taking account of the dispersion of returns to assess volatility are also included.⁵⁸ This poses increasing complexity for trustees in comparing investment management performance. Investment managers are frequently assessed, thus leading to a dependence on short term economic results.⁵⁹ Investment managers interviewed defended the integrity and fidelity of themselves and their colleagues, saying that the trustees are extremely risk averse and conservative. Investment managers were constantly under pressure to post

⁵⁶ The Pensions Investment Resource Centre in London runs regular performance assessment courses for pension fund trustees, and also provides independent assessments for the funds.

⁵⁷ Investment managers agree that past financial returns are an unreliable and inconsistent means of judging future investment performance, but are still the main measure of performance evaluation in Australia. Vaughan, op. cit., research interview, Sydney, May 1992.

⁵⁸ Some of the large industry-wide funds such as BUS, AUST, STA and HESTA, all of which have ACTU leaders on trustee boards, have developed sophisticated investment historiography assessment criteria. Most trustees however still describe their investment objectives in vague motherhood terms such as 'wanting high return with low risk', or comparatively assessing investment performance solely against securities index benchmarks.

⁵⁹ More than 70% of trustees said they evaluate their investment managers quarterly, monthly or bi-monthly; 12% evaluate six-monthly and 18% evaluate annually or bi-annually. More than 86% of trustees said they are involved in the appointment of the fund's professional advisers and the assessment of their performance. Almost the same proportion (this time 85%) said they expect the fund investment managers to consistently be in the top quartile in terms of overall investment performance, and amongst them almost 15% said that they expect their investment managers to consistently be market leaders.

continually high returns, comparative to other funds and in comparison to short term investment returns in general, they said.

Like any organisation, the trustee boards have multiple goals, and in the process of decision-making it is necessary, as the above discussion reveals, for them to set priorities and trade-off certain goals against others. They are under inordinate pressure from government, from regulators such as the ISC, from the Life Houses and the legal profession, from fund members and from the mass media to achieve high investment returns and maintain their fiduciary responsibilities above all other considerations. In the context of their own resources, most notably the lack of time they have to spend on their trustee responsibilities, their limited information sources and organisational support, the enormous demands which the unprecedented growth and every-increasing complexity of the funds poses, and their own anxiety and lack of expertise in superannuation, economic management and international investment, the trustees have ceded control of the funds to the Life Houses, and investment decision-making to the most high profile investment managers. The socio-political and economic context in which the funds operate, the essentially financial operations of the funds, and the organisational culture of the trustee boards has contributed to the managerial and post-industrial orientation of the trustees. Their fiduciary duties have however been narrowly defined and promoted by the Life Houses, funds management industry and the legal community for their own ends.

Prudential management is nonetheless of immense importance for the funds and for Australia's economic future. British experience has shown that excessive incremental regulation and legislation does not provide protection from pensions and superannuation fraud. Increased accountability of the funds to the members and the establishment of consultative mechanisms for active participation by the members in fund decision-making presents alternative options for maintaining the trust of the members. In order to assess prospects for member participation, it is necessary to examine the current nature and extent of democracy in the funds, to consider the accountability by the trustee boards to the members, and direct

communications between the fund members and their representatives on the trustee boards.

6.4 PARTICIPATIVE DEMOCRACY IN THE FUNDS - ACCOUNTABILITY AND PARTICIPATION

The trustee boards of the funds are legally constituted bodies of interest intermediation, representing employer contributors to the funds and the employee members or beneficiaries of the funds. As detailed previously, government legislation and regulations require that trustees be responsible and accountable to members and that the funds communicate regularly and directly with the members. My documentary analysis of submissions to the Senate Select Committee on Superannuation and analysis of letters and inquiries to the Australian Federation of Consumer Organisations (AFCO) revealed that fund members consider trustees personally accountable for the progress and practices of the fund - the administrative efficiency, the nature of discretionary decision-making, as well as the investment returns of the fund. Increasing public awareness of occupational superannuation has been fuelled by the extraordinary level of attention given to the superannuation issue by the mass media, the increasingly political nature of occupational superannuation, and the salience of superannuation in industrial relations negotiations. As a result, fund members are becoming acutely aware of the importance and unsecured status of their accrued superannuation entitlements. As well, following the investment excesses of the 1980s, members have become increasingly aware of the volatility of investment, the unpredictability of national and international economies, and the problems of corporate malfeasance. Legal challenges to employers appropriating fund surpluses or diverting fund assets have also increased public anxiety about the probity of the funds.⁶⁰ Trustees reported that they are aware of a high degree of anxiety amongst the members, but to date in

⁶⁰ The misappropriation of superannuation assets by British magnate Robert Maxwell was widely publicised in Australia. In this country, employees of Shell Australia and Westpac challenged diversion of fund surpluses, and corporate failures, such as Qintex Ltd and Bond Corporation, resulted in major losses for employees. These incidents gained extensive media publicity and widespread public debate.

the funds there have been only two organised demands for participation from fund members to their trustee representatives.

There is a marked difference in the possibilities for direct contact between trustee boards and fund members of the 35 funds surveyed here, compared to the early operations of the first industry-wide funds examined in the case studies in the previous chapter. When the funds were dependent upon employees to press their employers for superannuation benefits, and had clearly articulated normative goals, mass meetings of union members were held regularly and members were able to speak directly with union trustees. Institutionalisation of the funds and legislated compulsion for all employers to contribute on behalf of their employees has removed the necessity for employee or rank and file union involvement in expanding the funds. Hence, although the funds have set new standards for regular reporting and communications to members of the funds, the need for, and the possibilities of, active and direct participation by the members are disregarded.⁶¹ There are no formal consultative mechanisms within the funds surveyed for direct participation by members in the funds.

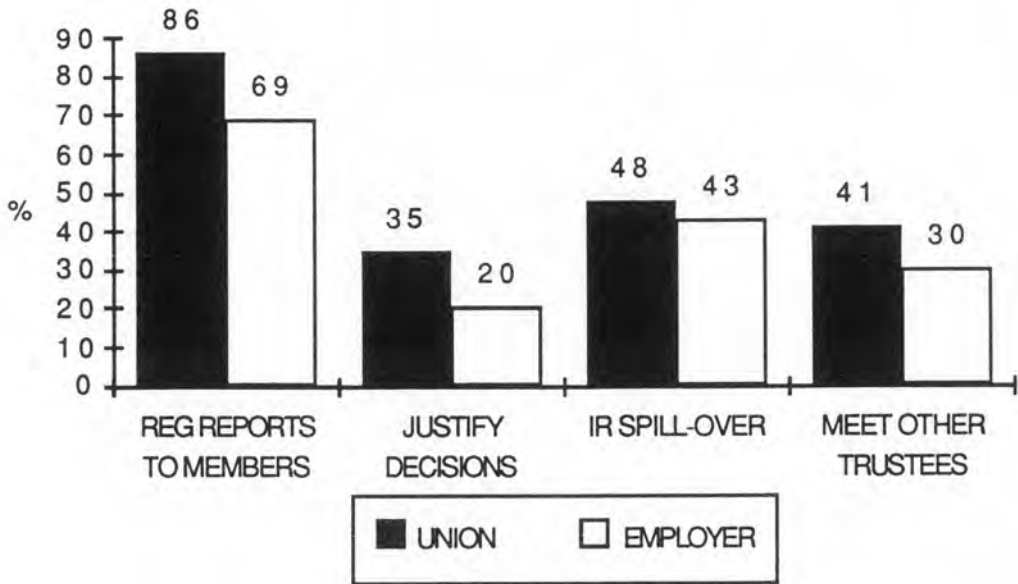
All trustees under trust law have a responsibility to the beneficiaries of the trust, in this case the superannuation fund members, but it is only in industry-wide funds that members are constantly made aware in practice of the personal liability and accountability of the trustees. Most members of company funds have no idea who the trustees of their fund are, let alone any sense that they have any right to call them to account. Issues of accountability and regular communications with members had historically been totally neglected in company superannuation funds in Australia. Accordingly, trade unions targeted this as an issue which was vital to the reform of the existing superannuation system.

⁶¹ Union practices have become government regulatory standards for all superannuation funds in Australia. Trustees must lodge an annual taxation return, an annual return to the ISC, and maintain regular communication to fund members. This includes provision of an explanatory booklet for new members, an annual benefit statement which must include the amount of member's vested entitlement, contributions for the year, net earnings rate and amount of insurance entitlement. Resigning members must also be provided with a written statement of resignation and details of preserved benefits.

With no formal mechanisms for direct participation by members, the extent of direct communication between trustees and members is largely left to the personal commitment of each trustee. Nonetheless, as Figure 6.19 shows, as a group, union trustees maintain a higher level of accountability and communications with members than do employer trustees. In addition to the regular written communications distributed by the funds directly to members, trustees said they personally maintain a high level of accountability to members. Eighty six percent of union trustees and 70 percent of employer trustees said they report regularly at general union or enterprise level meetings (often, they said, at very noisy meetings), 32 percent of trustees report in their union or employer journal and 25 percent of trustees make written reports on the funds (usually for union or employer association executive committees). More than 35 percent of union trustees have been called upon by their union executive to justify decisions taken by the trustee board, twice as many as employer trustees. Trustees said most demands concerned the investment performance and the administrative efficiency of the fund. Almost half the union and the employer trustees reported that there had been a spillover of increased understanding into other areas of industrial relations as a result of their involvement together in trustee boards, an issue which is discussed later in this chapter. Nevertheless, outside the trustee boards, well under half the trustees have established networks with other trustees or meet regularly with other trustees.

Trustee concerns about accountability, their commitment and responsibility to the members are most pressing for those trustees who are elected full-time union officers, and whose job tenure is dependent upon their re-election by the members. The majority of union trustees (over 60%) are elected officers in their union, the security of their job dependent on their re-election by union members - a position that makes popular legitimacy absolutely crucial. Very few employer trustees are elected officers (3%), although more than 20 percent hold honorary positions in

FIG 6.19 - COMMUNICATIONS AND ACCOUNTABILITY



employer associations. One union trustee commented:-

As an elected union official, I feel my performance as a trustee, and equally the performance of the fund's administration and investment managers, will have a substantial influence on whether union members re-elect me to my full-time job.

While there are virtually no organised sustained demands for participation in the fund decision-making by the members, as the amounts held in members' personal accounts grow and the funds investments do not continue to produce the until now comparatively high returns, some trustees said they expect new demands from the members. In 1992, there have been two instances of rank and file union agitation about the performance of the major building industry fund, C+BUS. Members of the Building Workers' Industrial Union (BWIU) in Tasmania are challenging what they argue are exceedingly harsh rulings on discretionary claims for death and disability benefits by the BUS trustees. A BWIU union organiser said:-

Our trustees are behaving just like the insurance companies. That's not why we went to bat for our own superannuation funds.⁶²

⁶² Tasmanian union organiser, research interview, February 1992.

Also, in Sydney in March 1992, at one of the quarterly meetings of rank and file members of the BWIU, three BUS members called for a special meeting to discuss superannuation. At that meeting, attended by only a dozen people, BUS trustee Tom MacDonald was asked who effectively controls the BUS fund, how the funds are invested and what level of profit accrues to the administration and investment managers. MacDonald reportedly replied that the AMP have total effective control of the BUS fund, that there was a small investment in socially responsible investment, and that profit levels are not disclosed separately to the funds by the Life Houses.⁶³ These are small and isolated incidents, but they do provide indications that demands are surfacing amongst rank and file union members for information and incipiently for participation in fund decision-making.

As communications to fund members improves, so, too, the calls to the administrators of the funds are increasing. According to Jacques Martin

Administrative Manager Robert Van Woerkom:-

Calls from members are increasing every week. Their concern is almost always about employer contributions. Very rarely do they ask about the fund investments.

The improvements in the accountability and reporting to members in the funds represent a major advance in occupational superannuation in Australia. Both union and employer trustees boasted of their initiatives in this area. Yet no discussion is mooted by either union or employer trustees about opportunities or means for providing for member participation in decision-making by the funds or the trustee boards. One trustee commented:-

I don't think the members want to participate directly in the funds. They find that superannuation is much too difficult, and I certainly don't think they want the responsibility of deciding where we should invest the money.

Trustees' attitudes are typical of the consensus that they reported is the dominant feature of interest intermediation in the trustee boards of the funds. The following

⁶³ When the Senate Select Committee on Superannuation sought a schedule of commissions paid to life agents for superannuation, the initial answer was a refusal to provide them, later modified to an undertaking to provide them on a confidential basis only. The Australian, July 4-5, 1992, p 22.

discussion of the influence of sectional interests in the boards and the nature of the board policy-making sheds new light on the processes of interest intermediation.

6.5 POWER AND SOCIAL RELATIONS IN INTEREST INTERMEDIATION

Does the fact that the trustees represent sectional interests on the boards make a difference to policy outcomes? The following section examines this question by first qualitative and then by quantitative statistical analysis of the field survey data. In interviews, many trustees said that sectional interests are not at issue in trustee board meetings. Most trustees said they do not view themselves as representatives communicating sectional preferences to administrators and investment managers. Most industry spokespersons and trustees stated that trustees take off 'their union hats or their employer hats' when they come into a trustee board meeting. One employer trustee stated:-

Once trustees realise we have all changed from an industrial relations environment to a trustee role, then things go very smoothly.⁶⁴

But, some trustees said otherwise:-

I do have constraints on my participation as a trustee, because I'm not there as an individual. I'm there as a representative of my employer organisation, and if there are major policy decisions to be made, I have to take that back to my organisation to get my instructions.⁶⁵

Not only do sectional interests allegedly not surface in trustee meetings, according to most trustees, but almost half the trustees (equally both unionists and employers) said that unionists and employers working together in the funds had substantially improved negotiations in other areas of industrial relations within their industries. Many employer trustees commented that union trustees are developing a better understanding and knowledge of business management. Even more frequently, trustees commented that working together in the funds is forging a new understanding and building new bases for communication between union and employer representatives. Comments from employer trustees were:-

⁶⁴ Bevan, op. cit., research interview, April 4, 1990.

⁶⁵ Ken Lovell, BUS trustee, research interview, March 27, 1990.

We have a much better understanding now. At last we are working together on something positive.

The extra maturity required to reach impartial decisions and jointly deal with some very difficult issues by consensus has flowed over into our normal day to day dealings with the same individuals in the industrial arena, and I think we've both benefited.

The fund represents an area of neutral ground for all parties, where co-operation must prevail despite conflict in other areas.

A union trustee said:-

In my view the introduction of joint union/employer controlled funds has helped to bring about the single greatest improvement in relations between the parties in my 20 years as a full-time union official.

Very many trustees commented at length on this issue, stating that superannuation was breaking down the 'them-and-us situation', that working together for a common purpose is bringing about 'better understanding of each others' problems', 'has created better dialogue', has 'helped overcome some employers' elitism' and is creating 'less suspicion' and 'more trust'. Some trustees said that industry superannuation has positive effects 'because it demonstrates the value of co-operative efforts towards a common goal for employers and unionists', that 'it demonstrates that both parties can work together effectively', or 'has brought about a better understanding of the other's aspirations and problems'. Some union trustees had obviously found new respect from their erstwhile opponents. One young male union organiser trustee commented:-

Employers can see that the union is not a hard-nosed aggressive militant body out to destroy them.

Many employer trustees were similarly outspoken in their praise for the industrial relations spillover from their trustee board experiences. Some comments were 'I have a better understanding of union viewpoints now', 'an interchange of views is possible in what is largely a non-confrontationist atmosphere', 'I believe industry superannuation is opening up and creating better communication, more ease of contact and aborting problems before they become intractable', an 'industry super has reinforced and brought forward some commonly held views between the parties not always evident previously'. Both union and employer trustees spoke of greater

mutual trust and an increasing respect for each other's interests. According to an employer trustee:-

Employee trustees may not have management or financial skills, but they do have common sense and an enormous commitment to the interests of the fund members.

Some employer association trustees said that working with the unions had increased co-operation between unions and their employer members. Not all employer trustees agreed. One employer trustee said:-

Super has not helped our wider industrial relations. It's still a dogfight outside the super arena.

Similarly, a female union officer trustee said:-

Unfortunately the positive relations at a national level are not mirrored at the factory level. Superannuation has actually created disputes due to non-payment of contributions by employers.

Some employer trustees are not enthusiastic about their role. According to a male employer trustee, the executive director of an employer organisation:-

Employer trustees would prefer not to be involved. It is a bore working with union representatives who like to drag meetings on as long as possible. Superannuation is of limited industrial relations value because most employees don't see the 3 percent as a benefit for them.

Fund managers sometimes made surprising comments about their experience of working with these trustees. One senior administrator commented:-

The employer association trustees never expected to have such power. They're totally unused to handling such a complex range of administration and investment issues. At least the union people have had some experience of superannuation negotiations. Employer association trustees have had no experience in this area at all, it was something they always left to the employers themselves. For employer association trustees, their interest in super is very political - this is a chance for them to massively increase their membership and become tremendously powerful in the context of their own industry.⁶⁶

I) The Influence of Sectional Interests on Policy Outcomes

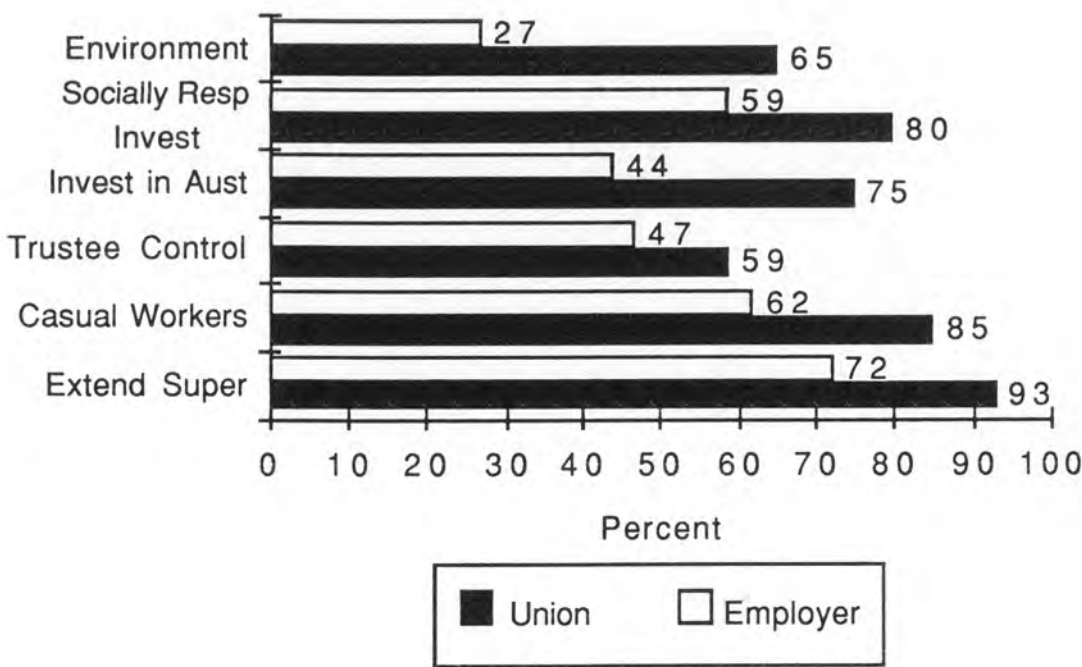
Both union and employer trustees are ambitious in their policy objectives for the management and investment of the funds. As revealed in Figure 6.20, a greater

⁶⁶ Robert Jones, AIS Manager, research interview, April 26, 1990.

proportion of union trustees placed a high priority on what I have identified as socially responsible goals than did employer trustees. These goals were:-

- consideration of environmental and ecological considerations in investment
- socially responsible investment priorities
- investing in Australia
- trustee control of asset allocation
- provision of continued contributions for part-time and casual employees in order to increase their accumulated retirement benefits
- extending superannuation to all employees

FIG 6.20 - COMPARISONS OF UNION/EMPLOYER POLICY GOALS



Large numbers of trustees said that they were committed to these policy objectives in principle, but, not surprisingly in every case, smaller proportions of trustees said that these policy objectives would definitely be introduced into their

own fund policies within the next 10 years. Overall, 45 percent of trustees want environmental and ecological considerations to be taken into account in investment (only 20% will have appropriate policies in place in the next 10 years), 70 percent said socially responsible investment is a priority (less than 30% will include it as policy in the next 10 years), almost 60 percent nominated Australian investment as important (but only 20% will incorporate a requirement for an amount of Australian investment in the next 10 years), 54 percent want greater trustee control of asset allocation (only 22% will implement this as policy in the next 10 years), more than 70 percent said additional contributions are needed to provide adequate retirement benefits for part-time and casual workers (but only 40% will do so in the next decade), more than 80 percent of trustees said it is important to extend superannuation to all employees (only 42% will incorporate full enterprise coverage in the next 10 years).

Similarly almost 50 percent of trustees see self-management of the funds as important (only 28% will do so in the next 10 years), and 65 percent want to encourage voluntary contributions by employee members (only 45% will introduce policies to encourage their own members to do so in the next 10 years).

II) A Statistical Assessment of the Influence of Sectional Interests on Policy Outcomes

The contingency table analysis revealed that there is considerable diversity in the expressed preferences and policy objectives of union and employer trustees. These differences were verified as statistically significant by use of the Chi Square statistical procedure. Before hypothesising as to the reasons for this apparent contradiction, it is important to clarify whether the observed diverse preferences were contingent upon the sectional affiliation of the trustees (that is, whether they were union-appointed or employer-appointed trustees), and were not due to the influence of intervening or confounding factors. Contingency table and Chi Square analysis is popular and easy to use. Its drawback is that it does not allow for the

presence of confounding variables. For example, if I am studying the differences between employer as against union trustees in regard to their attitudes to the extension of superannuation benefits to all employees, and if all employer trustees in the sample are old and all unionists are young, then it is difficult to tell whether any estimated difference between the two groups is due to their affiliation or their age difference. Hence, to take into account the effect of confounding variables, I extended my analysis by doing logistic regression on 16 of the dependent variables by which I had measured trustee preferences and policy objectives. Trustees were first asked whether they considered the following policy objectives to be important or not important. They were later separately asked whether each of these policies would be incorporated as written policy objectives in their fund in the next 10 years. These were:-

- Whether it is important to extend superannuation benefits to all employees.
- Whether it is important to ensure the highest return possible for members.
- Whether it is important to invest in Australia.
- Whether socially responsible investment is an important priority.
- Whether it is important to encourage voluntary member contributions to superannuation.
- Whether continued contributions should be provided for part-time and for casual employees to increase their accumulated retirement benefits.
- Whether it is important to take account of environmental and ecological considerations in investment policies.
- Whether it is important to report directly and regularly to fund members.

The independent variable of interest was affiliation (that is union or employer) and the covariates selected as sociologically significant intervening independent variables were the age (AGE⁶⁷) and gender (GENDER) of trustees, the trustees' educational

⁶⁷ Variable names used in statistical analysis and represented in the tables below.

background (both in level of education attained EDUC1 TO EDUC5⁶⁸, and in the area of study, STDA1 to STDA6⁶⁹), whether trustees are office bearers in a trade union or employer association (OFFICER), and if so, the length of time that they have been an officer in these organisations (TIME). Included also as covariates were whether trustees have done any specialist courses since becoming a trustee (COURSES), whether they had ever been asked to justify their actions as a trustee either by the organisation they represent or the members of the fund (JUSTIFY), and whether the trustees said they were concerned about their personal liabilities as a trustee (LIABILIT). As demonstrated earlier in this chapter, these were shown to be important influences on trustee decision-making. It is necessary therefore to take account of, or adjust for, these explanatory variables in order to assess the variation in trustees' sectional interests with regard to their policy objectives and their policy intentions for their fund.

For each dependent variable, I eliminated the least significant of the covariates by a process of backward elimination. In order to understand the empirical results, I now present a brief explanation of the logistic regression model. For a fuller discussion and an example of the procedure see the Appendices. Suppose I take as the dependent variable of interest the attitude of trustees to extending superannuation benefits to all employees.

Let $Y=1$ if the respondent is opposed to extension, and $Y=0$ otherwise.

Let $A=1$ if the respondent is an employer trustee, and $A=0$ if the respondent is a union trustee.

To simplify the presentation, I will consider only 2 covariates - Age and Gender (male or female). Then, I can write the logistic regression model as:-

$$\log \{ \Pr(Y=1 | \text{Affiliation, Age, Gender}) / \Pr(Y=0 | \text{Affiliation, Age, Gender}) \} \\ = b_0 + b_1 * \text{Affiliation} + b_2 * \text{Age} + b_3 * \text{Gender} \quad (1)$$

⁶⁸ The values included as independent variables for analysis in the model and listed in the following tables are EDUC1 - Secondary School only; EDUC2 - Trade qualifications; EDUC3 - College of Advanced Education or comparable; EDUC4 - University; EDUC5 - Other educational qualifications

⁶⁹ The values included as independent variables for analysis in the model and listed in the following tables are STDA1 - Finance; STDA2 - Business; STDA3 - Professional; STDA4 - Trades; STDA5 - Liberal Arts; STDA6 - No formal qualifications.

I call this quantity the log odds ratio,⁷⁰ and I model it as a linear function of the independent variables. This approach is similar in spirit to linear regression, where the dependent variable is a linear function of the independent variables. When the dependent variable is dichotomous, as in my applications, linear regression is no longer appropriate, and so I resort to logistic regression. I interpret Equation (1) as follows:-

For an employer, the log odds ratio = $b_0 + b_1 + b_2 * \text{Age} + b_3 * \text{Gender}$, and,
 for a unionist, the log odds ratio = $b_0 + b_2 * \text{Age} + b_3 * \text{Gender}$,

So, b_1 represents the difference of the log odds ratio for employers and unions adjusted for other covariates. If $b_1=0$, then there is no difference between the two groups. The following tables present the logistic regression models for the three dependent variables on which it was shown there were significant differences between the responses regarding the preferences of union and employer trustees. The other five models which showed that there were no significant differences between the responses of union and employer trustees are included in the appendices. Conclusions from the analyses are drawn, but first the tables are presented. The first table, Table 6.1, is fully explained below, and this explanation also explicates the reading of the other two models.

Table 6.1 addresses whether union and employer trustee representatives consider extending superannuation benefits to all employees is important or not important. Constituent covariates are JUSTIFY (whether trustees have been called on by members to justify their decisions), TIME (the length of time that they have been an officer in their organisations), COURSES (whether trustees have undertaken any specialist study courses since becoming a trustee), EDUC (trustee levels of education - 3=CAE, 4=University, 4=Other), STDA (areas of study - 2=Business, 3=Professional, 4=Trade, 6=Other), GENDER (male or female), and AGE (in 5 cohorts, 20 through to 70). Not all constituent covariates are listed in the table. Variables dropped out in the backward elimination were omitted.⁷¹

⁷⁰ The odds ratio measures the relative frequency of for example union trustees who are against the extension of superannuation benefits, divided by the relative frequency of those who are for extension.

⁷¹ Whether trustees are office bearers in a trade union or employer association (OFFICER), and if so, the length of time that they have been an officer in these organisations (TIME). Included also

**TABLE 6.1 - TRUSTEE ATTITUDES TO EXTENDING
SUPERANNUATION BENEFITS TO ALL
EMPLOYEES**

Logistic Regression Analysis Response: EXTEND

Column Name	Coeff	StErr	Pvalue	Odds	0.95	CI
0 Constant	-3.152	1.492	0.035			
10 JUSTIFY	-0.321	0.693	0.643	0.725	0.186	2.823
12 TIME	-0.013	0.040	0.734	0.987	0.913	1.066
13 COURSES	-0.438	0.602	0.468	0.646	0.198	2.102
15 EDUC-3	0.288	0.988	0.771	1.334	0.192	9.255
16 EDUC-4	0.042	0.755	0.956	1.043	0.237	4.581
17 EDUC-5	1.956	1.145	0.088	7.068	0.749	66.729
18 STDA-2	-0.304	0.800	0.704	0.738	0.154	3.539
19 STDA-3	0.451	0.857	0.599	1.570	0.293	8.414
20 STDA-4	0.071	1.053	0.946	1.074	0.136	8.461
22 STDA-6	2.011	1.397	0.150	7.468	0.483	115.349
23 GENDER	0.881	1.264	0.486	2.414	0.203	28.747
24 AGE	0.043	0.335	0.899	1.043	0.541	2.014
1 TYPR-2*	1.805	0.696	0.010	6.077	1.553	23.785

Estimated coefficients, estimated standard errors, p-values, and odds ratios for the multiple logistic regression model of the primary response variable 'EXTEND'

The table gives results for the dependent variable 'Attitudes to Extending Superannuation Benefits to all Employees'. Column 1 lists the independent covariates used, column 2 lists the estimated coefficients of the variables in the logistic regression, column 3 lists the standard error of the coefficient estimates, column 4 lists the p-values of the estimated coefficients, column 5 presents the ratio of the odds ratios, and columns 6 and 7 are respectively the 95% lower and upper confidence limits of the ratio of the odds ratios. I explained the meaning of these terms by my simple example above, where for simplicity, I only discussed the covariates Gender and Age, and the primary independent variable which was affiliation. Then, the estimated model is

$$\log \text{ odds ratio} = -3.15 + 1.81 * \text{Affiliation} + .88 * \text{Gender} + .043 * \text{Age}$$

as covariates were whether trustees have done any specialist courses since becoming a trustee (COURSES), whether they had ever been asked to justify their actions as a trustee either by the organisation they represent or the members of the fund (JUSTIFY), and whether the trustees said they were concerned about their personal liabilities as a trustee (LIABILIT).

So, keeping the other variables constant, the estimated difference in the log odds ratio between employer and unionist is 1.81 with a standard error of 0.7 and a p-value of only 1%.

Hence it is extremely unlikely that $b_1=0$, that is, it is extremely unlikely that the null hypothesis holds - that there is no difference between unionists and employers in their attitudes to extending superannuation benefits to all employees. The logistic regression model shows that the ratio of the odds ratio is over 6 in this table. Therefore, the probability of a union trustee having a preference for extending superannuation benefits to all employees over a union trustee who thinks this is not important is six times greater than the ratio of those preferences for an employer trustee.

TABLE 6.2 - TRUSTEE ATTITUDES TO INVESTING IN AUSTRALIA

Logistic Regression Analysis		Response: INVAUS				
Column Name	Coeff	StErr	Pvalue	Odds	0.95	CI
0 Constant	-2.429	1.155	0.035			
2 LIABILIT	0.755	0.469	0.107	2.128	0.849	5.336
10 JUSTIFY	0.559	0.543	0.304	1.749	0.603	5.074
12 TIME	0.041	0.032	0.191	1.042	0.979	1.109
14 EDUC-2	-0.986	0.910	0.279	0.373	0.063	2.221
15 EDUC-3	-0.385	0.826	0.641	0.680	0.135	3.432
16 EDUC-4	0.462	0.655	0.480	1.588	0.440	5.728
17 EDUC-5	0.560	1.129	0.620	1.751	0.192	16.006
18 STDA-2	0.950	0.657	0.148	2.585	0.713	9.366
19 STDA-3	1.167	0.816	0.153	3.213	0.649	15.917
20 STDA-4	0.500	0.896	0.577	1.648	0.285	9.544
21 STDA-5	-0.575	0.852	0.500	0.562	0.106	2.990
22 STDA-6	0.542	1.333	0.684	1.720	0.126	23.454
23 GENDER	0.502	0.868	0.563	1.651	0.301	9.050
24 AGE	-0.201	0.274	0.463	0.818	0.477	1.400
1 TYPR-2*	1.091	0.518	0.035	2.976	1.077	8.220

Estimated coefficients, estimated standard errors, p-values, and odds ratios for the multiple logistic regression model of the primary response variable 'INVAUS'

Table 6.2 addresses whether investing superannuation funds in Australia is important or not important. The ratio of the odds ratio suggests that proportionately union trustees are three times more likely to support investing superannuation funds

in Australia than are employer trustees, taking account of nine other constituent covariates (as listed above).

TABLE 6.3 - TRUSTEE ATTITUDES TO PROVIDING CONTINUING CONTRIBUTIONS FOR PART-TIME AND CASUAL EMPLOYEES TO INCREASE THEIR ACCUMULATED RETIREMENT BENEFITS

Logistic Regression Analysis Response: CASUAL

Column Name	Coeff	StErr	Pvalue	Odds	0~95	CI
0 Constant	-3.831	1.585	0.016			
2 LIABILIT	-0.285	0.536	0.595	0.752	0.263	2.150
10 JUSTIFY	-1.071	0.661	0.105	0.343	0.094	1.252
12 TIME	0.005	0.034	0.886	1.005	0.940	1.074
13 COURSES	0.282	0.564	0.617	1.326	0.439	4.006
14 EDUC~2	-0.245	0.988	0.804	0.783	0.113	5.432
15 EDUC~3	0.015	0.984	0.988	1.015	0.147	6.992
16 EDUC~4	-0.630	0.725	0.385	0.533	0.129	2.207
17 EDUC~5	-0.587	1.424	0.680	0.556	0.034	9.061
18 STDA~2	-0.300	0.787	0.703	0.741	0.158	3.465
19 STDA~3	0.372	0.860	0.666	1.450	0.269	7.827
20 STDA~4	0.318	1.103	0.773	1.375	0.158	11.950
21 STDA~5	0.902	0.922	0.328	2.464	0.405	15.009
22 STDA~6	1.298	1.397	0.353	3.663	0.237	56.585
23 GENDER	1.473	1.295	0.255	4.364	0.345	55.253
24 AGE	0.329	0.308	0.285	1.390	0.760	2.541
1 TYPR-2*	1.999	0.641	0.002	7.384	2.104	25.916

Estimated coefficients, estimated standard errors, p-values, and odds ratios for the multiple logistic regression model of the primary response variable 'CASUAL'

Table 6.3 addresses whether providing continuing superannuation contribution provisions for part-time and casual employees to increase their accumulated retirement benefits is important or not important. The ratio of the odds ratio suggests that, proportionately, union trustees are seven times more likely to support the provision of continuing superannuation provisions for part-time and casual employees in order to increase their accumulated retirement benefits than are employer trustees, taking account of nine other constituent covariates (as listed above).

The results of this statistical assessment suggest that there are some differences in trustee attitudes on certain policies that are directly attributable to their sectional affiliation (viz union or employer). But the amount of their divergence on policy goals

and objectives is not great. Of the eight policy objectives identified as dependent variables, trustees demonstrated divergent preferences on only three policy goals. These were, as shown in the tables:-

- that superannuation benefits should be extended to all employees,
- that there should be a proportion of funds invested in Australia, and
- that contributions should be continued for casual and part-time employees to increase their retirement benefits.

Other policy goals showed no statistically significant differences in trustee preferences.⁷² This does indicate that there is a significant congruence of policy preferences between union and employer trustees, but does not of course in any way account for the direction of that convergence. My concluding chapter proposes explanations for the conservative, managerial and post-industrial cant of that convergence. However, I discuss below the apparent paradox of the convergence of interests between what common sense knowledge suggests are the traditionally conflicting interests of trade unions and employers within these trustee boards.

III) Sectional Consensus Through Mutual Risk and Dependency

The apparent congruence of union and employer policy preferences is a corollary of the structural and ideological constraints and influences on the trustees and the evolutionary dynamic of the funds in the context of their personal and organisational resources, as discussed earlier. Industry fund trustees are risk bearing, but importantly, they are also risk sharing. In other arenas, union and employer representatives have conflicting interests. Here they have a mutual interest - a shared responsibility, which they hold equally and in common to safeguard and

⁷² These response variables included ensuring the highest return possible for members, socially responsible investment priorities, encouragement of voluntary member contributions, and taking account of environmental and ecological considerations in investment policies. The logistic regression models for these response variables are included in the Appendices. Analyses of a range of other policy-making goals concerning administrative and management concerns in the funds also produced no significant differences between union and employer trustee attitudes when a range of nine other constituent variables were included. These included improvement in government laws and regulations, establishment of independent fund management and administration, an increase in direct trustee control of asset allocation, rationalisation of industry-wide funds, establishment of a national body to represent industry-wide funds; and establishment of fund self-insurances.

deal wisely and prudently with workers' retirement savings accumulated in the funds. Trustees repeatedly attested to the consensual nature and their common objectives in the trustee boards. It is important to examine further the consensual nature of trustee board interest intermediation between union and employer representatives. The core idea in interest intermediation is that sectional interests have certain preferences and resources, and that collective decisions are weighted averages of individual, or in this case sectional desires, where the weights reflect the power distribution among individuals or sectional interests. Disputes are settled by offering or withholding resources, and thereby establishing a mutually acceptable structure of decision-making.⁷³ Trustees reported that in the fund boards there are instances of cross-sector trading and alliances (caucusing before meetings). They said that disagreements are settled always before the trustee meetings, by forming teams through exchange agreements and side arrangements. Outcomes, they said, are (mostly) clear once the coalition structure is made clear, but this can be at times problematic, as coalitions within the sectional interests are not necessarily static.

One union trustee said:-

Sometimes there are shifting alliances, and these have nothing to do with the issue in question. It can be linked to union amalgamation issues, or it might simply be about personalities.

The result is a complicated concatenation of manoeuvring, involving anticipated as well as actual action. Alliances are formed and broken, involving trades across time in the form of promises and implicit promises. According to the trustees, rarely can the terms of promises be specified with precision. Future occasions requiring co-ordinated action are unknown, as are the future sentiments with which individuals will confront them. It is not a world of precise alliances, but one of informal loose understandings and expectations. Demski suggests that information and knowledge and recognised expertise is an instrument of strategic actors.⁷⁴ Information may be true or false, but it always serves a purpose in negotiations and decision-making in

⁷³ March & Olsen, 1989, op. cit.

⁷⁴ Joel Demski, Information Analysis, Reading, Mass., Addison Wesley Publishing Co, 1980.

board situations. This is evident in the trustee boards, where trustees said that once a trustee is known to have certain expertise, he (sic) dominates decision-making in those areas.

The fact that there are significant differences in the relative proportions of union trustees in attitudes to some questions and/or different voting intentions does not however necessarily result in differences in voting outcomes. As the above discussion demonstrated, the majority of trustee boards resolve issues by consensus and matters rarely come to a vote. I am left with a number of suppositions. First the issues which I raised in the survey have not arisen for discussion or for policy decision-making. This is very likely considering the earlier discussion of the ways in which the Life Houses and investment managers admitted to setting the agenda for discussion and that rarely other issues were raised.

My second supposition is that, in the absence of clearly articulated and formal goals and objectives for the funds, personal commitments to such priorities mentioned by some trustees are disregarded by fund administrators and investment managers, who as this study revealed virtually control the agenda and discourses of the trustee boards.

Third, it may be that divergent views are resolved amongst trustees on a sectional basis outside and prior to trustee board meetings, as is suggested by some trustee respondents who said that politically sensitive or important issues are caucused before trustee meetings in order to present a united voice at the meetings. Many trustees commented, too, that issues tend to be thoroughly discussed until consensus is achieved rather than resorting to ballot procedures. The absolute probabilities of trustee policy intentions requires aggregation of additional data from observation of all trustee discussions before and during trustee board meetings, and documentary analysis of all trustee board decisions. Even this may be inadequate, as human actions are of course always subject to uncertainty and are affected by a diversity of contingent circumstances.

Fourth, the situation resembles that of the 'prisoners' dilemma', the game theory formulations of organisational decision-making which postulate that co-operative decision-making is maximised in situations where conflict would produce high losses for either party.⁷⁵ In the trustee boards all trustees are equally and summarily accountable and liable for board decisions, and agreement of all parties is a high priority. This may mean of course that trustees avoid raising issues about which the future is uncertain or particularly hazardous. With so little previous examples of socially responsible investment, and lack of information on what few examples there are, trustees understandably shy away from radical investment decisions.

6.6 UNIONS IN ECONOMIC INTEREST INTERMEDIATION

For the first time in history in Australia, unions have been granted public status to own and control large sums of accumulated capital in neo-corporatist enterprises. This chapter has examined the internal governance of these neo-corporatist enterprises to identify the power and social relations of the parties to interest intermediation and the influences which bear upon union and employer trustee decision-making. A number of major points emerged from analysis of the field survey. In an unprecedented period of expansion and change in occupational superannuation, these trustees now stand, many of them with no previous financial management or investment experience, struggling with the onerous duties of managing huge multi-employer funds with sometimes hundreds of thousands of members and tens of thousands of participating employers, and responsible for the massive capital sums and accumulated capital assets held by the funds.

The unprecedented growth and complexity of occupational superannuation, and the now highly complex nature of international and global investment, and the limited time and support resources available to trustees has resulted in the wholesale

⁷⁵ See for example, A. Rapoport & A. M. Chammah, *Prisoner's Dilemma*, Ann Arbor, University of Michigan Press, 1965.

abrogation of trustee responsibilities to the Life Houses. The lack of alternative sources of expertise, of informed and professional advisers deemed legally acceptable in the context of trustees' fiduciary responsibilities, continues to constrain policy-making by the trustee boards. The funds are controlled by the Life Houses who administer and manage the funds and direct and allocate investments, and thereby control the policy orientations and the organisational culture of the trustee boards. Trustees' personal concern about their financial responsibility for the performance of the funds, as discussed above, reinforces these conservative tendencies.

Major policies affecting the fund's operations are determined externally in the political sphere and by state intervention and regulation. As such then, the interest mediating decision-making bodies in macroeconomic tripartite structures have scant direct input into policy formation. This has enormous ramifications for the democratic nature of the organisations and for the possibility of direct participation by the membership in the decision-making of the funds. The logics and discourses of capital accumulation and economic constants are dominant in the organisational culture of the funds, and there is no discussion of broader social justice and social equity objectives. A clear acceptance of the interdependence of social and economic policy-making is evident in the trustee boards, marked by a managerialist and output-orientation in their decision-making. Economic transaction has become the nexus between the trustee board and fund members, and constitutes the prevailing discourses of the funds. The monopolies of interest representation, the deference by the trustee boards to the sanctions of government policy-makers, and the dictates of the market in terms of investment returns and competitive market performance, dominate the organisational culture of the funds. This is a departure from the earlier priorities of trustee boards of the first union-initiated funds, whose reliance on contributing employers and the satisfaction of the membership formerly held sway. The decision-making of the trustee boards has become increasingly managerialist, monetarist and post-industrial, as trustees

operate in a transactional way with an increasing acceptance of market-like operations in and by the funds. The increasing immersion of the trustee boards in international financial operations and global investments, rather than the longer term futures of the constituencies they represent, dominates interest intermediation in the funds. The mobilisation of these concepts, practices and organisational culture into the cohesive and consensual constellation between capital and labour, which the trustees largely describe as the routinised decision-making and policy practices of the boards, is explicable by this examination of the constraints on the autonomy and independence of the trustee boards. These constraints have been identified as the lack of time, experience, expertise and organisational support which the trustees are able to contribute to their trustee responsibilities, and these influences explain the domination of the funds by the Life Houses.

Gender was shown to be a significant influence on the patterns of decision-making in the trustee boards. Although they are few in number, and this constrains their decision-making power in the boards, female trustees were notable for their readiness to challenge the prevailing dominance of conservative board practices. There is perhaps no more telling indication of the exclusion of women and women's interests from superannuation than the abysmal lack of female trustees in the funds.

The complexity of the area of interest intermediation, the speed with which those structures responsibilities have grown, the degree to which the tripartite structures are politicised, the influence of sectional interests on the operations of the bodies and the degree of factional political interests involved in the selection of those to represent sectional interests on the bodies, are important factors in interest intermediation. The structure and representative balance of the organisation is an essential influence on the direction of policy-making. Although, as revealed in this study, equitable representation in structures of interest intermediation does not necessarily guarantee equitable recognition of the interests of those involved. The apparent convergence of interests between union and employer trustees as

demonstrated here reflects on the articulation and actualisation of competing interests.

The way that trustee boards of superannuation funds operate hardly amounts to control and direction of what Richard Minns calls the 'command positions of the economy', or what Peter Drucker sees as a major shift in the economic system.⁷⁶ Drucker has basically made the same mistake as many managerial and organisational theorists - from the early managerialists through to the latest employee stock ownership gurus, who propose that the distribution of shares and stock options to employees provides opportunities for worker participation and control.

There are problems with defining capitalism and the control of capitalist decision-making according to categories of legal ownership, which cannot be considered here, but must be mentioned. British prime Minister Margaret Thatcher always made much of the growth in the dispersion of share ownership in Britain with the privatisation of public enterprises. The same claims are made by privatising zealots in Australia, who argue that a change in legal ownership means a change in the economic system, and a dispersion of control of the economy. This is hardly the case.

The data point to the fact that these funds are not 'owners' - they are 'investors'. They do not exercise control of the corporations in which they invest. Indeed, they are disqualified from exercising it. Their legal fiduciary responsibilities prescribe that it is their job to invest the beneficiaries money in the most profitable investment. They have no business trying to 'manage'. If they do not like a company or its management, their duty is to sell the stock. One trustee asserted:-

We do not buy a company, we buy shares that we sell as soon as they no longer offer good prospects for investment returns over a fairly short time.

⁷⁶ Minns 1982, op. cit.; and Drucker, 1976, op. cit.

This has limited the influence that union trustees have had in making any radical changes to the patterns and profiles of fund investments. There does still exist a window of opportunity, and union trustees may adopt more radical investment directions in the future. This is discussed at the end of the following chapter, together with more detailed conclusions from the field study in the context of earlier discussions, and an examination of consequences of these policy changes and the establishment of the new quasi-private funds discussed above.

CHAPTER SEVEN

THE RISE AND DEMISE OF AUSTRALIA'S NATIONAL RETIREMENT INCOME REGIME

The substantial privatisation of Australia's future retirement income represents a move from a progressively redistributive welfare system to a far less equitable system which could be seen as favouring the better off and penalising the poor.

- Women's Economic Think Tank, 1991¹

7.1 INTRODUCTION

During the almost ten years of the Federal Labor Government, there have been extensive changes to the national retirement income regime. National retirement income has been transformed from a needs-based residual welfare system to an income-replacement earnings-related system of privately-controlled personal retirement savings. Empirical examination of the process of these changes has provided the opportunity to study the dynamic nature of government policy-making in this period, and to identify the role of large organisations and interest groups in the policy-making process which resulted in the particular policy patterns and institutional arrangements of the newly developed quasi-private retirement income regime. This previously sacrosanct social policy arena gradually became the fulcrum of national economic planning, a crucial lever for the implementation of income, industry, investment and social welfare policies. As its preferred policy option over alternate policy choices, the government shifted the policy focus to privately-provided occupational superannuation, and assigned particular public status to occupational superannuation funds. Privatisation was intended to reduce future public reliance upon government-provided pensions, and to ameliorate the demands on what was perceived to be an already overburdened social welfare system. Government patronage for extension of occupational superannuation was intended to produce increased levels of personal savings in Australia, and this new pool of

¹ E. Cox, 1992, op. cit.

investment capital was to help ease the burden of Australia's foreign debt and produce long term economic growth.

The union movement was incorporated into the process of these policy changes, thereby assuring the popular legitimacy of the new regime. Indeed, the unions were the architects of most changes. They sought to provide additional benefits for working people, to address the long standing inequities of the existing system of occupational superannuation, and to gain for labour a new role in macroeconomic decision-making and a share in the ownership and control of capital in Australia.

Government policy changes have brought some notable improvements in the superannuation system, and have removed some of the most appalling superannuation 'tricks'² and system abuses. The two main advances have been the extension of death and disability benefits to almost all employees, and the introduction of full vesting, portability and preservation of benefits. The introduction of death and disability benefits, particularly for employees in high risk industries such as building and construction and transportation, has provided extremely worthwhile benefits for these employees. As well, the introduction of improved vesting of employer contributions to the employee, and the ability of employees to transfer benefits when they change jobs, has significantly improved the equity of the system.³ Treasury officers contend that there will be a net gain in the national economy from the fact that employees are now being 'forced to save' for their own retirement, but this is uncertain. While, new taxes on superannuation benefits, contributions and fund earnings, limits on the amounts which may be taken as lump sum benefits, and restrictions on employers using superannuation fund capital have reduced major abuses of superannuation concessions, taxation subsidies are a large impost on the public purse.

² An Australian colloquialism for a trick, a lurk or a nefarious scheme.

³ As previously discussed, employees with long term unbroken employment (and these were disproportionately male, management or public servants) enjoyed the financial benefits of the accumulated monies left in the system by employees who changed jobs.

But despite its rise in importance in the national agenda, national retirement income policy-making has proceeded on the basis of pragmatic political expediency without clearly specified long term goals and objectives, and there are concerns that the net gain for the national economy and the promised real advances for future retirees are illusory. The new pattern of relations between the union movement and the government, which produced the radical policy transformations, has not fulfilled its early promise. Instead, the gains and losses of the new regime are disproportionately spread throughout the community, the major beneficiaries are government and the Life Houses, most of the inadequacies and inequities of the previous regime continue undisturbed, and a 19th century fear of an impecunious old age has been rekindled amongst large numbers of Australia's citizens.

Assessment of some of the consequences of these policy changes is a necessary part of evaluating the policy outcomes of the transformation of Australia's national retirement income regime. Accordingly, this chapter is divided into two parts. In the first part, comprised of 3 sections, some of the normative consequences of these policy changes are considered. First, the spread of benefits of these policy changes across sectors of the population, and between classes, is addressed. The reduction in direct parliamentary accountability for retirement income is also noted. Second, the adequacy and equity of the new quasi-private occupational superannuation funds are discussed. The effects of these changes upon female employees are particularly considered. Third, implications of these policy changes for government, the Life Houses, employers and unions and their members are briefly discussed. The second part of the chapter draws together the conclusions of the empirical study of the transformation of the national retirement income regime and the emergence of the new quasi-private retirement income regime, and considers the likely future trajectories and radical potential of these developments.

7.2 WINNERS AND LOSERS IN THE TRANSFORMATION OF THE RETIREMENT INCOME REGIME

Detailed quantitative assessment of the consequences of the privatisation of the national retirement income regime for present and future retirees, and the implications of these changes on the national economy, requires enormously complex cost benefit analyses and longitudinal evaluations. It is important, too, that estimations of national welfare expenditure, benefit equality and transfer expenditures which take account of these new employer-provided occupational superannuation benefits be evaluated nationally and cross-nationally. These are tasks that even the Federal Treasury has been unable to fulfil, and are outside the scope and intention of this thesis.⁴ However, sociological analysis of crucial normative gains and losses in the new national retirement income regime offers one means of assessing some consequences of these changes.

I) Adequacy and Equity of the Future Retirement Income Regime

All Australian citizens are presently and potentially affected by the transformation of the national retirement income regime. The establishment of comprehensive private or national superannuation plans can never guarantee an adequate level of benefits for all the population when they are based solely on contributions made in respect of members of the workforce. In the early years of the establishment of such a regime, the build-up of benefits will be relatively slow, especially for people with limited attachment to the paid workforce and/or who are close to retirement age. Consequently, even with the planned 12% of wages contributed into occupational superannuation by the year 2002, the Federal Labor Government's privatisation of the retirement income regime will in this context not be sufficient to provide an adequate replacement for the age pension for people currently aged 40 or more with relatively low existing levels of superannuation

⁴ When such an evaluation was demanded of Treasury by the Senate Standing Committee on Superannuation in March 1992, Treasury officials admitted no such evaluation had been undertaken, and that the only estimates available were being worked out on the basis of a model and economic projections provided by a private insurance organisation, National Mutual Ltd. Senate Select Committee on Superannuation, 1992(a), op. cit.

coverage, or for people outside the paid workforce. Even for those in the paid workforce, the challenge for many years ahead will remain that of integrating the imperfect coverage of occupational superannuation arrangements with a continuing reliance upon government-provided social security age pension benefits.⁵

ACOSS and other welfare groups, pensioner and consumer organisations and women's groups warn that privatisation of the national retirement income regime will substantially erode government-provided age pension benefits, with grave future consequences for the aged. However, their dire prognostications came too late in the process of these policy changes, as detailed in earlier chapters. The interdependence of these changes with radical shifts in macroeconomic, labour market, income and taxation policies will affect future life styles of this country's retirees. Australia will continue to have a residual social welfare system, and minimalist government-provided age pensions will be the preserve of those who can prove they are the 'deserving' poor. For the vast bulk of the population, even for the majority of the workforce, the future looks grim on three counts:-

1. The current changes and extension of employer-funded superannuation make absolutely no provision for those who are permanently outside the paid workforce, or who have limited attachment to the paid workforce.⁶
2. The new system provides inadequate and inequitable direct benefits for the majority of the workforce, and most people will still have to depend upon the government-provided age pension for the bulk of their retirement income.
3. Other policy provisions which previously protected the income security and lifestyles of the aged have been removed or reduced.

⁵ Australian Commission for the Future Ltd., Research Paper, 'Saving for the Future: A Comparative Study of 'Savings Policies' in Singapore and Australia', G. Carnegie, & D. Dixon, Melbourne, October, 1991, p 55.

⁶ Those outside the paid workforce include men and women in domestic labour, the aged, disabled and infirm, and the unemployed. Also, as the present high levels of unemployment in Australia are expected to continue, at least 10 percent of even those counted within the labour force will gain no benefits from occupational superannuation, and will be entirely dependent on government-provided benefits.

First, the government claims that shifting the burden of retirement income provision to employer-based occupational superannuation will offer greater fiscal capacity to provide better retirement incomes for people who have not been in the workforce, and have not had the same opportunity to save for retirement.⁷ Critics disagree, and are sceptical about government intentions to maintain or increase the provision of the government-provided age pension. They point to the Hawke Government's 1987 failure to establish the promised 'National Safety Net' superannuation for those without employer-contributed occupational superannuation, and to government statements that the future role of the social security payment will be to pay a 'minimum acceptable age pension payment'.⁸ They argue that under the transformed regime, government-provided age pensions will be minimised, will fail to guarantee a decent living standard, and will stigmatise age pension recipients as a dependent and undeserving underclass.⁹

Public status for privately-provided occupational superannuation, controlled by traditional insurance companies, necessitates government action to ensure that important social values, such as the equality of access to financial security in retirement, are not entirely disregarded. According to Cox, privatisation threatens the equity and fairness of the national retirement income regime, as moral and social values have no formal impetus or context in the superannuation industry marketplace.¹⁰ Insurance companies operating on economically rational risk factors and the need for profit-making in a privately-owned company can never recognise normative requirements of equity and fairness.

Second, employer-provided SGC contributions (for which most workers have sacrificed wage increases) will constitute a paltry sum for most employees, providing them with a part pension, topped up to age pension levels by government supplement. Because they are not guaranteed, superannuation savings will be eroded

⁷ Hon. John Dawkins, 1992(a), op. cit.

⁸ ACOSS, Position Paper, June, 1990.

⁹ Kendig & McCallum, 1990, op. cit.; ACOSS, Issues Paper, July, 1991.

¹⁰ Eva Cox, Director, WETTANK, and long time welfare activist, research interview, March 1992.

by fund administration charges and will continue to be subject to the vicissitudes of the private investment market. It is doubtful that universal superannuation will present as a net gain for most employees, and will not necessarily provide the 'Security in Retirement' claimed by government as the rationale for such transformations.¹¹ Whichever political party holds government, employees will be encouraged to make additional voluntary contributions to superannuation in order to accumulate adequate retirement benefits. With high levels of personal indebtedness and scant surplus income, most employees will sorely miss the increasing proportions of income assigned to superannuation savings. Nor will they be able to contribute voluntarily additional sums to their own retirement savings, regardless of the generosity of government tax subsidies.¹²

Third, the removal of the previously redistributive social protections of other government policies will seriously impact upon the lifestyles and life expectations of future retirees. As discussed earlier, government economic deregulation, free market and economic rationalist orthodoxies have led to the removal or reduction of many of the major government policies which traditionally offered the vast majority of employees continuing employment, high wages and working conditions, and a level of post-tax, post-transfer income equality second only to the leading welfare states of Scandinavia. High levels of home ownership, good ancillary services (such as health, pharmaceutical benefits and transport) and strong family support networks were vital factors in protecting Australia's aged. Sustained high employment in the long boom of prosperity also resulted in high levels of inheritance in Australia, which provided a valuable intergenerational transfer payment, an issue which is unresearched in Australia. These social protections have been seriously eroded by government policy changes, by major economic changes which have diminished the wages and employment security of large sectors of Australia's workforce, and by

¹¹ Hon John Dawkins, 1992(a), op. cit.

¹² Approximately 58% of Australian wage earners earn less than average weekly earnings (approx \$25,800) and a further 8% earn between \$25,800 and \$28,400. ABS figures show that most people in these income brackets claim to have practically no discretionary income.

extensive changes in family structures. More than 52 percent of Australian women are now in the workforce¹³ and will no longer be able to shoulder the burden of caring for the aged as they did previously. These changes do not augur well for those in the Australian community who will be dependent on the adequacy of government-provided age pension benefits.

A change to a Liberal Conservative Government would further diminish these domestic social protections for, according to Castles, the recent experience of economic turbulence in Australia has detached large parts of the political right from their attachments to traditional commitments to social wage and welfare.¹⁴ They are thus committed not only to economic deregulation, but to deregulation of the labour market (that is, the abolition of the arbitration system) and a still more vestigial welfare system.¹⁵ As discussed in Chapter Four, the Liberal's 'Fightback!' package accepts that the workforce must provide for its own future retirement income through occupational superannuation. And Liberal State Governments in Australia, most particularly the newly elected Kennett Victorian Government, continue to reduce welfare provisions and public sector services.

There are also social and psychological costs for Australian citizens. The heavily promoted claim that governments will be unable to provide retirement income, and that private savings are essential for future retirement income, has produced widespread anxiety, and has rekindled public fears of poverty in old age. There have only been two recent studies on public attitudes to superannuation.¹⁶ Both these studies were undertaken by private research organisations and concentrate on the 'need and importance' of major public education campaigns to address the lack of public knowledge about superannuation and increase personal commitment to private retirement savings.¹⁷ Both studies assumed that

¹³ 'Women's Bureau, Women and Work', DEET, Canberra, Summer, 1991.

¹⁴ Castles, 1989(a) op. cit., p 51.

¹⁵ *ibid.*

¹⁶ Chant Link & Associates, Study of Member Attitudes to Superannuation for National Mutual, March, 1991.; and Brian Sweeney & Associates, 'Public Attitudes to Superannuation', Research Report for DSS, 1992.

¹⁷ Sweeney, *ibid.*, p 7.

superannuation was an employer-provided benefit, and neither asked whether respondents would voluntarily contribute to their own retirement savings over and above the employer contribution. The research study, undertaken on behalf of the Department of Social Security (DSS), reported that in typical situations, Australians are pessimistic about their future, disenchanted, frustrated, apprehensive, feel helpless and expect things to continue to deteriorate in the future.¹⁸ In a general study of public attitudes, Hugh McKay identified a new concern about retirement income as one of the factors contributing to an overwhelming sense of personal anxiety in Australia in the 1990s.¹⁹ The DSS survey on public attitudes to superannuation revealed that the general public know little about the creation of wealth through investment, and that the public were unrealistic about how much money needed to be invested in superannuation to maintain pre-retirement incomes. The shift to compulsory superannuation is, in a sense, a case of privatising a significant portion of people's taxes. As such, it will call for a much closer interest in national development through investment from a much broader spectrum of the community. Those who hide behind and invoke the complexity of superannuation are those who have most to gain from maintaining their unchallenged control of the funds instead of being the 'hired hands' in the service of fund members.

Dire prophecies about future government inability to provide age pensions and the investment returns of superannuation funds (consistently high in the late 1980s) fuelled public enthusiasm for superannuation as a retirement benefit preferred over the old age pension. The trade unions substantially assisted in this change of public attitude. The adoption of occupational superannuation as a major trade-off for Accord-based wage restraint, a valued tax-advantaged 'deferred-wage' benefit for high wage-earning skilled tradespeople, changed public perceptions of superannuation. The ACTU, assisted by sophisticated marketing experts from the Life Houses, and the Life Houses themselves, broadcast new mythologies of

¹⁸ *ibid.*, p 11.

¹⁹ Social scientist, Hugh McKay of McKay Research, reporting on his national survey of public attitudes. Sydney Morning Herald, August 11, 1992.

occupational superannuation direct to union members through union journals and industry fund publications, and in major television advertising campaigns. The mass media, encouraged by huge paid advertising campaigns, (particularly the financial press), waxed lyrical about superannuation as a tax-advantaged and necessary savings vehicle.

As discussed in Chapter Four, these mythologies of the sort of retirement lifestyles that superannuation will universally provide assured the popular legitimacy of retirement income policy changes. The lack of critical mass media coverage also contributed to the lack of public interest in more realistic appraisals of the consequences of these changes and of the direction of investment of the funds. At the same time, mass media hysteria about the potential for superannuation 'rip-offs', malfeasance and misadventure is, as detailed in earlier chapters, resulting in apprehension by employees about the probity of superannuation funds and the security of their retirement savings. There is a need for independent research on public attitudes to superannuation in the light of current legislated mandatory universal requirement for workers to accept superannuation contributions in lieu of wage increases.

As detailed in Chapter Three, government-provided age pensions were previously a sacrosanct area of policy-making, directly subject to the democratic will of the community through the ballot box. Extra-parliamentary neo-corporatist superannuation funds offer representation for members, but their responsibilities are tied to capitalist logics. These responsibilities for private profitability within the market disavow broader social community responsibilities. Public benefits in terms of actual retirement income in the hands of the public, and wider issues of social equity, democratic participation and long term social goals and objectives of current developments are entirely absent from public debate.

II) 'Superannuated Men' Remain The Main Individual Beneficiaries Of Policy Changes

Little has changed since the time of Charles Lamb.²⁰ Superannuated men, those of professional and managerial status, gain most advantage from the new superannuation arrangements. Australia's occupational superannuation system has traditionally been marked by inequity and discrimination, as discussed in Chapter Three. Trade union demands and government responses were both premised on intentions to remove such inequities from the system. While explicit discrimination has been substantially removed, there are implicit assumptions in existing frameworks of occupational superannuation which continue to disadvantage systematically some sectors of the population. Contributions to occupational superannuation are entirely earnings-related, and accumulate on a *pro rata* basis according to periods of employment. Those not in the workforce, with broken periods of employment or with limited attachment to the workforce, continue to be disadvantaged. In this way, superannuation is a mechanism by which status and gender inequalities in the labour force are perpetuated in old age.

The spread of occupational superannuation throughout the workforce will not produce a redistribution of income in Australian society. Critics argue that generous government tax concessions are regressively applied, and must be seen as government subsidies. Taxation concessions substantially reduce government income and threaten government expenditures in other areas, particularly social welfare provisions. ACOSS claims that tax subsidies related to superannuation contributions and benefits grossly advantage high income earners who are able thereby to minimise their taxation obligations, and therefore the tax concessions are inequitably assigned.²¹ As well, forms of domestic savings such as home savings, education and other special purpose savings needed by low and middle income-earners are not similarly government-subsidised.

²⁰ Charles Lamb's celebrated 18th century essay, 'The Superannuated Man' in The Complete Works and Letters of Charles Lamb, New York, The Modern Library, 1935, pp172-176.

²¹ ACOSS showed that government superannuation tax concessions to offer six-fold better benefits to high income earners than to the more lowly paid. See ACOSS submission to Senate Select Committee, March, 1992.

Employees' expected retirement benefits are affected by the decentralised structure of occupational superannuation, with many thousands of separate industry and company funds. Administration charges involved in such a decentralised system with such a large number of separate and competitive funds are, as discussed in the previous chapter, an impost which according to one senior union trustee may consume at least 25 percent of employees' accumulated retirement savings.²² Investment management fees, other professional advisors' fees, and a plethora of other charges in the proliferation of separate funds will continue to seriously erode employees' retirement savings. These issues hold serious implications for the adequacy of future retirement income provision in this country, endangering financial security for future retirees, many of whom will no longer have 'a home of their own', funds to meet medical expenses during retirement, or as discussed above, an adequate government-provided pension. According to Dixon:-

The topic of retirement income should be on the front page of every newspaper and the topic of discussion in every living room. It is essential for the jobs we have today and our incomes in the future.²³

The increasing complexities of superannuation continue to inhibit public discussion of superannuation. According to superannuation consultant and former Treasury official Daryl Dixon, occupational superannuation has long been presented as an extraordinarily complex system, its discourse replete with esoteric terms and convoluted economic and actuarial concepts. This discourse has been perpetuated by insurance companies and financial pundits in their own interest, in order to exclude the active involvement of the general public.

Managerial employees, public service personnel and male employees who work full-time through a lifetime of unbroken employment and have traditionally been provided with occupational superannuation benefits continue to gain most from current changes. Female employees, blue collar, low skilled or unskilled workers, casual or part-time workers (of whom the vast majority were and are female and/or

²² REST Trustee, research interview, November 1991.

²³ Daryl Dixon, research interview, Sydney, November 1991.

are migrants) continue to be disadvantaged in the new system. Although employer-funded superannuation is now far more widely provided, the level of benefits continues to disadvantage poorly paid, part-time and casual male employees, and to grossly disadvantage most female employees. To illustrate the persistence of inequities in the new arrangements, consideration is now given to the particular implications for women of the increasing emphasis on what is virtually a 'male-model' of occupational superannuation as the main plank of the government's new national retirement incomes policies.

III) Women And 'Male-Model' Superannuation

The establishment of universal occupational superannuation has removed direct discriminatory practices and reduced many of the barriers that made superannuation unavailable or unattractive to women.²⁴ As detailed in Chapter Four, such changes have dramatically increased the numbers of female employees provided with superannuation. However, many in the community decry the persistence of indirect discrimination in current superannuation arrangements.²⁵

The bases of their complaints are threefold. First, female employees are particularly disadvantaged because occupational superannuation benefits are entirely earnings-related, dependent upon wage-linked contributions during working life. Hence, female employees continued to be disadvantaged because typically, their earnings are low and their worklife is not continuous, and so their accumulated contributions will produce minimal retirement benefits. Women also make up more than 80 percent of casual and part-time employees, many of whom are excluded

²⁴ Twenty five years ago, when I started work, there were few opportunities for women to enter superannuation. They were either denied access to membership or had extremely long periods of eligibility - employers felt that young women were probably only going to work until they got married, and it was only women over 30 who might be seen as long term employees, worthy of paternalistic rewards for long and loyal service. Many occupational superannuation funds or the employers who offered them, excluded married women, had longer eligibility periods for female employees, or provided lower benefits. Women rarely had a lifetime of unbroken employment, so the long vesting periods effectively discriminated more against female employees, although male employees also suffered from this injustice, as detailed in Chapter Four.

²⁵ There have been criticisms from the Human Rights Commission, the Anti-Discrimination Board, the Office of the Status of Women, the Women's Electoral Lobby, a number of academics, affirmative action and women's co-ordination bodies within government, trade unions and even employers, as detailed in earlier chapters.

from current benefits,²⁶ or whose accumulated benefits will be extremely small.²⁷ Migrant workers also are hugely represented amongst these disadvantaged groups, and so are inequitably provided with occupational superannuation benefits.

Second, large numbers of female employees working on lower than average weekly incomes, many with sole charge of children, cannot afford to give up such large amounts of their very much needed wages for a future benefit, which is unlikely to even equal a government-provided age pension.²⁸ The newly legislated contributions to superannuation will require female employees to do without at least 9 percent and perhaps 12 percent of their wage by the year 2002. As well, women are not able to access these savings in the event of family needs like sickness, unemployment, children's education or housing.

Third, many women's groups argue that the new retirement income regime takes no account of the special needs for retirement income which arise because of women's particular life patterns.²⁹ There is no needs-based allocation in occupational superannuation, and the expected downgrading of government-provided social welfare benefits will further disadvantage women. Policies are poorly formulated without clear goals, according to Rosenman and Winocur:-

Due to the decision to legislate for increasingly high levels of award superannuation, there appears to be an assumption that Australians will now be well cared for financially in retirement. While superannuation is an important component of retirement incomes, Australia is rapidly reaching a point where superannuation is becoming the 'quick fix' solution to concerns about financing retirement incomes in the future.³⁰

²⁶ The SGC requires that employers pay superannuation contributions on behalf of employees with monthly earnings above \$450.

²⁷ E. Cox, 1992, op. cit.

²⁸ Australian Law Reform Commission, Forum Paper, presented by Julian Disney & Daryl Dixon. Melbourne, Melbourne University, June 26, 1992(b).

²⁹ The proportions of women over 50 living alone and living longer continues to grow. At present women expect to live on average to 84 years. By the year 2021, this will increase to 86.4 years. Accumulated superannuation benefits will be inadequate for such a long period, and women will continue to be reliant on the old age pension.

³⁰ Linda Rosenman & Sharon Winocur, 'Women, Superannuation and Retirement Incomes: Are We Making Progress?', paper presented at ASFA National Superannuation Conference, Broadbeach, October 30, 1991(b), p 2.

They argue, on the basis of a national survey of over 1000 Australian women over 20,³¹ that the life and work patterns of the majority of working-aged women are unlikely to enable them to set themselves up financially for a long period of retirement and widowhood any better than their grandmothers and mothers have been able to do.³²

Almost all women who are not in the paid workforce, or who have limited attachment to paid employment, are entirely excluded from the benefits of occupational superannuation.³³ They were to have been covered by the National Safety Net (a part of 'Australia Reconstructed' commitments discussed in Chapter Four), but which was later abandoned without explanation. As well, many women who have contributed to superannuation contributions for their husbands, may be divorced in middle age. Their access to gaining some share of their former husband's superannuation entitlements can be made difficult through costly court proceedings.³⁴

As detailed in the previous chapter, there is an abysmal lack of women in decision-making positions, either in the occupational superannuation funds, or in the superannuation industry generally³⁵. Female trustees not only represent women's interests in the funds, but bring particular skills and expertise and more radical management and investment approaches to the funds, and their participation should be encouraged.

³¹ Linda Rosenman & Sharon Winocur, Occasional Paper, 89.2, 'Australian Women and Income Security: A Research report', University of Queensland, Department of Social Work and Office of Equal Opportunity, 1989.

³² Women are much more likely than men to have sole responsibility for children. DSS, Background Discussion Paper, No 4, 'Assistance for Families with Children and the Social Security Review', Social Security Review, Canberra, AGPS, 1986. As well, the gender composition of the aged population is predominantly female, and women's longevity is already much greater than men's and is increasing. In 1992 women were 70% of age pension recipients, 70% of women aged over 70 are single, and aged women are disproportionately represented amongst those living below the poverty line in Australia. Rosenman and Winocur, 1991(b). op. cit., p 3.

³³ There are of course some women who will continue to benefit from their male partners' superannuation benefits or from inheritances as beneficiaries of partners' superannuation.

³⁴ The issue of superannuation benefits in Family Court property settlements is an important issue and is currently under special review by the Law Reform Commission, the Human Rights Commission and the Family Law Court.

³⁵ Diana Shaw, 'Women On Trustee Boards Of Occupational Superannuation Funds', paper presented at the ASFA Conference, Canberra, October 21, 1992.

IV) Government Policy Objectives Unfulfilled

Government changes to the national retirement income regime have failed to deliver their stated policy objectives. The lack of integration of occupational superannuation regulations with age pension requirements,³⁶ the perpetuation of lump sum benefits, and the low levels of benefits expected to accumulate in the funds are unlikely to reduce public demands on the government-provided pension, at least in the foreseeable future. Substantial government-provided tax concessions, as detailed earlier, will exceed any government gains in reduced age pension provision, nullifying aggregate government benefits from these changes. Indeed, Treasury and Department of Social Security officers admit that for the next 30 years it would be cheaper for government to continue to pay universal age pensions rather than continue to provide taxation concessions for occupational superannuation.³⁷

The government's explicit objective to create a major new repository of domestic capital, to thereby reduce foreign debt and provide new investment for national economic growth, seems unlikely to eventuate. There is substantial agreement that local investment capital will not be significantly boosted, despite a net increase in aggregate 'forced' saving imposed on low and middle income earners as a result of the SGC.³⁸ Private savings will either be merely diverted or rechannelled from other less tax-advantaged savings, or will be substantially offset (possibly more than offset) by the loss of public income and public saving through the provision of overgenerous concessional tax subsidies to superannuation. The expected investment in the national economy has not occurred. Investment patterns of superannuation funds continue to be extremely conservative, with large proportions of their accumulated capital invested in commercial real estate property or in overseas investments. I have discussed in Chapter Six, and in more detail

³⁶ Superannuation benefits up to July 1992 had to be preserved until age 55. Benefits accrued after this date must be preserved to age 60. This still leaves a gap between the payment of superannuation and eligibility for the age pension, during which time many people disperse benefits and then claim the age pension.

³⁷ Ian Robinson, Assistant Secretary Dept of Treasury, and Nigel Patterson, Dept of Social Security, research interviews, Canberra, October 1992.

³⁸ Fitzgerald & Harper, 1991, op. cit.

elsewhere, the restricted investment choices of the funds, which preclude socially useful investment objectives, such as job creation and environmentally sustainable production.³⁹ Yet, despite the failure of government explicit objectives, the government has made massive gains in other ways.

V) Government and the Life Houses - The Main Beneficiaries of Policy Changes.

The government and the Life Houses are the main beneficiaries of policy changes to the national retirement income regime. The government has been able to manipulate public money flows by shifting tax policies, and the net result for the individual employer and employee is both unpredictable and hazardous.⁴⁰ While the taxation concessions to superannuation continue to cost the public purse dearly,⁴¹ there are already plans by both the government and opposition parties to reduce the concessions and increase taxation revenue from superannuation funds and their beneficiaries. Tightening-up government age pension eligibility requirements, legitimated and publicly accepted with the shift to privately-provided superannuation, is already reducing social welfare expenditure, and is expected to continue to produce expenditure cuts in welfare provision.

Despite declared deregulatory intentions, by giving public status to occupational superannuation funds, the Federal Labor Government has increased its influence in the private economy by establishing, as Lembruch argues, an economic sub-system to ensure the implementation of policy changes otherwise unattainable. Establishment and continued expansion of the ISC and other regulatory statutory bodies has provided a vast new government regulatory infrastructure.⁴² Many

³⁹ Diana Shaw, 'Ownership and Control in Industry-wide Superannuation Funds in Australia in the 1990s', in *'The Super Rich and the Super Poor'*, Research Monograph, Sydney, Evatt Foundation, November, 1991(d).

⁴⁰ As detailed in Chapter Four, the government has continued to make numerous changes to the superannuation taxation.

⁴¹ ACOSS estimates the annual cost to the public purse of taxation concessions to superannuation were approximately \$3.5 billion 1991/92.

⁴² Major government policy changes announced on October 21 confirmed the expansion and increasingly interventionist role of the ISC in the financial sector. Similar increases have been announced for the superannuation sections of the Australian Taxation Office, the Department of Social Security and the Attorney Generals Department.

personnel recruited to these statutory authorities have come from the established financial institutions, bringing with them the organisational culture and ideological priorities of that sector.

Government support for the extension of occupational superannuation, and thereby the maintenance of the Accord contract with the union movement, has produced a period of industrial harmony, wage restraint and increased productivity unprecedented in Australia's history. This has produced enormous benefits for the ALP in terms of electoral success and gaining acceptance for government policy-making in the broad sphere. Business has contributed large sums to ALP electoral campaigns, both federally and in state campaigns, and has generally supported government initiatives both economically and in industry and labour market reforms.

By allying itself so closely with the interests of institutional capital in the wholehearted support for the extension of institutionalised occupational superannuation, the government has gained new support from the established financial institutions. As detailed in Chapter Three, these institutions have long enjoyed a close and productive relationship with long-serving conservative governments, but previous relationships with ALP governments have been far less cordial, and at times conflictual. Chapter Three discussed the increasing dominance of finance capital in the national and international economy which has made government economic policy-making increasingly dependent upon the support of established major financial institutions. Also discussed was the considerable interchange amongst strategic elites in government bureaucracies, the established financial institutions and the major trade unions during the past few years, which has strengthened the governing consensus of policy-making, a phenomenon which Encel has previously observed in Australia.⁴³

Government-anticipated savings on social welfare expenditures through reductions in government-provided pensions may be ephemeral. Complete exposure of occupational superannuation funds to the vagaries of the national and

⁴³ Encel, 1970, *op. cit.*

international financial markets, and the lack of any government guarantees on the fidelity of the funds, means that there may well be no money or very little money left to meet funds' future retirement liabilities. For example, the 1987 stock market crash greatly reduced the capital asset holdings of occupational superannuation funds. Industry-wide funds were largely protected from these losses at that time, as the vast majority of funds were held in capital guaranteed holdings. However, the unprecedented increases in the capital held by the funds, the reductions in returns on capital guaranteed holdings, and the desire of funds to optimise investment returns, necessitates increased exposure to equities by the funds. This will now, and in the future, increase the exposure of the funds to market forces. Industry-wide funds are accumulation-type superannuation funds, so employees' retirement savings are completely at risk.⁴⁴ The collapse of real estate and property markets domestically and internationally is already affecting public and private sector superannuation funds, most particularly accumulation-type funds. More than half occupational superannuation fund investments in Australia have failed to keep pace with inflation over the period from 1988 to 1991, and many funds have had to massively 'write down' large property portfolios and report negative investment returns.⁴⁵ Employees' who have sacrificed wage increases for employer-contributed superannuation payments into accumulation-type superannuation funds bear the brunt of these losses, but government will have to make up the shortfall in their retirement income needs.

For the Life Houses, the government retirement income policy changes can only be described as a 'bonanza'. Suffering a downturn in traditional insurance and superannuation business, the establishment of government-mandated universal occupational superannuation for all employees has increased the size and the power

⁴⁴ As explained in Chapter Four, employees savings are entirely at risk in accumulation type funds. In contrast, in defined benefit funds (largely senior management or public sector funds) employers take responsibility to provide promised retirement benefits regardless of the fund's investment returns. However, employees are still not protected in the event of misadventure in the funds management, as has been the experience of employees of Robert Maxwell in UK, or employees of failed entrepreneur Christopher Skase of Qintex Ltd. in Australia.

⁴⁵ See for example NSW State Superannuation Board investment earnings 1991, 1992 and Noble Lowndes Report, June 1992.

of the Life House and investment management sector. As detailed in earlier chapters, the Life Houses control the administration, management and investment direction of this major new repository of domestic savings. Crough in 1980 found that Australia's superannuation industry was entirely dominated by five established major financial institutions.⁴⁶ The expansion and new public status of superannuation funds has augmented the control of the national economy by these institutions. Management, administration and the vast new concentrations of investment capital in occupational superannuation funds are concentrated in the hands of the 'Big Five' financial institutions in Australia - in order of size the AMP Society, National Mutual Life Association of Australasia Ltd, Bankers' Trust Ltd, MLC Life Ltd and Westpac Ltd. These five companies between them hold almost \$100 billion in assets under management, and institutional capital has become the major player in the economy.

Employers, too, have gained from retirement income policy changes. While originally resisted as an additional impost on labour costs, the Accord superannuation trade-off has delivered 8 years of union-enforced wage restraint for employers. Employees' real wage levels have decreased markedly, despite an unsurpassed period of industrial harmony which has produced unprecedented increases in industrial productivity and profitability. As well, many employers have been able to close company superannuation funds and reduce employer liabilities for provision of retirement income benefits for employees. Even public sector employers are using the introduction of the legislated SGC to reduce their retirement benefit obligations.⁴⁷ Employer associations have gained considerable power and

⁴⁶ G. Crough, *Superannuation Funds in Australia*, Sydney, Trans National Corporation, 1981.

⁴⁷ For example, the NSW State Superannuation Fund in August 1992 closed its defined benefit superannuation to new employees. In future it will provide only government-legislated minimum benefits. Public sector unions have challenged NSW Government action, and the case is currently under appeal. Regardless of this particular decision, other public and private sector funds are taking steps to close funds which provided generous benefits for long term employees, funded out of surpluses which resulted from poor standards of vesting for the majority of employees who did not remain with the employer. As discussed in Chapter Four, government regulations have improved vesting arrangements in all funds.

importance from their role in superannuation funds, augmenting their involvement with the major financial sector and expanding their memberships.

VI) Still the Century of Labourism: Trade Union Trade-Offs in Retirement Income Policy Changes

Earlier chapters have discussed the traditional labourist orientations of the union movement, the narrow focus on wages and working conditions for unionised labour, institutionally provided through the arbitration system. Bi-partisan support for the role of unions and their demands for employment protection, comparative income equality and social wage benefits allowed the unions to maintain high levels of union membership despite largely undeveloped organisational structures either at the workplace or within the unions themselves. Union democracy was frequently an issue for debate,⁴⁸ but union leaders and their members enjoyed substantial unity through the essential conjunction of their interests to gain direct improvements in wages and working conditions.

Union participation in the transformation of the national retirement income regime has privileged government electoral liabilities and national economic planning goals, and enhanced the political power of union leaders at the expense of the immediate interests of their members. These issues were discussed at length in earlier chapters. They gain increased salience in the light of the above discussion of the consequences of these policy changes for employees. The popular legitimacy of retirement income changes among rank and file union members derived from their perception that the benefit was 'something for nothing' in an economic climate when direct wage increases were unlikely, and from heavy government and ACTU promotion of the earlier-discussed mythologies of occupational superannuation. Accumulated entitlements of employees' personal retirement savings, with substantial sacrifice of wage increases in the next 10 years, are unlikely to present an appreciable gain in lifestyle or retirement income over what might have been

⁴⁸ See for example, Ed Davis, 'Industrial Democracy in Unions', in Cole, 1982, op. cit.

expected from the government-provided old age pension for most employees. Hence, for rank and file union members, occupational superannuation and the transformation of national retirement income policies present only marginal benefits, particularly as there is no guarantee for the probity of their savings. And in the management decision-making of the funds, shop floor union delegates and rank and file members complain that union trustees are becoming 'as tough as the insurance companies' in assessing disability claims and death benefits.

Unions' strategic choices for retirement income policy changes reflected their traditional labourist orientations, guided by pragmatic considerations and essentially benefiting male, highly-skilled, highly-paid employees. Earnings-related superannuation does not spread retirement benefits to those outside the paid workforce. Despite the SGC, many part-time and casual workers will not get superannuation benefits,⁴⁹ and workers with broken patterns of employment will accrue insufficient benefits for adequate retirement income. These employees have a low rate of union membership, and unions have not regarded their entitlements as important.

This examination of policy outcomes and the gains and losses of the transformation of the national retirement income regime completes the empirically-based consideration of the process of these policy changes. Conclusions from sociological analyses of these developments are presented below.

7.3 IF OCCUPATIONAL SUPERANNUATION IS THE ANSWER, WHAT WERE THE QUESTIONS?

Previous chapters have examined the historical logics of the national retirement income regime, the processes of the formation of new policy patterns, the institutional arrangements of the new regime, and the internal governance of the new quasi-private superannuation funds. Australia had been a world leader in social and

⁴⁹ Only employees earning more than \$450 per month are eligible for SGC benefits. Briare McElhone, fund secretary for HOST Plus in the hotel and club sector (a major employer of part-time staff), said that many employers in this and other highly casualised industries, such as the retail trade, will reduce casual work hours to avoid paying the SGC. Research interview, Canberra, October, 1992.

industrial reforms, including the provision of age pensions. But early initiatives were not sustained, and in national retirement income policies there was a notable lack of long term policy goals or integration with other social and economic policies. Nevertheless, Australians enjoyed an equitable level of income and low levels of poverty comparative to other OECD nations. Retirement income remained a dual system of government-provided non-contributory flat-rate means-tested age pensions and government subsidised occupational superannuation, inequitably provided by employers. Some sectors of society, excluded from wage-earner benefits, fared less well, although high levels of home ownership, good ancillary services (such as health and transport) and strong family support networks did offer them some benefits of the system. Single women suffered most from poverty in old age, but their own lack of power and visibility forestalled their political action. The age pension remained a popularly valued 'sacred-cow', equally supported by the ALP and long-ruling conservative governments alike.

Analysis of Australia's political culture, the nature and extent of class mobilisation (particularly organised labour), the historic legacies of regime institutionalisation and the coalitions of class and political interests explained how the prevailing system had remained virtually unchanged for almost 80 years. Labourist unions ignored social wage issues such as retirement income, narrowly focussing on wages and working conditions for their mostly male members, rather than more broad and universal needs. In effect, the unions had long participated in neo-corporatist style policy-making with employers and the state through the Arbitration Commissions and Industrial Tribunals, although institutionally their participation remained sectorally confined to the industrial relations arena.

Despite repeated attempts to introduce contributory social insurance, and even one brief period of existence of such a scheme following World War II, not until the Whitlam Government took office in the early 1970s were major policy changes mooted. The Whitlam Government's social democratic and universalistic approach to social policy-making in the early 1970s led to liberalisation of the age

pension, the emergence of public debate about the inequities and abuses of government-supported private superannuation, and recognition of the need for a national superannuation scheme. The commitment to establish a National Superannuation Scheme foundered with their loss of office, but the government inquiries they initiated revealed that inequities were rife in Australia's system of superannuation. They identified that fiscally-supported benefits were grossly inequitable across the workforce, that tax subsidies were very costly to the public purse, and that the lack of vesting and portability of benefits disadvantaged those employees who did have superannuation but who did not spend their whole life with the one employer. Examination of early trade union demands for superannuation demonstrated that they were a response to these now revealed inequities and part of unions' new broader social democratic agenda within the confines of an increasingly rigid wages environment.

The dynamic process of the transformation of the national retirement income was an exemplar of the new pattern of relations between government and the unions. However, adoption of a new governing consensus of economic rationalist and free market priorities by key decision-making strategic elites resulted in new institutionalised political responses to national and international economic exigencies, and the sacrifice of many of the social wage, taxation and industrial benefits expected to compensate wage earners for the rigours of the Accord wage restraint. Extensions of occupational superannuation, along the lines proposed by the unions, offered politically viable, expeditious and socially and industrially acceptable trade-offs for the new policy agendas.

Institutionalisation of mandatory employer-provided superannuation, particular public status for the funds, and government support for control of the funds by the Life Houses fulfilled the needs of all major organised economic interests, as Chapters Four and Five revealed - government and its bureaucracies and statutory authorities, the Life Houses, the investment, legal and financial sectors, and the ACTU and leaders of major unions. The longer term interests of Australia's

citizens, even the benefits for employees who became superannuated under the new arrangements, were not considered.

Superannuation policies protected the viability of the Accord, while at the same time meeting the demands of strategic elites in the federal bureaucracy to increase domestic savings and plan for the demographic imperatives of the ageing population. The discussion demonstrated the extraordinary instrumental value of retirement income policy changes as the trade-off against a range of other stringent economic and industry policy changes which eroded the wages, employment security and future lifestyles of large sectors of the workforce.⁵⁰ Social policies were either low on the list of priorities, or were seen in tandem with economic priorities. Constitutional limitations on granting public status to occupational superannuation, and initial opposition from employers and the Life Houses, were overcome.

Examination of the process of national retirement income policy changes provided penetrating insights into the ascendancy of free market and neo-classical orthodoxies in the federal co-ordinating departments through the movement of a cadre of like-minded elites into strategically powerful positions in government bureaucracies. These elites were able to enforce their doctrinaire policy-making priorities on government, with carefully developed strategies to prevent any challenge from government to their seemingly incontrovertible policy priorities. The complex nature of occupational superannuation and international investment, and the shared discourse between the mandarins of the federal bureaucracy and the Life Houses, left scant possibilities of policy being directed in ways which were not to their liking.

The first industry-wide superannuation funds established by the unions had a strong social democratic orientation, with clearly articulated long term normative

⁵⁰ Former union officer, Chris Lloyd estimates that wage restraint under the Accord has cost \$13 billion in foregone wage increases for Australia's employees. Ewer et al., 1991, op. cit. Also Michael Costello, Head of the Federal Department of Industrial Relations, announced in July 1992 that average real wage levels declined by 1.9% between the periods 1984 to 1992. (The Australian. July 21, 1992).

objectives and innovative structures and practices, as the case studies in Chapter Five revealed. The success and popular legitimacy of these neo-corporatist enterprises convinced government that extensions of occupational superannuation along similar lines answered a range of competing demands for retirement income changes.

Government changes to legislation, and regulations regarding retirement income provision and the assignment of public status to the funds, were dynamic. The discussion demonstrated the dynamic nature of retirement income policy objectives by analysing policy formation over the 8 years from 1983 to 1991 according to three ideal-type neo-corporatist models, postulating that recent developments conform to managerial and post-industrial neo-corporatist arrangements. Policy changes were notable for their lack of long term (or even short term) goals and objectives, and proceeded in an *ad hoc* manner on the basis of negotiations and trade-offs between the duumvirate of leaders of the ALP Government and the ACTU. New legislation and regulations proceeded as 'knee-jerk' responses to political, industrial and economic exigencies. There was no integration of new retirement income policies with other seemingly competing and contradictory policy objectives - such as reducing government expenditure and reducing age pension take-up. The continued acceptance of lump sum benefits, the disparity between the ages to which benefits must be preserved, and the entitlement for the pension and the persistence of large tax subsidies, are inconsistent with those policy objectives. These anomalies support my contention that the transformation of the national retirement income has proceeded according to political (primarily electoral), economic and industrial exigencies without regard for, or the development of, social policy goals and objectives.

Once the success of union-initiated funds was virtually guaranteed by government support for the extension of superannuation throughout the workforce and the control of the funds by the Life Houses was assured, the major life houses vigorously expanded their legal, financial and economic expertise, recruiting and even importing some senior personnel. The Life Houses very quickly became not

only the controllers of the funds and the main information source for the trustee boards of the funds and the union leaders involved, but also the source of professional advice and expertise for government and the federal bureaucracy confirming their control of the sector.

Acceptance of new national economic priorities by the ACTU increased the complexity and diversity of union goals. Unions now had to make explicit trade-offs between diverse and sometimes competing preferences and policy priorities. In the piecemeal progress of policy changes, normative goals were transmuted as they were traded-off in the face of other policy priorities, perceived to be more pressing and seemingly irrevocable and incontrovertible. The unmitigated approbation of other major players, and the absence of opposing voices were important factors in the unchallenged progress of these policy changes. Only the AIRC had reservations about the unprecedented expansion of superannuation when, in April 1991, it refused to ratify Accord Mark VI and double award-based superannuation productivity payments.⁵¹ But extension of superannuation benefits was too firmly implicated in the progress of other political and industrial policy objectives, and the government and the ACTU pushed for legislative fiat to achieve what was unachievable in the other neo-corporatist arena of the AIRC. The ACTU had to set priorities, and the advancement of employees' wages and working conditions were set aside in the interests of what seemed to be a net gain for the national economy and a demonstration of 'responsible behaviour' by the union movement.

Union involvement in superannuation promoted ACTU and union leaders, providing them with financial investment expertise and the credibility to engage in national economic planning and policy-making. Those most involved with the superannuation issue have become the strategic elite of the union movement, and have joined the boards of directors and gained executive positions in many public

⁵¹ The Commission warned that the parties to industrial relations had still to develop the maturity necessary for the shift in emphasis to enterprise bargaining proposed in Accord Mark VI, and that unless the certain nominated issues regarding award-based superannuation were addressed that the system would fail to achieve an adequate national retirement incomes system. AIRC National Wage Case, April, 1991. p 61.

and private sector enterprises.⁵² An entirely new focus within the ACTU and its major trade union administrations privileged the recruitment of economics graduates and people with investment and financial management expertise to executive positions in the unions. This resulted in a firm shift in attitudes, an increasing dominance of right wing factions in the ACTU and major unions, and a growing conservatism within the strategic elites of the union movement in the 1990s. Trading-off high levels of unemployment, industry rationalisation, enterprise level collective bargaining, the diminution of centralised universal award wage determination and the almost complete abrogation of direct industrial action are examples of this conservatism. Australia's unions are adopting American-style union strategies even in their attitude to membership recruitment. Plans for large unions with organisationally complex and technologically sophisticated resources are expected to attract and maintain members through offering financial and other ancillary services, such as credit cards, retail consumer discounts, investment planning and counselling services. This is a significant shift in emphasis in the union movement. Industry-wide funds are controlled by half a dozen senior officers of the ACTU and major unions, most of whom are members of the ACTU Superannuation Committee. The close involvement of these strategic elites with the Life Houses, and the responsibilities of involvement in major investment planning, have been conservatising influences on decision-making in the funds. As mentioned above, this conservatism is manifest in their other union responsibilities, and union responsibility for superannuation funds have contributed significantly to these changes.

Particular public status has been granted to privately-controlled occupational superannuation, establishing an almost unique quasi-private retirement income system along the lines of union prototypes.⁵³ Alongside the employers, unions

⁵² Instances are far too numerous to detail, but for example, ACTU General Secretary Bill Kelty is now a member of the Reserve Bank Board and Anna Booth is a member of the board of the Commonwealth Bank.

⁵³ As discussed in Chapter Five, Finland has a similar system. The writer intends to undertake a cross-national empirical comparative study of the Australian and Finnish regimes in 1993. This

were given public status as equal owners and controllers of vast sums of accumulated capital in the funds alongside their employers - a radical departure in the history of Australia. Yet, the funds were and still are highly dependent upon the state and the Life Houses in terms of resources, organisational infrastructures, management and administrative expertise and investment management. The scope of operations of the funds, the representation status, organisational and procedural practices of the funds are defined by government and extensively monitored and regulated by the state.

The unprecedented growth of the funds, the complexity of superannuation, the volatility and complexity of funds' investment, the lack of independent organisational infrastructure of the funds, and the legal fiduciary responsibilities of the trustees allowed the Life Houses to secure and maintain control of the funds. The structures and practices, management decision-making and investment profiles of the funds reflect almost entirely the hierarchical authority structures, organisational culture and conservative norms and values of the major Life Houses.

Valuable insights into the internal governance of the funds and the range of influences on the strategic decision-making of parties to institutionalised interest intermediation in major economic enterprises were provided by the national qualitative and quantitative survey of the trustee boards of the 35 largest industry-wide funds. The onerous legal, moral and financial responsibilities of the trustees, and their obeisance to the Life Houses has resulted in an essentially conservative management and investment profile in the funds. The trustees constantly confront the dilemma of their strong commitments to safeguard the members' savings, optimise the investment returns, and yet simultaneously try to accommodate some of their own personal more socially responsible priorities which the research revealed they hold. Trustees were shown to be strongly influenced by their own experience

will allow further investigation of whether Australia and Finland continue to be the nucleus of Castle's Fourth Welfare State. (See Castles & Mitchell, 1991, op. cit.) Cross-national comparisons of the effects of these developments on welfare expenditure, benefit equality and vertical redistribution will be investigated, as well as the institutional arrangements, internal governance of the funds, their relationship with the state and the involvement of labour organisations in the funds.

and, as in any organisation, were presented with multiple goals from which to choose, many of which held implicit contradictory options. They struggle with problems of accommodations of interests and the economic constants of the capitalist system. They are personally responsible for the probity of the funds, and are not inclined to undertake radical alternative management or investment possibilities within the structural and cultural proclivities of current practices. Female trustees, although very few in number, were at the forefront of questioning the structures of the present system. Rarely was there more than one female trustee in a fund, so these preferences are not reflected in fund policies.

The nature and extent of democracy in the funds is important. Although the field research showed that there were no consultative mechanisms for member participation in the funds nor for direct participation through their unions, the research identified where potential exists for radical mobilisation of fund members. Institutionalised representation for unions in the trustee boards, and individual allocation of allotments present radical potential for an extension of economic democracy.

Examination of the influence of sectional interests in the trustee boards demonstrated, qualitatively and quantitatively, that there is a congruence of interests between union and employer representatives on the trustee boards. It was impossible to measure effects of the convergence between the parties on other arenas of decision-making, although a majority of trustees (both union and employer) said that there had been a spillover of 'greater understanding between the parties' into other industrial relations negotiations. Contingency table bivariate and regression analyses revealed that there is increasing convergence of policy objectives of the employer and union trustees. The statistical analysis confirmed that with the exception of three policy objectives, trustees held congruent preferences and priorities. However the direction of the convergence is not towards the interest of employers as most neo-corporatist theorists presume. Rather, the declared priorities of both the union and employer trustees reflect the priorities of the Life Houses

which control the funds. The Life Houses not only administer and manage fund investments; they control the flow and content of financial information to the trustees, they have a monopoly on the professional expertise required by the funds and the trustee boards, and they have close and constant, almost symbiotic, relationships with government bodies which regulate and monitor the operations of the funds. The field research disclosed the extent of the control of the Life Houses, in particular their strong influence on the discourses and attitudes of the trustees. This was perhaps most eloquently demonstrated by the comment of AMP Manager of Industry Superannuation Bob Jones:-

...trade unions were commercially naive at first, but they are now part of the superannuation industry, and having had to recognise the commercial limitations of operating a superannuation fund, they have made the pragmatic accommodations required.⁵⁴

Trustees' dilemmas of wanting to maximise investment returns, protect the fidelity of members' savings, and yet follow some of their own expressed personal preferences for more socially responsible investment priorities were mentioned above, but become ever more onerous as the investment capital in the fund grows, and government pressure on the trustees increases. Government statements make no mention of, or do not recognise, the fact that trustees all serve the funds in a part-time and mostly honorary capacity.⁵⁵ Union trustees are personally anxious about their lack of specific financial expertise and their personal liabilities for the probity of the funds and the security of members' money. Most union trustees are elected union officers, dependent for their paid full-time jobs on the continued support of the members whose accumulated savings are in their charge. This strongly influences their decision-making. The lack of organisational support resources for the trustees or any organisational infrastructure for the funds, and the trustees' own lack of time to contribute to their trustee responsibilities contribute to the trustees' dependence on the Life Houses.

⁵⁴ Bob Jones, AMP Manager Industry Superannuation, research interview, Sydney, March, 1992.

⁵⁵ See for example Hon. John Dawkins, 1992(b), op. cit.

Neither within nor between the funds are there any concerted discussions of long term goals and strategies for the management of the funds and for investment priorities. Trustees spoke of the need to change the arcane nature of trust law to take account of the broader universal normative priorities of government-mandated universal occupational superannuation. Some trustees said that provision of independent professional support and expertise for the trustees, either by the trade unions or the funds themselves, is crucial, but will be resisted by the Life Houses. Reporting and accountability to members has been increased, but formal mechanisms to allow member participation in fund decision-making are essential. For employers, superannuation contributions constitute a new wages tax, which is rarely invested in a way which assists the development of their own enterprise or the national economy.

Most Australian citizens gain scant benefits in the new quasi-private regime. Only high income earners will accumulate substantial retirement benefits and will continue to use superannuation to minimise their taxation obligations. The majority will continue to receive a full or part government-provided age pension, will be stigmatised as the certified poor, and their benefits will be paltry compared to average weekly earnings. Employees will continue to be forced to contribute increasing proportions of their weekly wages to save for their own retirement income. But the fidelity of their savings is not guaranteed, and is dependent on the vagaries of the investment market. Administration charges will erode accumulated savings unless current low rates of investment returns improve. Neither members nor citizens have formal access to decision-making in the funds.

Government continues to incur a major deficit in retirement income provision, for although recent tax changes have produced some returns to government, the amount provided in tax subsidisation to the funds far exceeds tax collected or any projected savings from reductions in government-provided pensions provision. Government has achieved major policy changes without political or industrial conflict, and has created a new and expanding regulatory sub-system in

the economy, but this constitutes an additional impost on the public purse. As well, government has lost sovereignty over national retirement income by assigning public status to selected major organised interests to control the funds.

Union leaders have made gains personally and politically. A new pattern of relations has developed between the leaders of the political and industrial arms of the labour movement and now union leaders are involved in major corporate economic decision-making. Union leaders have acquired a new level of expertise in the management of complex board level decision-making, and have learned investment funds management skills. They also enjoy considerable personal benefits of travel and entertainment associated with their trustee positions, mostly subsidised by the Life Houses and professional advisers.

Paradoxically, this new political power of the ACTU is not universally applauded by member unions and rank and file members. Unemployment remains high, real wage levels have fallen, union membership continues to decline and, increasingly, union resources come from government rather than from union members. There is widespread concern that were there to be a change of government, union influence in policy development would cease forthwith, and union resources and the overall future of the union movement would be threatened, as the traditional union base has been neglected by current leadership strategies.

Australia's national retirement income regime remains in a state of flux. In October 1992, at the annual ASFA Conference in Canberra, the government announced yet another new set of prudential guidelines for superannuation.⁵⁶ This conference epitomised the directions of these developments. In just six years, the annual ASFA conference has grown from a staid two day conference attended by 200 people to the 1992 four-day conference attended by more than 1200 people and marked by American-style conference presentations and immensely lavish social functions. Politicians, all the major Life Houses, investment, actuarial, accountancy and legal advisers, government bureaucrats and trade union leaders discussed every

⁵⁶ *ibid.*

aspect of government regulation, administration and investment management of the funds. Only in one or two poorly attended sessions were broader implications of the changes in terms of national retirement income raised. Superannuation has become the major growth industry in Australia's financial sector. But its continued success depends upon the continued volition of employees to continue to give up wage increases for superannuation benefits, and to voluntarily contribute to their own retirement income. Much discussion at the conference, including input from several overseas speakers, concentrated on the development of highly sophisticated, and very costly, television advertising and direct marketing communications:-

...to motivate the general public to save for retirement...the best strategies requiring some interrelated balance between reward and fear'.⁵⁷

This new construction of social reality, the intentional rekindling of widespread social anxiety and fear of penury in old age is an important issue for sociological analysis, and the writer has started collecting research information for a future study.

The Life Houses and other financial and legal experts are a highly paid industry sector, with costly organisational structures and marketing operations. These costs impinge heavily on employees' retirement savings in the funds, especially in the present period of low investment returns. Trade union participation in future retirement income policy formation is contingent on the continued tenure of the Federal Labor Government. But, the institutionalised participation of union representatives on trustee boards of industry-wide funds provides unions with a powerful stake in future decision-making. Nonetheless, the extent of their power is dependent upon the continued growth and success of the funds. Currently, there are challenges to the continued existence of superannuation within the award system. As well, the banks are seeking to gain a large share of superannuation fund business, which may in the long term erode the size and status of industry-wide funds. Consequently, Australia's citizens' future retirement income is no longer dependent

⁵⁷ *ibid.*, and Sweeney & Associates, 1992, p.11.

upon government social policy deliberations. Retirement income policy outcomes are now inextricably linked to political considerations, and are dependent upon wages and industry policies and the vicissitudes of private financial markets.

Despite the inequitable distribution of gains and losses throughout the community, and concerns that national retirement income has been downgraded by government policy changes, new policy patterns and institutional arrangements have been produced which present potential for:-

- A shift in the ownership and control of capital in Australia.
- Radical change in the nature of neo-corporatist arrangements in the retirement income regime.

With regard to the first issue, influential debates have emerged in the USA and the UK about the direction of pension fund investment, the arcane nature of legal trust laws, and the need to accommodate socially responsible investment priorities. These debates are discussed elsewhere by the writer, in terms of their portent for future discussion in Australia, but a brief discussion of these possibilities is presented below.⁵⁸

I) Potential For Economic Democracy?

Retirement income policy changes present a 'window of opportunity' for organised labour. Initial union demands for extensions to the social wage and for participation in collective capital formation declared their adoption of ambitious social democratic objectives, albeit within reformist strategies. Institutionalised union participation in neo-corporatist enterprises is a radical shift in ownership and control of capital in Australia which presents potential for extensions of economic democracy.

In 1976, Peter Drucker wrote that there had been an 'unseen revolution' in the United States, brought about by a substantial increase in the number of pension funds.⁵⁹ He argued that because employees of American business now owned 25

⁵⁸ Shaw, 1991(d). op. cit.

⁵⁹ Drucker, 1976, op. cit.

percent of its equity capital through their pension funds - 'more than enough for control' - the United States had become the first truly 'socialist' country. This new system Drucker called 'pension fund socialism', forecasting that by the turn of the century, the 'revolution' would be virtually complete, as by then pension funds would in all likelihood hold at least two thirds of American equity capital.⁶⁰ Drucker argued that the rise of pension funds as dominant owners and lenders represents one of the most startling power shifts in economic history.

The same is true in Australia. We are witnessing one of the most startling ownership shifts in the economic history of Australia. In the space of just 5 years, superannuation has become the fastest growing source of Australian savings and new investment funds. The capital asset value of superannuation funds at the turn of the century is expected to reach \$600 billion. Through their union representatives on the trustee boards of the funds, Australia's employees have become owners of capital, and hence owners of the means of production. However, as this research reveals, the opportunity for them to have any direct participation in the operations of the funds, or their investment decision-making - essential tenets of an extension of economic democracy - is virtually non-existent. Yet this may not always be so.

The investment and capital lending⁶¹ power of employee pension funds is central to the abovementioned overseas debates. Strategic use of investment, legal and moral responsibilities of trustees, and the social and ethical responsibilities of corporate governance are already the subject of wide-ranging government and statutory inquiries.⁶² Previous investment profiles of pension funds in the USA and

⁶⁰ Drucker argued that through their pension funds, employees are the only true 'capitalists' around - owning the country's capital fund. Profits increasingly become retirement pensions, that is, 'deferred compensation' of the employees. There is no 'surplus value', and business revenue goes into the 'pension fund'. Ibid.

⁶¹ Their power through holding these debts is as great as the power of the owners of the corporation, and in some instances as we have seen recently in Australia, this power is sometimes greater than ownership. Institutional investors have foreclosed on many major corporations in Australia which had overextended their debt to equity ratio during the 1980s. Witness the role of institutional investors in the demise of infamous Australian entrepreneurs Christopher Skase (Qintex Ltd) and Alan Bond, (Bond Corporation).

⁶² See UK House of Commons Social Security Committee Report on the Operation of Pension Funds (HC 61-11), 1991; New York State Pension Investment Task Force, New York, 1989.

the UK were exceedingly conservative, much like current Australian experiences.⁶³ However, some of the larger overseas funds, particularly public employee pension funds, are becoming more active investors, demanding a voice in the companies in which they invest, a veto over board appointments, executive compensation and critical ethical corporate charter provisions.⁶⁴ This has opened up the possibilities of broader investment priorities which are already proving productive in the continued high returns of ethical investments and successful reinvigoration of local manufacturing.

During the early 1990s strident criticism has emerged regarding the investment patterns and performance of Australia's occupational superannuation funds. Apart from calls upon government to impose restrictions on investments by the funds, critics from both the left and the right have targeted industry-wide funds for criticism, demanding that their public status, fiscal subsidies, large size, union participation and broad constituency should produce more socially responsible investment. These demands reveal unexpected conjunctions of interests among those with traditionally diametrically opposed views. For example, right-wing stalwart, B A Santamaria, and left-wing radical political economist, Frank Stilwell, have both called repeatedly for industry-wide funds to invest in small business. There is increasing interest, too, in the broader investment and social benefits for members in pension funds such as the Central Provident Fund in Singapore and the public sector pension funds in the USA and the UK.⁶⁵

There is growing disenchantment with the neo-classical economic priorities of policy-makers, and recognition of the need for public policies which recognise the linkages between economic and labour market policy-making and wider social responsibilities and liabilities. There are demands, even from within political and

⁶³ See for example, Minns, 1980, op. cit.; Ghilarducci, 1988, op. cit.

⁶⁴ For example, the California Public Employees Retirement System (CALPERS) has extensive investment in low cost housing development, members' home loans and local employment generating projects. Also see Peter Drucker, 'Reckoning With The Pension Fund Revolution', in *Harvard Business Review*, March-April, 1991(a); 'Can Pension Funds Lead The Ownership Revolution' *Harvard Business Review*, May-June, 1991(b).

⁶⁵ See Australian Commission for the Future Ltd, 1991, op. cit. and Ghilarducci, 1988, op. cit.

economic arenas, for a re-evaluation of policy goals,⁶⁶ and a need to reject Samuelson-style economic analyses⁶⁷ in favour of economic analyses which take account of normative social goals and objectives and some form of overall social management or planning, drawing upon a resurgence of interest in the paradigm of institutional economics.⁶⁸

This raises the possibility that alternative economic planning which takes account of more broadly based social objectives and moral values may gain sway in the funds. The recent visit to Australia of DeWitt Bowman, chief investment officer of the California Public Employees' Retirement Scheme (Calpers) USA, to address the 1992 ASFA National Conference, created intense interest among union trustees and ACTU leaders. Dewitt Bowman spoke of the new active role of pension funds as corporate shareholders in USA, requiring greater accountability, observed standards of corporate conduct and social investment.⁶⁹ Prominent superannuation legal counsel, Andrew Fairley, said that in 1992, trustee boards of large industry funds have started to question long term investment priorities:-

A couple of my client funds are demanding that we clarify management intentions concerning issues such as takeovers and company rationalisations before committing investment capital into companies.⁷⁰

Trade union ownership and control of capital through interest intermediation in neo-corporatist enterprises raises difficult issues of the potentially contradictory positions of unions as owners and managers of companies, with responsibilities for representing both the interests of management and the interests of employees. These are issues which need to be addressed in the future.

⁶⁶ Langmore, 1992, op. cit.

⁶⁷ Paul Samuelson, Foundations of Economic Analysis, Cambridge Mass, Harvard University Press, 1947.

⁶⁸ T. Shiraishi, & S. Tsuru, Economic Institutions In A Dynamic Society: Search for a New Frontier, New York, St Martins Press, 1989.

⁶⁹ DeWitt Bowman, Chief investment officer, CALPERS, USA, Address to ASFA National Conference, Canberra, October 22, 1992.

⁷⁰ Andrew Fairley, research interview, Canberra, October, 1992.

II) Directions For Superannuation?

The funds are presently extremely conservative, and the structures have stabilised in favour of capital rather than labour. This situation may continue unchanged, and the funds may continue without challenge. Smaller funds will no doubt be merged into larger funds. Regardless of which political party is in government, the funds are now firmly constitutionalised, and will not be compromised. A Liberal/ National Party Federal Government would be unlikely to increase compulsory contributions to the funds, endeavouring rather to increase voluntary tax-advantaged private savings. The banks are expected to seek greater access to superannuation savings, a development which could marginalise industry funds. This would reduce possibilities for any future development of member participation in the funds.

Yet radical changes may develop. The funds legally enshrine equal representation for capital and labour, and regular and open reporting and accountability to members is required. The wage-earner funds in Sweden failed to gain popular legitimacy or support because the accumulated capital assets and investment earnings of the funds were contributed to the Swedish ATP pensions fund for the collective benefit of Swedish workers.⁷¹ Despite the widely lauded collective culture of the Swedes, the lack of individual connection of employees with the fate of the funds resulted in a lack of popular understanding of their benefits. The real potential of Australia's developments lies in the attribution of accumulated retirement savings and investment earnings into the individual accounts of each employee, with statements of account entitlements regularly sent to each employee. The potential mobilising force of this system is immense, and, as reported in earlier chapters, union trustees are already being called upon to justify fund decisions and investment returns. Demands are likely to arise for direct participation in fund decision-making, requiring that interest intermediation take account of the explicit

⁷¹ Jonas Pontusson, Public Pension Funds and the Politics of Capital Formation, Sweden, Stockholm, Arbetslivscentrum, 1984.

formulations of employees' interests. Despite the traditional bureaucratic conformism of Australian culture, economic self-interest will provoke a more active citizenry, individually and perhaps collectively. There are three possible outcomes for radical change:-

1. A rank and file revolt and demands for participative democracy in the funds, and thereby an extension of economic democracy for employees.
2. A move to pluralist forms of competitive interest representation in the funds.
3. More broadly-based social democratic demands, and a return to parliamentarist accountability in the national retirement income regime.

Accordingly, I shall first consider the impetus for change which may come from employee fund members. Second, I shall discuss likely resistance from the more or less autonomous and rational calculations of self-interest or civil responsibility of other organised pluralist group interests. Third, I shall briefly assess the possibilities of spontaneous resistance from within civil society.

i) A Member Revolt?

A principal difficulty with neo-corporatist institutions lies in the vulnerability of their internal political processes to member dissatisfaction, and the fact that as extra-parliamentary institutions they cannot rely on government-ordered coercion to keep their members in line. As revealed by the empirical study, neo-corporatist enterprises in Australia are undemocratic and unrepresentative. Direct participation of members in decision-making is non-existent, and union representatives on the boards are isolated from perceptions of members' interests. This derives from unions' increasing use of professionalised representation and staff, their highly aggregated and hierarchically structured organisations, their relative security of access and guarantee of resources stemming from recognition by the Federal Labor Government and semi-official subsidisation, and the lack of direct participation by members, as well as the particular bias of neo-corporatist

enterprises. At the same time, union leaders' close proximity and interdependence with public authorities, and their co-responsibility for the formation and implementation of public policy, has placed these same union leaders in a symbiotic relation to state officials, as detailed in Chapter Four.

What might be expected is that members will mobilise, engage in unauthorised collective action, challenge the trustees in court, question their legitimacy as spokespersons or representatives, and make it increasingly difficult for unions to deliver the goods in, for example, maintaining the wage restraint promised under Accord agreements in return for superannuation benefits. When fund members realise just how much money needs to be invested in superannuation to maintain pre-retirement incomes, and just how little will actually accumulate in most employees' funds on the basis of current investment projections, a mobilisation of members may develop.⁷² As detailed in earlier chapters, there is already dissatisfaction within some funds about investment policies and returns, and the nature of discretionary decision-making with regard to fund benefits. Increasing proportions of employees' wages foregone to superannuation,⁷³ and the present low investment returns of the funds, may provoke further member dissatisfaction in the funds.⁷⁴

On present indications however, these complaints are unlikely to precipitate major upheavals. Oligarchic trustee boards have important incumbency resources which they can bring to bear to discourage opponents and co-opt them into line. The extraordinary complexity of superannuation, the personal fiduciary responsibilities

⁷² The DSS survey (Sweeney & Associates, 1992, op.cit.), is a sobering reminder of how little people understand about superannuation. The survey found, for example, that there were frequently unrealistic perceptions about how much money needed to be invested in superannuation to maintain pre-retirement incomes.

⁷³ Not only are future wages increases expected to be absorbed into superannuation contributions but the ACTU and employer associations admit that many employers, particularly small business enterprises, are deducting present superannuation contributions from employees' wages rather than paying the contributions as additional benefits as prescribed by the Superannuation Guarantee Charge. *Sydney Morning Herald*, July 28, 1992, pp.1-2.

⁷⁴ In 1992, major investment and life insurance houses have had to write down projected investment returns by approximately 25% as a result of world-wide downturns in corporate profitability and lack of consumer demand. Sam Ballas, AMP Unit Trust Manager, research interview, July 1992.

of trusteeship, the anxiety of members about the security of their accumulated retirement savings in the funds, and the domination of finance and investment by the Life Houses makes it difficult for rank and file members to challenge existing power structures in the funds. However, there is an increasing politicisation of the trustee positions in the funds within trade unions. While superannuation was considered a financial backwater, a boring, onerous and peripheral 'black box' in union priorities, the position of union trustee representative was considered unimportant. The increasing centrality of superannuation and the accrual of major macroeconomic power to the funds brings the position of union trustees to the forefront of union politics. This makes union trustee positions increasingly subject to the divisions and extreme factionalism which is rife in both the parliamentary and industrial arms of Australia's labour movement. The present lack of formal opportunities for direct participation will impede widespread spontaneous mobilisation by fund members, regardless of whether they are union members, although public sector or insurance industry fund members, who have long experience and special knowledge about superannuation, will be most active in demanding accountability from fund trustee boards.⁷⁵

ii) A Move to Pluralist Interest Representation?

The likelihood of other forms of political mobilisation, challenging the exclusive stewardship of the funds by major organised groups is a possibility. Already consumer organisations, welfare groups, and women's organisations are railing at the persistence of inequities and lack of broader social considerations by the funds. They protest that the policy recommendations of the Hawke Government Task Force on Superannuation in 1988 went largely unheeded.⁷⁶ They claim that piecemeal policy trade-offs have generated policy irrationality, an adequate pension plan is even more remote than prior to the public policy changes of the past 10

⁷⁵ Trustee research interviews, May and June 1991.

⁷⁶ Julian Disney, Australian National University, formerly executive director ACOSS, research interview, June 1992.

years, and interest intermediation in the funds has become increasingly attendant to vested interests, most notably the Life Houses. Neo-corporatist arrangements have institutionalised an asymmetric distribution of benefits in retirement income through occupational superannuation. As well, wage restraint and forbearance on the part of employees, in return for superannuation benefits under Accord agreements, have merely resulted in guaranteed profits and strategic opportunism on the side of finance capitalists. They therefore demand more pluralistic and competitive representation on trustee boards for a range of interests in the funds. Demands for representation of various sectors of the workforce, and in particular for direct representation for women's interests in the funds, are declared priorities.

iii) Class Mobilisation and Social Democratic Threats to Private Superannuation

The provision of a government-provided age pension out of general revenue, administered by the state, and a range of other social protections for the workforce by other public policy means produced a retirement income regime in Australia which was previously subject to parliamentarist accountability. The issue of age pension adequacy and equity has been an electoral 'sacred cow' for all political parties. Privatisation of the national retirement income regime and introduction of compulsory retirement savings by employees is regarded as a threat to future age pension benefits for those not in the paid workforce or who have limited attachment to the paid workforce. Relations of social solidarity and collective responsibility persist in Australian society and support may emerge for alternative political mobilisation demanding a return to parliamentary accountability.

Alternatively, and perhaps paradoxically, the threat to the resiliency of occupational superannuation is more likely to come from the employers who discover that the perpetuation and the planned extension of such arrangements threatens their long-run interests. Traditionally, employers have benefited in terms of employee loyalty from provision of superannuation benefits. Employees now feel

that superannuation is paid in lieu of wages, as deferred wages, and is no longer a gratuity paid for by the employer. As such, the value of the contribution for the employer ceases to be of industrial relations benefit.

On the other hand, the funds could be subject to change from within the political 'realm' itself, and pressures for their dissolution may come from public authorities or elected officers. A change of government, malfeasance in the funds or threats to the fidelity of retirement savings in the funds could precipitate action. Likely outcomes, however, will continue to be contingent upon shifts in Australia's political culture, and socio-political and economic exigencies.

Analysis of the transformation of the national retirement income regime has demonstrated the processes whereby social policy-making under the Federal Labor Government has become increasingly subject to an apparently arbitrary movement between economic and political spheres. Morally binding interpretations of social needs, social justice and social equity were sacrificed in the face of economic, free market priorities. This leads me to conclude that the extent to which social democratic parties (as well as centralised trade unions) do in fact represent working class interests cannot be taken for granted. Their institutionalised political choices and policy preferences are historically and culturally contingent and empirically variable. In a political culture which is dominated by economic rationalist and free market orientations, confronting enduring economic instability, and controlled by transnational finance capital, major organised interests with multiple goals make explicit trade-offs between preferences on the basis of pragmatic, adaptive rationality without due regard to civil society and the public sphere. The final chapter draws conclusions as to the contributions of Australia's particular neo-corporatist arrangements to the progress and direction of these changes.

CHAPTER EIGHT

TRADE UNION PARTICIPATION IN PUBLIC POLICY-MAKING

8.1 INTRODUCTION

Australia's trade unions have a long history of participation in neo-corporatist style policy-making with employers and the state through institutionalised arbitration arrangements, but until the 1980s their direct participation in policy-making had remained sectorally confined to the industrial relations arena. Broader policy determination, particularly social policy-making, remained the preserve of Parliament. In the 1980s, under the Federal Labor Government, a new social contract between unions and government promised traditional Swedish-style relations between social power and political authority and advances in social democracy for Australian society, and unions became an increasingly institutionalised and powerful partner in national economic planning and all areas of policy-making.

Australian developments were situated in the context of international changes in political design and interest representation in many western advanced capitalist countries. Major changes in public policy-making, reductions and privatisation of government provision of services, and increasing adoption of free-market economic liberal strategies have been achieved by many western governments, without socio-political and industrial instability, by incorporating major organised interest groups into policy-making, particularly in the economic arena. The Federal Labor Government in this country responded similarly to national and international economic pressures by adopting doctrinaire economic liberal forms of political rationality and moving increasingly towards becoming a corporate state. Yet, the particular form of neo-corporatist arrangements which emerged, and the projections of developments, were characteristically Australian.

Historic legacies of popularly legitimate institutional practices, and the mobilisation of coalitions of particular interests in the context of a changing social and political culture, shaped the strategic policy choices and priorities of elite decision-makers in Australian society and the institutional arrangements and policy patterns which ensued.

Despite its originally social democratic intentions, the Hawke Government, when confronted with increasingly complex national and international economic exigencies, embraced the seemingly incontrovertible free-market transnational policy trajectories of the new 'specialist guardians' in the federal bureaucracy. Tightening control of institutional finance capital in the economy meant that business interests were already subject to these priorities, as well as imbued with new-right liberal passions, inflamed by the election and continuing tenure of an avowedly social democratic Federal Labor Government. The government sought to achieve fiscal reforms, economic and industrial restructuring, increased private profitability and national economic growth through its close working relationship with the ACTU, formalised in successive iterations of the Accord. The direct participation of the ACTU in both neo-corporatist policy formation and institutionalised interest intermediation was contingent upon its securing popular acceptance of these changes. Organisational mobilisation of resources within government, the ACTU and major unions, substantially assisted by the mass media, engendered a cultural ascendance for a free market and conservative 'capitalist imaginary' amongst the workforce, and their acceptance of these policy shifts.

The contemporaneous and fluid nature of these developments throughout the period of the research required a high level of primary empirical research in order to address directly the important theoretical questions raised by these issues. A new analytical paradigm was used for sociological analysis of emerging neo-corporatist social policy-making which conceived of the ways in which social policies are formed, how they operate, and the roles they play in the economy and society as a social policy regime. Policy options, strategic policy choices and policy

outcomes were examined in the context of historic legacies of previous institutional practices and socio-political, economic and cultural milieux. The dynamic nature of neo-corporatist developments were analysed, drawing upon middle-range theoretical formulations to explain the incorporation of the unions in national economic planning and policy-making. Three conceptual models were developed to identify the particular shifts in the nature of neo-corporatist policy-making, and the increasingly managerial and post-industrial character of most recent policy development. While cross-national comparisons were not drawn into this thesis, they are to be the foci of subsequent research.

My own continuing high levels of involvement with all the parties involved in these developments, both because of the original nature of my continuing academic research in the field and because of my position as a participant actor, contributed a unique dimension to my research. The benefits were threefold. First, I had detailed inside knowledge of this highly complex and dynamic research area, and hence had the credibility to engage with the strategic actors at all levels in the field as a known and legitimate authority in the area. Second, as my work was widely recognised, I was much in demand as a speaker at government, union and industry conferences and workshops, and hence was constantly involved in the process of these developments, yet my academic position gave me the independence to objectively assess the often competing and contradictory interests of negotiating parties. Third, my position as a trustee of one of the largest public sector superannuation funds provided me with unique insights into the organisational limitations, legal, moral and economic constraints, power and social relations, responsibilities and dilemmas of being a trustee.

The particular problems which I have experienced, and continue to experience, as a female trustee, both within my own board of directors and within the superannuation industry, were personally extraordinarily taxing, but were particularly fruitful in terms of this research study and future research possibilities. As well, the increasing burden of having to accommodate trustee responsibilities

over and above all my other full-time occupational responsibilities gave me a distinct understanding of the onerous nature of demands on trustees. As well, my attempts to establish consultative participatory mechanisms for fund members in my own fund showed me the difficulties (but the necessities) of developing viable and supportive networks between trustees in order to develop co-ordinated strategies for direct and active participation for fund members in management and investment fund decision-making. These are particular issues which I have identified for my own future research and future social action and involvement. Overall, my own involvement brought me unique insights into the actual processes of negotiations, accommodations and policy choices of the strategic actors involved in these developments.

8.2 THE DISTINCTIVE NATURE OF AUSTRALIAN NEO-CORPORATIST POLICY-MAKING

Neo-corporatist developments were largely unsuccessful in the UK and North America because restrictions on the entry of newcomers into the political process, and the limitations of choice between alternative and competing forms of expression, violated deeply-held traditional norms of democratic conduct in those countries. Australia's civic ideals presented no such problems in those terms for the widespread acceptance of neo-corporatist developments. Despite the early scepticism about the necessity or viability of neo-corporatist developments in this country, legacies of continued class compromises and coalitions of interests made neo-corporatist arrangements entirely acceptable in the political order. Further, the long history of centralised wage fixation, institutionalised arbitration and conciliation and labourist unionism ensured popular acceptance by the workforce and the general community of the collective solidarity, professionalised hierarchical representation, passive membership, disproportionate provision of benefits and unchallenged institutional control which characterise neo-corporatist arrangements.

The particular pattern of neo-corporatist relations between government and dominant interests developed in quite different forms to the neo-corporatist models

which operated in most European social democratic polities and which inspired many of the Australian developments. The continuing tenure of office of the Federal Labor Government, the highly centralised nature of the trade unions and industrial relations system, and the long standing acceptance by employees of the vicarious benefits negotiated for them by union leaders all contributed to the establishment and the popular legitimacy of neo-corporatist policy-making. Yet, it is not a neo-corporatist system in the formal sense. There is no formally constituted tripartite power relationship in which peak councils of capital and labour collaborate equally with government across all areas of policy-making. Instead, government is engaged in two sets of bilateral relations - one more or less autarchic with the leaders of the ACTU, and one which is more informal, but more mendicant, with the pressure groups of capital, increasingly those of finance capital.

I) Trade Union Incorporation in Policy Formation

Adoption of this neo-corporatist approach presented gains and losses for all parties, including government, but most particularly it limited parliamentary and pluralist interest group representation in policy-making. Ordinary citizens, especially the poorly organised and economically and politically vulnerable, such as individual citizens, female employees and those not in the workforce, were substantially disenfranchised. Their interests, as well as the interests of organised labour, came to depend largely upon the participation of the trade unions in national economic planning and policy-making, as the government became increasingly committed to sustaining corporate profitability and accumulation within a deregulated free market. The review of the literature revealed that the nature, extent and outcomes of union participation in neo-corporatist policy-making are widely debated. Implicit in many of these arguments are strong normative and ideological orientations, and they essentially disagree on whether union participation in neo-corporatist arrangements is socially transformative, or results in an acceptance of capitalist priorities and class collaboration by organised labour. Yet there is

substantial agreement both that the nature and extent of neo-corporatist arrangements depend upon the political culture of the country in which those arrangements are embedded, and that there is an inherent bias in neo-corporatist arrangements towards the interests of capital and managerial economic outcomes. Relations between government and major organised interests are a potent force across all areas of policy-making, and policy-making proceeds largely on the basis of strategic bargained accommodations, rather than according to the clear and unchanging goal orientations and other priorities which March and Olsen propose are necessary for successful policy improvements over time. Constitutional and political limitations to centralised government intervention were overcome by establishing a second circuit of regulation and supervision for institutionalised government representation and intervention. Other pressure groups which were previously intrinsic to social policy-making were marginalised, and unions now have monopolistic unified rights of representation on behalf of society, and have a force of delegated enforcement over their members. The continued high levels of unemployment, enduring international vulnerability, diminishing economic resources and the very low levels of union organisation at enterprise level strengthened the power of the ACTU as the only possible power base for employees.

The incorporation of the ACTU in national economic planning was not simply a 'given' in the policy-making process. It was intentionally created, structured and institutionalised through government action in order to accommodate a range of competing pressures and coalitions of interests which affected the constitution and institutional structures of such arrangements. Self has commented that it may be a great intellectual nuisance (although a practical benefit) that social phenomena have multiple causations to which precise weights cannot be assigned, but that is the state of the world, and had better be recognised.¹ The field research revealed the

¹ Self, P., Political Theories of Modern Government, London, Allen & Unwin, 1985, p.8.

multiplicity of conjunctural interests, cultural shifts, and intersecting social coalitions and cleavages in the dynamic progress of the transformation of the national retirement income regime. It was impossible to precisely quantify these factors into a hierarchy of causation or importance. But empirical examination and sociological analyses of the historical logic, dynamic processes and popular legitimacy of such changes, in the context of the structural, cultural and other influences on the strategic choices of elite decision-makers, laid bare the processes of strategic trade-offs and institutionalised political choices which shaped the dynamic and distinctive development of neo-corporatist arrangements in Australia.

Australia had long had a form of neo-corporatist practice in the industrial relations arena. While the state retained the final right of arbitration through the Conciliation and Arbitration Commission (and its descendant, the AIRC), employers and unions had some public status to intervene in policy-making over wages, industry and labour market policies. The historical compromises, coalitions of interests and national insularity of governments and their federal bureaucracies which permeated the political process had long protected major organised interests. But in the 1980s, into this context, distinctive neo-corporatist arrangements were inserted into national economic planning and almost all areas of policy-making. Despite the Hawke Government's clear commitment to pluralist representation of interests in planning and policy-making, what emerged was monopolistic neo-corporatist representation of functional interests.

A new pattern of relations developed between trade unions and government, and unions now have more political and economic power than at any time in their history. The participation of union leaders in shaping and implementing public policy has increased sharply. But rather than, as in the past, union action being directed to gaining benefits for their members in terms of improved wages and working conditions, union priorities are now far more complex, and are constructed by particular conceptions of strategic unionism in terms of the national interest. These conceptions are dictated by the ACTU's unequivocal commitment to, and

dependence upon, the electoral success of the ALP, by their desire to influence decisively the political economy as a whole through official status for union leaders in public corporate enterprises, and by broad ACTU policy formulations of union goals of national economic growth, increased productivity and private profitability.

The sustained process of developing organisational sophistication and enhancing the professional expertise of the union movement, through union amalgamations, and an increasing move to American-style unionism and enterprise level collective bargaining, are high priority ACTU goals. These new priorities were intensified by the Federal Labor Government's move to a corporate state, the increasing domination of the national economy by transnational corporations and institutional financial capital, and the continuing economic decline, erosion of manufacturing and high levels of unemployment. Adoption of these new priorities seemed unavoidable to elite decision-makers in the ACTU who were intent upon sustaining the viability of the union movement. This pragmatism is by no means a uniquely Australian phenomenon. It is also found in the 'New Directions' labour movement in the USA and the 'New Realists' in the UK, representing conservative labour movement responses to the restructuring of western capitalism and the increasing dominance of finance and institutional capital in the national and international economies. But the sacrifice of more traditional union priorities has left the direct needs of union members virtually unrepresented. As well, in the exclusion of other interests from neo-corporatist bargaining, fulfilment of the broader needs of those outside the workforce or with limited attachment to the workforce is left to the trade unions. However, Australia's trade unions continue to be immersed in a culture of labourism and are morally committed only to the needs of their members. Hence, they do not recognise any obligation or potential advantage in representing broader social interests.

The dominance of short term political and economic expediency in union policy-making endangers the viability of union participation in national economic planning, for the degree of institutionalisation of union involvement in policy

formation is very low, and their continued role is entirely contingent upon the survival of the Federal Labor Government. While institutionalisation of union involvement in policy implementation has been quite high, and union representatives have been co-opted by public agencies and onto boards of directors of public authorities, many of these appointments may well come to an end with a change of government, resulting in the loss of their positions in the political process and in policy formation, while having sacrificed their traditional role vis-a-vis their members.

The particular nature and extent of this country's neo-corporatist arrangements and the inherent bias in institutionalised tripartite neo-corporatist enterprises substantially privileged certain institutionalised political choices and strategic responses to economic and political exigencies, leading to the adoption of certain policy priorities over others, and limiting the likelihood of opposing voices challenging these policy trajectories. The development of neo-corporatist practices was dynamic, contingent upon political responses to this country's new national and international economic volatility and instability. As the 1980s passed, these responses became increasingly economistic, managerialist and post-industrial in the context of an increasingly pervasive economic liberal political and social culture. Social policy goals became indistinguishable, and indeed were ineluctable, from those of economic and industry policy objectives. The strength of bureaucratic conformism, class compromises and coalitions of interests have been persistent and pervasive in this country's political life, and a newly emerging governing consensus amongst strategic elite decision-makers in government and its bureaucracies quickly gained sway in management in the public and private sectors, and also among trade union leaders. The result was a wholesale shift to the right, and the political and organisational mobilisation of free market and neo-classical economic orthodoxies in policy-making, which influenced the attitudes of all parties and the directions of neo-corporatist policy-making.

Neo-corporatist developments were initially social democratic, inspired by Scandinavian experiences and by union desires to broaden their agenda and enhance the social wage. With the election of the Hawke Government, unions became formally institutionally incorporated in national economic planning and policy-making. The role of government was seen as reformist, within a social democratic and participatory political order. Legislation was expected to produce economic growth, based upon priorities of employment creation and income redistribution.

Government adoption of private occupational superannuation as its preferred policy option to privatise national retirement income immediately fulfilled some government objectives. It provided a new source of tax revenue and enhanced government's strategic control of the private economy through statutory and regulatory supervision, at the same time as government was ostensibly deregulating the market. Through the years 1986 to 1988, neo-corporatist interest representation became increasingly liberal-pluralist in character. Over a range of other options, government granted particular public status to privately-owned and controlled occupational superannuation funds, requiring that they be constituted as neo-corporatist enterprises, and providing increasingly centralised regulation of these funds. Legislated universal compulsory were required, but no government guarantees were provided for the quasi-private market competitive funds. This embodied the liberal-pluralist orientations of neo-corporatist arrangements in this period. There was some semblance of input from government task forces, statutory inquiries and a plurality of interest groups, but they had little impact upon policy decision-making.

By the end of the 1980s, however, neo-corporatist policy formation changed dramatically, becoming increasingly the preserve of informal, high level, private deliberations between leaders of the ACTU (notably the general secretary Bill Kelty), Ministers of the Federal Labor Government (in particular the Treasurer Paul Keating, the Minister for Industrial Relations, Senator Peter Cook, and the Minister for Employment Education and Training, John Dawkins), with the Life Houses.

Although not formally a party to neo-corporatist arrangements, the Life Houses were privately consulted in the process of government policy formation, and it is they who are the main beneficiaries of policy changes.

The federal co-ordinating departments, particularly Treasury, continued to influence government policy development. Union-government relations were therefore not alternative, but complementary to this mode of policy formation. The doctrinaire economic orientations of Treasury and political and economic expediency dominated all areas of policy-making. Neo-corporatist policy formation became the means to legitimate fiscal changes. Social policy-making regarding the national retirement income regime was an exemplar of these processes, as neo-corporatist policy-making became characteristically managerial, economistic and post-industrial, and government objectives focussed upon administrative and prudential aspects of superannuation funds operations. There was no discussion amongst strategic elites in government, the ACTU or the Life Houses of normative matters of social needs, social equity or social justice in retirement income, nor of long term policy objectives for the quasi-private funds, or possibilities of directing investment towards employment-generating reinvigoration of the manufacturing sector or of investment in major public infrastructure projects. The Life Houses were interested only in ensuring that there was no government regulation of investment and that their transnational speculation remained unfettered.

II) Trade Union Representation In Interest Intermediation

In contrast to the informal processes of neo-corporatist policy formation, participation by trade unions in institutionalised interest intermediation, through representation on trustee boards of industry-wide superannuation funds, conforms more closely to formal neo-corporatist models. Union and employer representatives on the trustee boards bargain equally within the constraints of government supervision and regulation. However their decisions are not freely taken. They are bound by certain economic constants, by legal, moral and financial constraints, by

their own personal and organisational resources, and by what the empirical research has shown is indeed an inherent bias in neo-corporatist enterprises.

The empirical research confirmed Panitch's argument that the logic entailed in state planning in a capitalist economy requires that neo-corporatist parties in capitalist liberal democracies accept that there are definite constants in the economic process. In the funds, the persistence of hierarchical capitalist authority structures consistently gave priority to capital and management interests, and accepted managerialist ideologies and discourses. Union trustees found capitalist accumulation logics unavoidable in fund management and investment, and increasingly came to speak the 'same language' as the management of the Life Houses which control the funds. Panitch argued that one of neo-corporatism's main functions is to diffuse the language of managerialism among union leaders, who have often been willing apprentices, since without it, their concerns appear to be irrelevant, even hostile, to the planning exercise. As discussed in Chapter One, the managerialist discourse is extraordinarily pervasive, and the co-option of union leaders into capitalist authority structures and the colonising force of managerialist cultures, morals and motives is not new.

Through responsibility for trustee board investment decision-making, union leaders have become involved in the economic realities of the capitalist macroeconomic order, and have developed a pro-capitalist syndicalism. ACTU leaders who are trustees of a number of the major funds have been particularly subject to these influences. As well, senior union appointments come increasingly from the ranks of those qualified in economics, finance or the legal professions, rather than from the union rank and file membership, and the union movement is increasingly dominated by public sector unions and right wing union factions. They seek greater integration at upper levels of the corporate economy, rather than greater power at the lower levels, for it is their expressed desire to join with owners and managers in running the corporate enterprise system and influence decisively the political economy as a whole. The research showed that it was predominantly the

female trustees who are prepared to challenge the managerialist discourses of Life House administrators and investment managers, but their small number and their lack of power in neo-corporatist enterprises presents scant challenge to the prevailing discourses.

Union and employer trustees mutually share the risk in the tripartite funds, so the success of their economic planning rests upon all trustees reaching agreement, and together bearing the burden of results of their decision-making. This they do within the economic constants of a large private investment fund operating in a capitalist world economy. The empirical analysis showed that, despite differences in personal preferences, both union and employer trustees hold convergent attitudes with regard to most management and investment objectives for the funds. On fewer than a quarter of management and investment policy objectives was there any divergence in views between union and employer trustees, although on these three issues, union trustees held more socially progressive views than did employer trustees.² While common sense expectations suggested that these traditionally opposing sectional interests would hold divergent views and there would be conflict in the trustee boards, this is not the case. Institutional arrangements and legal, moral and financial constraints ensure substantial agreement on funds management and investment priorities. There were indications from trustees that this culture of consensus between union and employer representatives has also contributed to increasing stability and industrial harmony in the broader industrial relations system.

The empirical research showed that the power and social relations of parties to interest intermediation is contingent upon their personal and organisational resources, their professional expertise, and the knowledge which they bring to the particular area of negotiations. Neo-corporatism appears to most nearly represent the shared interests of all three parties to tripartite interest intermediation when all

² As reported in Chapter Six these issues were i) extending superannuation to all employees, ii) investing in Australia, and iii) providing continuing contributions for casual and part-time employees to increase their retirement benefits.

parties have equal possibilities of participating by reason of their shared or equal levels of expertise. Disparities in knowledge result in disparities in power and social relations in neo-corporatist enterprises. When the arena of interest intermediation requires specialised knowledge, or when the sphere of operations is to some extent externally determined by legal, organisational and procedural fiat, or when the neo-corporatist enterprises lack autonomous and independent organisational infrastructures, the parties to interest intermediation have restricted decision-making power and abrogate responsibilities to outside professional managers and advisers. Trustees have largely given up control of the funds' management and investment to the Life Houses, investment managers, and legal, actuarial and other professional advisers. As the empirical study showed, these actors have an enormous degree of self-interest in remaining the unchallenged guardians of superannuation, and they, supported by their like-minded associates in the public sector (many of whom have been recruited from the Life Houses), actively promote certain interpretations of trustee responsibilities and investment priorities and exclude other alternative interpretations.

The merging of the political and industrial arms of the labour movement with their traditional protagonists, the conservative Life Houses and financial capital elites, represents a major new coalition of interests in Australia. As earlier discussed, the insurance and investment institutions have traditionally been vehemently opposed to the ALP and the unions, both organisationally and ideologically. The dependence of the trustee boards on the Life Houses and the extremely lucrative potential of being service providers to the union-initiated funds has forged mutually beneficial, though unexpected, unities - although the Life Houses are the main beneficiaries of the partnerships. There has been some softening of attitudes to labour priorities amongst the Life Houses, but the most pervasive changes are manifest amongst government, ACTU and major union leaders. Their new managerial and economic perspectives are reflected in an increasing conservatism amongst government and union elites. The co-option of union leaders into the

managerialist culture of finance capital presents the most potent form of self-defeating class collaboration. Unlike manufacturing or industrial capital, institutional finance capital has no interest in production, and, as such, conceives of priorities and preferences which are furthest from the employment and workplace interests of union members.

Australia's neo-corporatist enterprises are unrepresentative and undemocratic. They are legally constituted to be accountable and responsible only to their member beneficiaries, with no broader requirements to consider the interests of other citizens. Even for those who are members, without formal consultative mechanisms to facilitate direct participation by constituent members, levels of participatory democracy are low, and depend entirely upon the levels of participatory democracy in the major organised interests. Participatory democracy in unions in this country is much debated, but has diminished markedly with recent union amalgamations and increasing centralisation of power in the ACTU. As a result, although the particular public status of these funds requires that they regularly communicate directly to members, there are no opportunities for members to call trustees to account, or to participate directly in fund decision-making. While this is an advance on previous superannuation practice, it provides no requirement for organised interests to take account on a regular basis of the real perceived needs of members.

Those who emphasise the inability of ordinary people to understand the complexities of superannuation and international investment intentionally misinterpret the possibilities for member participation in neo-corporatist enterprises such as the funds. There is no suggestion that fund members should be involved in the minutiae of asset allocation, assessment of investment performance or actual considerations of discretionary fund benefits. Rather, participation means that members be allowed, and encouraged, to participate in discussions concerning overall goals and policy directions of the funds, perhaps through the 'Search Conference' types of participation used so successfully by Fred Emery in industrial

participation schemes.³ The requirement is rather, as Dahl says, to ensure that the public is attentive to policy formation and policy outcomes, and to provide the means by which that attention may be manifest and acted upon. I have discussed elsewhere the possibilities for enhancing member participation in neo-corporatist enterprises, suggesting that neo-corporatist enterprises should be directly accountable to Parliament, that annual meetings of members should be required, that independent consumer tribunals should be established, and that fund information should be provided in a form which is readily accessible and understandable to members.⁴ As Australia's neo-corporatist enterprises have public status and are publicly subsidised through tax concessions, information about their operations must be universally accessible to all citizens. These issues are important to maintain the public legitimacy of neo-corporatist enterprises, and to make them publicly accountable in a collectively sovereign democratic society.

III) Outcomes of Neo-Corporatist Interest Intermediation

Previous empirical studies disagree about the outcomes for union members which result from union participation in neo-corporatist developments. While Panitch concluded that union members have usually suffered as a result of social contracts and income policies forced upon them by their leaderships, Crouch and Castles found that union members had benefited from lower levels of inflation and unemployment and from higher government outlays during periods of union involvement in neo-corporatist industrial and economic arrangements. The outcomes of these neo-corporatist developments present few real gains for union members or for most other citizens. Recent neo-corporatist arrangements appear to be negatively correlated with inflation and interest rates, so that employees with savings or mortgages have gained some advantages, but the reduced real levels of income,

³ See Fred Emery, 'In Pursuit of Ideals', in *Continuing Education*, No 11, Occasional Paper, Canberra, ANU, 1976.; and Marilyn Emery (ed.), 'Searching: - for new directions, - for new ways, - for new times', in *Continuing Education*, No 12, Occasional Papers, Canberra, ANU, Centre for Continuing Education, 1976.

⁴ Shaw, 1991(d), op. cit.

reduced government outlays on the social wage, rising levels of unemployment and consequent spiralling social costs far outweigh these gains.

The gains and losses of neo-corporatist interest intermediation are disproportionately and inequitably spread throughout the community. Scholars who have examined other Australian neo-corporatist arrangements in the Accord and EPAC found that those who gained most benefits are highly skilled, highly paid and highly unionised (mostly male) workers. So, too, these are the groups which gain most from the extension of superannuation benefits, although with the lack of government guarantees, even their gains may be ephemeral. Unions have a particular set of preferences and make explicit trade-offs concerning unemployment and social wage enhancement with other parties in neo-corporatist arrangements, but the inherent bias and asymmetry in neo-corporatist enterprises towards the interests of capital is even more skewed in the context of Australia's current governing consensus of political rationality which is dominated by economic rationalist, free-market and neo-classical economic orthodoxies.

IV) A Betrayal of Democracy?

Government replacement of parliamentarist and pluralist interest group representation with institutionalised neo-corporatist policy-making has progressively eroded the opportunities for public participation and threatened the democratic legitimacy of policy-making in Australia. With the move to neo-corporatist arrangements, citizens not represented by major organised interest groups are excluded from participation in policy-making. Unorganised employees, individuals, female employees, those not in the workforce, and the unemployed, as well as welfare, environmental and other special interests in society, have no part in neo-corporatist policy-making. Even pluralist interests traditionally involved in the retirement income regime were not consulted in the process of these policy changes. They complained that policy changes were made arbitrarily, their only option being to respond to policy developments after decisions had been made, and to perhaps

procure amendments in policy implementation. While government representation ostensibly represents the electorate, without accountability there has been a clear marginalisation of broader social interests. Unions and employers have become part of the political order, but they are not accessible or accountable to Australian citizens in the way that political parties are. With the establishment of this second circuit of representation in the Australian polity which is not accountable to the electorate, the sovereignty of legislative and territorial forms of decision-making has been diminished. Direct parliamentary representation of citizens and voluntary representation of multiple, dispersed, non-hierarchical pluralist interests, the traditional bases of liberal-democratic regimes, have been drastically reduced.

8.3 CONCLUSIONS

Trade union participation in national economic planning and policy-making has vastly increased the political power of ACTU and major union leaders, and has given them the opportunity to influence decisively the corporate political economy. But as a result, the union movement has become more organisationally dependent upon government, and the goals and objectives of the union movement have become increasingly complex and structurally differentiated. In bargaining over policy outcomes, the unions have been forced to set priorities, diminish their unallied group self-interest, and in the interests of political and industrial expediency have had to trade-off more traditional union goals of employment security and direct wage benefits for certain system-regarding priorities, avowedly in the national interest.

Union participation in the transformation of the national retirement income regime provided an opportunity to examine empirically, from within the process of these changes, the role of the unions in both neo-corporatist policy formation and interest intermediation. There was an abundance of theoretical critiques of the incorporation of major organised interests into the political order, but empirically-tested sociological analyses of the emergence, dynamic processes and social consequences of such developments had been rare in Australia or overseas. In order

to examine the role of unions in comprehensively representing the interests of wage-dependent persons, three propositions were explored. These were:-

Proposition 1 : Direct trade union participation in public policy-making, particularly social policy-making, produces significant benefits for the wage-dependent.

Proposition 2: Incorporation of trade unions in neo-corporatist arrangements socialises the processes of national economic planning and public policy-making.

Proposition 3: Incorporation of trade unions in neo-corporatist arrangements demobilises the unions and their membership.

Exploring my first proposition, I found that the unions were the instigators of these policy changes, but that in the dynamic process of government strategic policy formation, many of the unions' original redistributive objectives were abandoned, and the benefits of these changes were lost for substantial proportions of wage-dependent persons. As social policies became ineluctably contingent upon economic, industry and income policies, previously prevailing notions of the separation between the social and politico-economic spheres of public policy-making were ruptured. No longer were social policies predicated upon morally binding interpretations of social needs and social justice, or policy goals of social adequacy or social equity, but were entirely dictated by political, economic and industrial expediency. The gains and losses of the development of the new quasi-private retirement income regime have been disproportionately and inequitably spread throughout the community, and the net gain to the national economy is widely disputed. The major winners have been the government and the Life Houses, and the main losers have been those sectors of society which are already disadvantaged economically, and will be dependent upon government-provided benefits in retirement. In between, a range of other interests have been advantaged or disadvantaged to varying extents. This demonstrated the limits of neo-corporatist

policy-making to comprehensively represent either the interests of all wage-dependent persons or wider social forces.

Addressing Proposition Two, I conclude that incorporation of trade unions in Australia's particular neo-corporatist arrangements has not socialised the processes of national economic planning and public policy-making. Neither union members nor citizens have gained any greater socialised access or accountability in national economic planning or policy-making as a result of the adoption of neo-corporatist developments. Rather, the direct parliamentary representation of citizens and voluntaristic mobilisation of interests through pluralist representation in policy-making have been drastically reduced. As well, the absence of other channels of representation has resulted in a lack of alternative competing forms of political expression. Australia's neo-corporatist enterprises are unrepresentative and undemocratic, and are biased towards the interests of capital, particularly finance capital. Six factors are implicated:-

1. The essentially capitalist hierarchical structures and scope of operations of neo-corporatist enterprises
2. The lack of participatory democracy in the funds or within major organised interests
3. The legal, moral and financial constraints on parties to interest intermediation
4. The persistence of a labourist culture and the lack of strong decentralised structures or active membership within the labour movement
5. The lack of independent and autonomous organisational structures in neo-corporatist arrangements
6. The predominance of an aggressively marketed control of the sector by the Life Houses.

Addressing Proposition Three, seemingly paradoxically, although union leaders have gained more power than at any previous time in Australia's history, their commitment to national electoral and economic priorities, their increasing

alienation from their own members and the multiplicity of union goals has substantially demobilised the unions and their members. Class mobilisation, direct industrial action, and demands for job protection, industrial democracy or radical social change have all been diminished. Unions have been committed to accept policy changes, to endorse and implement such policies, and to gain the compliance and discipline of their members to accept such policies without conflict. In Australia's neo-corporatist developments, only the leaders of the major organised groups are directly involved, giving priority to the policy interests of the major organised groups rather than those of the constituent interests they represent. Lack of active participation disempowers union members, as well as diverting employee mobilisation and demands for radical social change. Neo-corporatist developments have provided the most sustained period of industrial harmony and absence of direct industrial action in Australia's history. Unions have become a force for social control and for disciplining their members. The field research established that incorporation of unions into public policy-making has led to bargaining over policy outcomes between leaders of the ACTU and government, with unions often entering into agreements which resulted in their favouring the system, and diminishing their commitment to the particular interests of their constituent members. This has had direct consequences for the type of demands being made and the intensity and unity by which demands are supported. In the process of neo-corporatist policy bargaining, unions have been forced to trade-off some of their earlier social democratic demands which prescribed that superannuation benefits were additional to direct wage increases, should be granted universally and should accommodate the active decision-making of members. Strategic trade-offs have consistently advantaged capital interests, while unions have been required to behave predictably and refrain from any non-negotiable demands or unacceptable tactics, and actively seek to redirect members' interests to accept government policies.

Union leaders have been incorporated into capitalist authority structures, have developed pro-capitalist syndicalist and managerialist cultures and have become more conservative. They have become increasingly divorced from their members and have sacrificed more traditional labour interests. Union leaders no longer merely reflect or represent interests, but are part of the process of forming interests. Their participation in neo-corporatist policy-making has ensured that unions are involved only in a subordinate way, that their power remains sectorally confined and that at no stage is there any opportunity for them to influence decisively national economic planning. Unions have become virtually an arm of government, becoming increasingly dependent upon government for union resources which threatens the autonomy, independence and stability of the union movement.

One of the major areas of debate in the literature concerns whether neo-corporatism is an agent of, or an obstruction to, political and social transformation. This empirical research has shown that the extent to which social democratic parties and centralised trade unions do in fact represent working class interests and seek socially transformative policy outcomes cannot be taken for granted. As the processes of neo-corporatist policy-making examined here demonstrate, neo-corporatist outcomes are contingent upon a range of economic, socio-political and cultural factors, and therefore must be regarded as culturally and historically contingent and empirically variable.

Despite this, in Australia's neo-corporatist developments, this thesis has identified that there does exist a 'window of opportunity' which may well allow progress towards economic democracy. The institutionalised representation of unions as equal owners and controllers of increasingly economically powerful national neo-corporatist enterprises is potentially socially transformative. This is a major new development in the economic history of Australia, and represents a shift in the ownership of capital. Erstwhile, the patterns of investment are conservative, and these developments have not yet produced any significant extension of

economic and industrial democracy in Australia. Public debates overseas regarding the sound financial investment returns from ethical investments and the need for broader social orientations and social responsibility are attracting considerable interest, and lend legitimacy to trustees in this country who are making tentative proposals for alternative investment options for the funds. There are indications that with the growth of the funds, increasing levels of confidence by trustees, and a potential for mobilisation of members, some progressive changes are developing.

Neo-corporatism promises social, political and industrial stability and a means to accommodate major organised interests in the context of national advancement. It works best when social democratic parties are in government, when organised labour is most centralised and has clearly articulated universal goals, and when the economy is most buoyant and able to accommodate compromise outcomes. But a conjunction of economic decline, changes in political culture, reductions in trade union power and a return to conservative governments threatens the stability of neo-corporatist arrangements. In periods of scarcity and economic decline, mutually acceptable agreements which take account of the contradictory interests of major organised parties become competitive, and hence far more difficult to reach. The substantive regularities and continued success of neo-corporatist arrangements are contingent upon political and economic conditions, the prevailing political culture and political rationality of the government of the day. Some likely future trajectories are now discussed.

8.4 FUTURE TRAJECTORIES FOR AUSTRALIA'S NEO-CORPORATIST DEVELOPMENTS?

Rarely do theorists see radical or progressive possibilities for neo-corporatist developments. At best, they are seen as a pragmatic form of accommodating the interests of labour, producing economic growth and stability, increasing productivity and, in those ways, benefiting the interests of labour. At worst, neo-corporatism presents as an instrument for containing the demands of

labour, disciplining labour even unto the extremes of fascist control. The major threats to the stability of this country's neo-corporatist arrangements come either from contradictions within neo-corporatist enterprises, from changing political and economic conditions which might make the persistence of neo-corporatist arrangements untenable, or from the mobilisation of other competing interests excluded from neo-corporatist arrangements. Six possible trajectories for neo-corporatist developments in this country are now considered.

One, the inherent bias of neo-corporatist arrangements, the particular managerialist post-industrial nature of current neo-corporatist developments and the present lack of organised resistance to neo-corporatist arrangements may support the continued unchallenged persistence of neo-corporatist arrangements. Within neo-corporatist enterprises similarly, the asymmetry of power relations and the predominance of capital over labour may require that unions continue to be obliged to control the workforce and perform a stabilising function in society, in order to continue to be involved in national economic planning and policy-making, albeit in a subordinate way. If the Federal Labor Government were to lose office, unions would lose rights to participate in policy formation, but it is likely that neo-corporatist interest intermediation, such as in the superannuation funds, would continue, as such arrangements offer valuable means for regulation of social and industrial conflict.

Two, over coming years Australia's employees may well become conscious of the 'rigged game' they have been tricked into playing, and will rebel against it. Employees may reject the monopolistic representation of major organised interests and demand direct representation in the funds. Fund member beneficiaries may challenge the autonomy and independence of trustee representatives in the funds. This would seriously undermine the influence of unions seeking to maintain their mandate in the funds. The vast majority of fund members are not union members,⁵

⁵ No figures are available of proportions of superannuation fund members who are union members. Despite trade unions initiating industry-wide superannuation funds, benefits were never restricted

and as Offe suggests, trade union unity is threatened when non-union members are legally prescribed access to benefits regardless of union membership,⁶ as is the case in award-based and now compulsorily legislated superannuation benefits. Neo-corporatist developments would therefore not be undermined, but would be outflanked by demands to disrupt the present monopolisation of interest representation in the funds, replacing them with more pluralistic and competitive representation.

Three, rank and file union members could mobilise within the unions, and make demands that are impossible to achieve unless the inherent bias of neo-corporatism is overcome. Then, in order to maintain the loyalty and allegiance of their members, union leaders could be forced to make demands in neo-corporatist negotiations which represent the 'real' direct interests of their members. Those most likely to take action are highly-skilled employees, in secure employment sectors, who have most to gain from superannuation benefits, and would mobilise were there to be any threat to the fidelity of their accumulated retirement savings in the funds. Were there to be continued erosion of employment or real wage levels as a result of union compliance with negotiated neo-corporatist policies, there may be a backlash against unions and unionism, even from within the ranks of union members, that would accord with the political agendas of newly elected conservative state governments, such as the Kennett Government in Victoria which are committed to deregulating the labour market, mobilising anti-union feeling in the community and thereby reducing union power. Election of a conservative federal government would present similar problems for the unions on a national scale.

Alternatively, the possibility of radical action by union members mobilising against neo-corporatist developments may be diminished as a result of the changing nature of the union movement. As unions shift to become more and more a service

to union members, the union movement has never used fund membership as a recruiting, and award-based and now legislated entitlements cover all employees regardless of union affiliation.

⁶ Offe, 1985, op. cit. p. 251.

agency, and less and less a focus of political aspiration and personal identity,⁷ in my view this will inhibit rank and file mobilisation. Increasingly, union members see union dues as a fee for services performed (payments which are increasingly involuntary),⁸ and they demand in return some measure of efficiency and effectiveness in performance. As well, the strong mythological promises of occupational superannuation, supported by mass media advertising of superannuated retirement income lifestyles and fear of penury in old age, will continue to divert members from direct action, despite the lack of government guarantees for the probity and security of employees' accumulated savings in the funds.

Four, challenges may arise from outside neo-corporatist arrangements. Either social groups and/or community interests, excluded from neo-corporatist decision-making, will grow hostile to 'the system' and generate social unrest and social conflict about their exclusion from the process of policy development and implementation. Already consumer organisations, welfare groups, and women's organisations are becoming outspoken at the policy irrationality of policy-making. Apart from challenges from those who complain they are excluded, populist suspicion of large aggregations of union power may well mobilise political appeals of a variety of kinds which demand the abolition of neo-corporatist arrangements.

Five, the diminution of centralised industrial relations, the increasing preponderance of enterprise collective bargaining, and the expected further decline in union membership and the unions' inability to unionise expanding sectors of the labour force means that membership militancy will find expression through alternative political channels. These could be welfare organisations, consumer groups, women's organisations, aged and pensioner groups, or perhaps political

⁷ As predicted by Michael Easson, General Secretary, NSW Labor Council, research interview, July, 1992.

⁸ The focus of membership recruitment falls increasingly into the range of services provided such as union members discounts on goods and services, rather than doctrinaire collective aspirations of a social or political nature. For example, one major union, the ASU now offers a range of services including special discounts on movie tickets, financial and taxation advice.

parties or social movements or even single issue political candidates, inclined to take a stand on retirement income policies and the future of occupational superannuation. Such possibilities offer progressive potential for alliances which could be forged between union members and some of the above groups, unified by their opposition to the persistence of neo-corporatist arrangements and the lack of representation of their interests.

Six, there may also be demands for a return to more parliamentary and social democratic forms of policy-making. Political resistance may emerge to 'user-pays' principles and to the likely deterioration in government-provided benefits, resulting in a return to 19th century conceptions of welfare based on charity. There is a long standing cultural expectation in Australia that government has a responsibility to provide for the retirement income and health needs of citizens. Evidence of increasing social inequalities in Australia in the 1990s may alert the public to the long term social consequences of current policy trajectories. It may well be that people's expectations for a lifestyle in retirement, substantially created by government, union and Life House sophisticated marketing campaigns for occupational superannuation, will not align with and provide plausibility for economic liberal approaches which ignore more universal and morally binding interpretations of the needs of the aged. According to Muetzelfeldt, family responsibilities (however defined), community and nation remain important for many Australians.⁹ Even for those who do not share these identifications, the women's and environmental movements and the social import of ethnic identities testify to the ongoing significance of relations based on social solidarity rather than contractual individualism. These solidarities are active processes that continue to reproduce social relationships and modes of rationality that are contradictory to those of the market. These processes may well provide cultural support for alternative political mobilisations and a countervailing politics which will threaten the unchallenged persistence of neo-corporatist policy-making.

⁹ Muetzelfeldt, 1992, *op. cit.*, p.210.

The impact of the election of a conservative federal government may produce entirely new circumstances. As detailed above, selected forms of neo-corporatist interest intermediation, in enterprises such as superannuation funds, may continue to be supported by government, but the persistence of neo-corporatist policy formation would very unlikely. Greatly reduced levels of union membership and the lack of independent resources may well make it difficult for unions to mount strong opposition to their exclusion from public policy-making. Politicians and policy-makers will be watching for portents of likely trajectories which may arise when neo-corporatist arrangements are threatened such as in the wake of the election of the Kennett conservative government in Victoria. The Victorian Government and the unions are locked in battle, and there has been a dramatic increase in militant action by the unions which seriously threatens social and economic stability and has already produced an extensive mobilisation of union members and citizens in that state.¹⁰ After years of neo-corporatist incorporation, the union movement is having to re-establish decentralised organisational structures in order to mobilise industrial strike action, demonstrating the erosion of organisational unionism which results from prolonged periods of consensual neo-corporatist representation of unions in neo-corporatist processes.

8.5 FURTHER RESEARCH

As competing interests vie for shares of often diminishing resources, the role of major organised interests in the political order is a prominent concern for the governability of society and for the equitable distribution of rewards and resources in society. The range of important future research priorities is immense. But, for me, the most vital issues are the social dimensions of these developments. There was no more telling indication for me of the salience of my work than in my interview with the Assistant Secretary of Treasury, his first comment was 'Why on earth would a

¹⁰ Unions have responded with strike action to the widespread industrial changes and dismantling of many neo-corporatist arrangements in Victoria announced by the new Kennett Government since its election in October, 1992.

sociologist be interested in superannuation?'. The social dimensions of what I believe represents a major shift in Australian society needs continuing and rigorous academic analysis.

Research in an area which is growing in importance at an unprecedented rate, and which is virtually unresearched, means that the range of issues which need to be investigated is immense. While the transformation of the national retirement income regime was used as an exemplar of the new relations between social power and political authority in contemporary Australian society, the emergence of occupational superannuation as a major plank of national economic planning means that the substantive issues demand continuing and rigorous sociological scrutiny.

The equity and adequacy of the new retirement income regime and the social consequences of an income replacement system of private savings rather than a needs-based system require major study. It is important to clarify the effects of these social policy developments on broader conceptual formulations of Australia's welfare state. Addressing the formulations discussed in Chapter Three, I concluded that historically Australia could be seen, as Castle's suggests, as a nucleus of a fourth cluster of radical welfare states. Changes in the national retirement income regime, in my view, bring Australia's welfare state far more clearly into the liberal cluster of welfare states, as suggested by Esping-Andersen. The impact of the privatisation of retirement income regime must still further diminish the levels of de-commodification and the social rights of Australia's citizens. This needs further clarification. As outlined early in the thesis, union involvement in neo-corporatist developments were largely inspired by Scandinavian neo-corporatist experiences, and by Sweden's wage-earner funds of the 1980s. Current changes to the national retirement income regime bring Australia's experiences more closely in line with the national retirement income regime in Finland, and a cross-national comparative empirical study of the policy patterns, institutional arrangements and internal governance of the quasi-private retirement income regimes in Australia and Finland will provide valuable insights for future Australian developments.

The persistence of inequities in the provision of superannuation needs further study. In particular the patterns of women's participation in the workforce make it very difficult for women to accumulate adequate retirement income entitlements. Alternative models, perhaps the possibilities of increasing employer contributions in the first years of employment, need to be investigated, in order that female employees with a shorter working life may accrue a reasonable entitlement to retirement income. Issues of fund management and investment practices which take account of more long term and broader socially responsible priorities are important issues for research and consideration. Fund members must be allowed and encouraged to participate directly in the process of such deliberations, as, too, must ordinary citizens, that the funds gain major fiscal subsidies, confers upon the public the right to challenge the unfettered role of the Life Houses in terms of Australia's national interest and the future of Australian society.

Examination of the internal governance of neo-corporatist enterprises requires further study. The organisational practices, culture and social relations of interest intermediation in large economic corporate enterprises offer important insights into corporate governance. There is widespread current concern, both in Australia and overseas, about standards of corporate responsibility and corporate governance in economic enterprises. While the current government attitude in Australia seems to be to increase and tighten legal and regulatory sanctions, my research established that increased 'black and white' legal statute does not guard against malfeasance. My analysis of the parties to interest intermediation in these funds demonstrates that they have a high commitment to the probity of the funds and the fidelity of members' investments. Herein lies an opportunity to identify the factors which contribute to constructions of corporate moral values and the relationships of trust in the corporate world. The possibilities of increasing women's participation in corporate governance may be advanced by further study of the participation of women in the trustee boards of the funds. The research findings revealed the extraordinarily important role of female trustees in the neo-corporatist

enterprises. It is they who are most active at the interstices of forging a new approach to the management and investment decision-making in the funds, and further research needs to be undertaken to identify how to increase the possibilities of their and other women's contributions in the funds.

These developments present possibilities for major widespread social change. The Life Houses are already planning widespread and aggressive marketing campaigns to create new attitudes to personal savings and expectations of retirement lifestyles. This is a new construction of social reality and represents the intentional creation, or might I say recreation, of 19th century attitudes to charity and welfare and the rights and expectations of the aged in society. These marketing campaigns are already operating in the USA, and there is considerable interest in the Life Houses in Australia in adopting these approaches. Two areas demand specific investigation. The nature of the campaigns and identification of audience responses is one area. Another perspective would be to undertake textual analysis of the campaigns using semiotic analysis. Such worldwide campaigns by transnational institutional finance to change public attitudes to parsimony and personal savings through the construction of new social realities of fear and anxiety about penury in old age must be investigated.

Social change develops at the interstices of social and cultural norms and practices, and it is here that we may best explore the trajectories of future social and cultural phenomena. Changing demographic patterns and declining economic resources present new challenges for accommodating a just and equitable society. These are issues that cannot simply be left to the market to decide.

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APPENDIX A: LIST OF RESEARCH INTERVIEWS

Adcock, Warren, Executive Chairman, E.H. Brett & Son Pty. July 1991.

Balchin, J., Former research officer, ASFA, Sydney, February 1991.

Ballas, Sam, AMP Unit Trust Manager, July 1992.

Beetham, Richard, Insurance and Superannuation Commissioner, October 1991.

Bevan, Bruce, REST Trustee, April 4, 1990.

Bloch, Jo-Anne, NSW Marketing & Development Manager, Nexis Pty Ltd (National Mutual subsidiary), June 1990, July 1991.

Booth, Anna, Federal Secretary, Clothing and Allied Trade Union,

Boyle, Bill, BUS Fund Co-ordinator, April 1990.

BWIU industrial officers, March 1992.

Byrne, Jill, Federal Bureau of Consumer Affairs, October 1992.

Cambourne, Jack, Former General Secretary, FEDFA, and CTRF trustee, 1990, 1991 & 1992.

Clements, Roy, South Australian Co-ordinator, ARF, March 1990.

Connor, Louise, Co-ordinator, JUST, March 1990.

Cox, Eva, Director, Women's Economic Think Tank, March, 1992.

Cox, Peter, Former ASFA President, Sydney, March 1991.

Crivelli, Mike, Principal, Bankers' Trust Australia, Sydney, May 1991.

Daley, Brian, Assistant Federal Secretary of the Liquor, Hospitality and Miscellaneous Workers' Union, November 1991.

Davidson, Peter, Research Officer, ACOSS, Sydney. February 1992.

Davis, Ed, Macquarie University, Sydney, October 1987.

Davis, Noel, Senior Associate, Clayton Utz, Solicitor, December 1990, April 1991 & March 1992.

Dean, Ron, Deputy Commissioner, Insurance and Superannuation Commission,, March 1991.

Delaher, Adrian, LUCRF officer, Melbourne, June 1988.

Devlin, Mike, TWU Trustee, January 1990

Disney, Julian, Australian National University, formerly executive director, ACOSS, June 1992.

Dixon, Daryl, Former Treasury Officer and now author and superannuation consultant, November 1989, 1991.

Doherty, Alex, Victorian Co-ordinator, BUS fund, November 1991.

Michael Easson, General Secretary, NSW Labor Council, research interview, July, 1992.

Eling, Stan, Co-ordinator, STA, April 1990.

Elix, Jane, Australian Federation of Consumer Organisations, July 1991.

Eriksson, Trevor, General Manager, MLC Superannuation, May 1992.

Fallick, Leslie, Senior Private Secretary, Office of the Speaker, April 1990, July 1991.

Fairley, Andrew, Hunt & Hunt, March 1991, November 1991 & February 1992.

Foster, Robin, Reserve Bank, March 1990.

Fowler, Greg, Queensland co-ordinator, ARF QLD, April 1990.

Grant, Sandy, Jacques Martin Pty Ltd Managing Director, Melbourne, July 1989, March 1991.

Grillo, Delphina, Financial Director Unisuper, May 1992.

Gruen, Fred, economist, ANU, Canberra, February 1991.

Hamer, John, Bankers' Trust Australia, March 1990.

Hamilton, Frances, NSW & ACT co-ordinator STA, April 1990.

Heath, Cheryl, NSW & ACT co-ordinator HESTA, June 1990.

Jones, Bob, AMP Manager Industry Superannuation, Sydney. April 1990, December 1991, March 1992.

Keating, Michael, Head of Prime Minister's Cabinet, July 1986.

Knapman, Keith, TPF & C superannuation consultant, April 1990.

Kneen, Beth, Secretary PPWFA, April 1990.

Lillicrap, George, General Manager, REST, September 1992.

Lovell, Ken, BUS trustee, March 1990.

MacDonald, Tom, Union representative on the BUS trustee board, March 1991.

Mason, Russell, Principal of Mercer Campbell Cook and Knight, May 1990, June 1991.

Mason, Stephen, ALRC, November 1991.

McElhone, Briare, HOST-PLUS Co-ordinator, June 1990.

McKay, Michael, Former ACTU co-ordinator of industry-wide superannuation funds, May 1988, March 1991.

McTaggart, Greg, Senior Director Industry Funds Management, Jacques Martin Pty Ltd, May 1990.

McWhinney, Bob, NSW co-ordinator, BUS, AUST, August 1991.

Menzies, Bob, Co-ordinator, NGSF, Sydney, December 1989.

Muetzefeldt, Michael, May 1992.

Nash, Jeff, Capita fund manager, March 28 1990.

Newby, Patricia, Emergency Services Superannuation Scheme trustee, July 1991.

Paskin, Jane, Senior Associate, Clayton Utz, Solicitor, November 1991 & October 1992.

Patterson, Nigel, D.S.S. Canberra, October 1992.

Pickard, Mary, Industrial Officer, FAUSA, March 1991.

Purvis, James, Managing Director, Purvis, van Eyk and Company Limited, March 1992.

Robertson, Mavis, ACTU National Industry Superannuation Co-ordinator, Melbourne, March 1988, February, March 1990, March 1992.

Robinson, Ian, Assistant Secretary, The Treasury, Taxation Policy Division, Canberra, October 1992.

Roast, Brad, Finance Manager, Pacific Aviation, September 1991.

Ross, Iain, Assistant General Secretary, ACTU, February 1990.

Rose, Alan, Secretary of the Attorney-General's Department, September 1991.

Rowlands, Ed, Executive officer, ARF, September 1991.

Rubenstein, Linda, Liquor Trade Union trustee, April 1990.

Saint, Harry, Administrator, LUCRF, Melbourne, July 1989, July 1990.

Savino Claude, Victorian/Tasmanian co-ordinator HESTA, April 1990.

Scullin, Brian, Executive Director ASFA, October 1991.

Sword, Greg, General Secretary, Federated Storemen and Packers' Union (now the National Union of Workers), 1978, 1987, 1988, 1989, 1990.

Taylor, R. Company Secretary, Newcom Collieries, November 1991.

Twomey, Cyril, Consultant Towers Perrin, December 1991.

Van Woerkom, Robert, National Administration Director, Jacques Martin Pty. Ltd, April, May, October 1990.

Vaughan, Greg, Rothschild, Sydney, November 1991.

Vaughan, Greg, TPF & C senior officer, Sydney. November 1991.

Weaven, Garry, Former ACTU Assistant General Secretary, March 1987, July 1989, March 1990, March 1991, May 1992.

White, Chris, TPF & C actuarial and investment consultant, Melbourne, November 1991.

Wright, Laura, NGSSC trustee, July 1991.

**APPENDIX B: STATISTICAL ASSESSMENT
OF THE INFLUENCE OF
SECTIONAL INTERESTS ON
POLICY OUTCOMES**

The contingency table analysis of the field survey of the trustees of industry-wide funds revealed that there is considerable diversity in the expressed preferences and policy objectives of union and employer trustees. As discussed in Chapter Six, these differences were verified as statistically significant by use of the Chi Square statistical procedure, and to take into account the effect of confounding variables, I extended my analysis by doing logistic regression on 16 of the dependent variables by which I had measured trustee preferences and policy objectives. I included in the chapter a brief example of the logistic regression modelling procedure, and here I provide further amplification of the statistical models.

Regression methods have become an integral component of any data analysis concerned with describing the relationship between a response variable and one or more explanatory variables. As is often the case in social research, the outcome or dependent variables in this analysis of trustees' attitudes and policy intentions are binary or dichotomous variables (the responses being that trustees either consider a certain policy to be important or not, and either intend to incorporate certain policy objectives in their fund or not). The approach taken therefore is to develop the model using logistic regression approaches, in a manner analogous to what would be considered good statistical practice for linear regression. The difference between logistic and linear regression is reflected both in the choice of a parametric model and in the assumptions which underlie the modelling procedure. Once the difference is accounted for, the methods employed in the analysis using logistic regression follow the same general principles used in linear regression. In the analysis, it is assumed that the logistic regression model has been applied, that the variables in the model are significant in either a sociological or statistical sense, and that the model fits according to some statistical measure of fit (in this case significant at the .05 level).

In addition to their sociological salience, the independent covariates exhibited at least a moderate level of association, and individual odds ratios were estimated (along with confidence limits). The sample size ($n=197$) was adequate to support a numerically stable multivariate model, and initially the multivariate model was analysed using all 9

independent covariates. A backward elimination procedure was then used to refine the definition of the model to incorporate only those variables which were most statistically relevant, thereby reducing the standard error in the model. The 16 dependent variables canvassed trustees' policy attitudes (8 variables) and policy intentions (8 variables) with regard to extending superannuation benefits to all employees (EXTEND); whether trustees consider that gaining the highest financial returns is a primary objective of the fund (HRETURN); whether trustees identify investing in Australia as a priority (INVAUS); whether trustees consider that socially responsible investment is an important objective (SOCRESP); whether trustees want to encourage voluntary member contributions to the fund (MCONTRIB); whether trustees will seek additional superannuation contributions to make benefits more equitable for casual and part-time employees (CASUAL); whether trustees report directly and regularly to fund members (REPORT); and whether trustees consider ecologically and environmentally sustainable priorities in investment allocation (ENVIRON).

Interpretation of the model allowed practical inferences to be drawn from the estimated coefficients in the model, in order to address the question -*What do the estimated coefficients in the model tell us about the relationship between sectional interests, on a range of 16 dependent variables or outcomes, after adjusting or controlling for other selected covariates?* This afforded the opportunity to statistically model the relationship that sectional interests have in policy-making in structures of interest intermediation. Only those three models which produced significant estimations were included in the chapter. The other five models are included below.

In order to explain the analysis, a detailed explanation of the first table (presented in Chapter 6), modelling the relationship of the type of trustee representative and other independent covariates with the dependent variable EXTEND, whether superannuation contributions should be extended to all employees, is presented with examples to demonstrate the implications of the statistical procedures and estimations. This will provide the means for assessing the three models included in the chapter and the five models below.

Let Y=1 if the respondent is opposed to extension, and Y=0 otherwise.

Let A=1 if the respondent is an employer trustee, and A=0 if the respondent is a union trustee.

$$\text{Log} \frac{\{\text{Pr}(Y=1|\dots\text{given all other variables})\}}{\{\text{Pr}(Y=0|\dots\text{given all other variables})\}} = \text{constant} - .321 * \text{JUSTIFY} - 0.321 * \text{TIME} + 1.805 * \text{TYPR}$$

$$\text{Log} \frac{\{\text{Pr}(Y=1|\dots\text{given all other variables \& employer})\}}{\{\text{Pr}(Y=0|\dots\text{given all other variables}) \& employer\}} = \text{constant} - .321 * \text{JUSTIFY} - 0.321 * \text{TIME} + 1.805 * \text{TYPR}$$

$$\text{Log} \frac{\{\text{Pr}(Y=1|\dots\text{given all other variables \& union})\}}{\{\text{Pr}(Y=0|\dots\text{given all other variables}) \& union\}} = \text{constant} - .321 * \text{JUSTIFY} - 0.321 * \text{TIME} + 0 * \text{TYPR}$$

$$\text{Log}(\text{employer}) - \text{log}(\text{union}) = 1.805$$

$$\frac{\text{Pr}(Y=1|\dots\text{other variables with employer})}{\text{Pr}(Y=0|\dots\text{other variables with employer})} \frac{\text{Pr}(Y=1|\dots\text{other variables with union})}{\text{Pr}(Y=0|\dots\text{other variables with union})} = e^{1.805} = 6$$

$$\frac{\text{Pr}(Y=1|\dots\text{other variables with employer})}{\text{Pr}(Y=0|\dots\text{other variables with employer})} = \frac{6 \text{Pr}(Y=1|\text{other variables with union})}{\text{Pr}(Y=0|\text{other variables with union})}$$

$$\frac{\text{Pr}(\text{not import}|\text{other variables with employer})}{\text{Pr}(\text{important}|\text{other variables with employer})} = \frac{6 \text{Pr}(\text{not import}|\text{other variables with union})}{\text{Pr}(\text{important}|\text{other variables with union})}$$

$$\frac{\text{Pr}(\text{important}|\text{other variables with employer})}{\text{Pr}(\text{not import}|\text{other variables with employer})} = \frac{\text{Pr}(\text{important}|\text{other variables with union})}{6 \text{Pr}(\text{not important}|\text{other variables with union})}$$

$$\frac{\text{Pr}(\text{important}|\text{other variables with union})}{\text{Pr}(\text{not important}|\text{other variables with union})} = \frac{6 \text{Pr}(\text{important}|\text{other variables with employer})}{\text{Pr}(\text{not important}|\text{other variables with employer})}$$

and, 6 is the odds ratio.

For example:

If 10% of employers think extending benefits to all employees is important, 90% of employers think not.

$$\frac{\text{Pr (Important)}}{\text{Pr (Not Important) Employers}} = 1/9$$

$$\frac{\text{Pr (Important)}}{\text{Pr (Not Important) Union}} = 6/9 = 2/3$$

$$\text{Pr (Important|Unions)} = 40\%$$

$$\text{Pr (Unimportant|Unions)} = 60\%$$

$$\text{So } 6.077 \simeq e^{1.805}$$

If our best estimate of the coefficient of TYPR-2 is 1.805, then the StErr gives the following information:

1.805 \pm 2 StErr is 95% confidence interval

$$1.805 \pm 1.4 = (.405, 3.205)$$

$$\begin{array}{ll} 1.805 & \text{lower limit } .405 \\ & \text{upper limit } 3.205 \end{array}$$

$$e^{1.805} = 6 \qquad e^{.405} = 1.5$$

$$e^{3.205} = 24.66$$

The p-value equals the probability of getting a value of estimate as high or higher than the one obtained, given that the null hypothesis is true. The p-value tries to measure how extreme the sample is, given that the null hypothesis is true. If the p-value is very small (for example 1%), then either a rare event has occurred or the null hypothesis is false.

For example: When the response variable is EXTEND (extending benefits to all employees), and the independent variable is TYPR (type of trustee representative), the null hypothesis is that there is no difference between union trustee and employer trustee odds ratios. The odds ratio column shows the estimate of ratio of odds ratios (for example in this instance this is 6.077). The null hypothesis is that this ratio of odds ratios is 1. So, keeping the other variables constant, the estimated difference in the log odds ratio between employer and unionist is 1.81 with a standard error of 0.7 and a p-value of only 1%.

Hence it is extremely unlikely that $b_1=0$, that is, it is extremely unlikely that the null hypothesis holds - that there is no difference between unionists and employers in their attitudes to extending superannuation benefits to all employees. The logistic regression model shows that the ratio of the odds ratio is over 6 in this table. Therefore, the probability of a union trustee having a preference for extending superannuation benefits to all employees over a union trustee who thinks this is not important is six times greater than the ratio of those preferences for an employer trustee. This has presented a full explanation of the logistic regression modelling procedure used in the statistical analysis. The logistic regression models which showed that statistically there were differences in policy attitudes between union and employer trustees were included in Chapter Six. Those models which did not show statistically significant results are included in the following pages.

TABLE A.1 - TRUSTEE ATTITUDES TO SOCIALLY RESPONSIBLE INVESTMENT

Logistic Regression Analysis Response: SOCRESP

Column	Name	Coeff	StErr	Pvalue	Odds	0.95	CI
0	Constant	-3.182	1.294	0.014			
2	LIABILIT	-0.230	0.486	0.636	0.795	0.306	2.061
10	JUSTIFY	-0.016	0.616	0.979	0.984	0.294	3.293
12	TIME	0.018	0.034	0.594	1.018	0.953	1.088
13	COURSE S	0.814	0.539	0.131	2.256	0.784	6.492
14	EDUC-2	-1.033	0.941	0.272	0.356	0.056	2.251
15	EDUC-3	-1.414	1.202	0.240	0.243	0.023	2.567
16	EDUC-4	0.552	0.618	0.372	1.736	0.517	5.827
17	EDUC-5	-0.675	1.321	0.609	0.509	0.038	6.776
19	STDA-3	-0.077	0.825	0.925	0.926	0.184	4.663
20	STDA-4	0.381	0.979	0.697	1.464	0.215	9.968
21	STDA-5	-0.339	0.834	0.684	0.713	0.139	3.651
22	STDA-6	0.742	1.357	0.585	2.100	0.147	30.020
23	GENDER	0.126	0.962	0.896	1.134	0.172	7.468
24	AGE	0.374	0.292	0.200	1.454	0.820	2.578
1	TYPR-2*	0.340	0.564	0.547	1.404	0.465	4.242

Estimated coefficients, estimated standard errors, p-values, and odds ratios for the multiple logistic regression model of the primary response variable 'SOCRESP'

The table gives results for the dependent variable 'Attitudes to Socially Responsible Investment'. Keeping the other variables constant, the estimated difference in the log odds ratio between employer and unionist is .34 with a standard error of 0.6 and a p-value of .547. Hence it is likely that the null hypothesis holds - that there is no difference between unionists and employers in their attitudes to socially responsible investment. The logistic regression model shows that the ratio of the odds ratio is 1.4 in this table. Therefore, the probability of a union trustee having a preference for socially responsible investment over a union trustee who thinks this is not important is not very different to the ratio of those preferences for an employer trustee.

TABLE A.2 - TRUSTEE ATTITUDES TO TAKING ACCOUNT OF ENVIRONMENTAL AND ECOLOGICAL CONSIDERATIONS IN INVESTMENT POLICIES

Logistic Regression Analysis Response: ENVIRON

Column	Name	Coeff	StErr	Pvalue	Odds	0.95	CI
0	Constant	3.149	10.947	0.774			
10	JUSTIFY	0.677	6.011	0.910	1.969	0.000	257723.78
12	TIME	0.040	0.467	0.931	1.041	0.417	2.59
16	EDUC-4	0.879	6.275	0.889	2.410	0.000	528925.74
23	GENDER	0.670	6.896	0.923	1.955	0.000	1449744.62
24	AGE	0.357	4.230	0.933	1.428	0.000	5699.81
1	TYPR-2*	0.370	6.747	0.956	1.448	0.000	802030.90

Estimated coefficients, estimated standard errors, p-values, and odds ratios for the multiple logistic regression model of the primary response variable 'ENVIRON'

The table gives results for the dependent variable ‘Attitudes to Taking Account of Environmental and Ecological Considerations in Investment Policies’. Keeping the other variables constant, the estimated difference in the log odds ratio between employer and unionist is .37 with a standard error of 6.74 and a p-value of .956. Hence it is likely that the null hypothesis holds - that there is no difference between unionists and employers in their attitudes to taking account of environmental and ecological considerations in investment policies. The logistic regression model shows that the ratio of the odds ratio is 1.4 in this table. Therefore, the probability of a union trustee having a preference for taking account of environmental and ecological considerations in investment policies over a union trustee who thinks this is not important is similar to the ratio of those preferences for an employer trustee.

TABLE A.3 - TRUSTEE ATTITUDES TO ENCOURAGING VOLUNTARY MEMBER CONTRIBUTIONS

Logistic Regression Analysis Response: MCONTRIB

Column	Name	Coeff	StErr	Pvalue	Odds	0.95	CI
0	Constant	-4.454	1.514	0.003			
2	LIABILIT	-0.555	0.451	0.219	0.574	0.237	1.390
10	JUSTIFY	-0.153	0.555	0.783	0.858	0.289	2.546
13	COURSES	0.374	0.481	0.436	1.454	0.567	3.728
14	EDUC-2	0.867	0.729	0.234	2.381	0.570	9.935
15	EDUC-3	1.256	0.802	0.117	3.512	0.729	16.917
16	EDUC-4	1.120	0.635	0.078	3.066	0.884	10.640
17	EDUC-5	0.741	1.101	0.501	2.098	0.242	18.165
18	STDA-2	-1.093	0.658	0.097	0.335	0.092	1.216
19	STDA-3	-1.714	0.878	0.051	0.180	0.032	1.006
20	STDA-4	-1.217	0.866	0.160	0.296	0.054	1.617
21	STDA-5	0.659	0.792	0.405	1.933	0.409	9.137
23	GENDER	2.663	1.216	0.029	14.336	1.322	155.455
24	AGE	0.383	0.274	0.161	1.467	0.858	2.508
12	TIME	-0.017	0.031	0.582	0.983	0.925	1.045
1	TYPR-2*	0.069	0.523	0.895	1.071	0.384	2.984

Estimated coefficients, estimated standard errors, p-values, and odds ratios for the multiple logistic regression model of the primary response variable 'MCONTRIB'

The table gives results for the dependent variable 'Attitudes to Encouraging Voluntary Member Contributions'. Keeping the other variables constant, the estimated difference in the log odds ratio between employer and unionist is .07 with a standard error of 0.523 and a p-value of .895. Hence it is likely that the null hypothesis holds - that there is no difference between unionists and employers in their attitudes to encouraging voluntary member contributions. The logistic regression model shows that the ratio of the odds ratio is 1.07 in this table. Therefore, the probability of a union trustee having a preference for encouraging voluntary member contributions over a union trustee who thinks this is not important is similar to the ratio of those preferences for an employer trustee.

**TABLE A.4 - TRUSTEE ATTITUDES TO ENSURING THE
HIGHEST RETURN POSSIBLE FOR MEMBERS**

Logistic Regression Analysis Response: HRETURN

Column	Name	Coeff	StErr	Pvalue	Odds	0.95	CI
0	Constant	-3.447	1.923	0.073			
2	LIABILIT	0.057	0.890	0.949	1.059	0.185	6.061
10	JUSTIFY	-1.471	1.084	0.175	0.230	0.027	1.922
12	TIME	0.145	0.064	0.024	1.156	1.019	1.310
13	COURSES	2.428	1.150	0.035	11.340	1.190	108.053
14	EDUC-2	0.782	1.361	0.566	2.185	0.152	31.452
15	EDUC-3	0.077	1.670	0.963	1.080	0.041	28.483
16	EDUC-4	0.281	1.187	0.813	1.325	0.129	13.572
17	EDUC-5	1.376	1.891	0.467	3.960	0.097	161.028
18	STDA-2	-1.003	1.405	0.475	0.367	0.023	5.758
19	STDA-3	-0.042	1.469	0.977	0.959	0.054	17.072
20	STDA-4	-1.273	1.589	0.423	0.280	0.012	6.304
21	STDA-5	-0.786	1.472	0.593	0.456	0.025	8.153
23	GENDER	0.365	1.507	0.809	1.440	0.075	27.629
24	AGE	-0.810	0.572	0.157	0.445	0.145	1.366
1	TYPR-2*	1.194	0.925	0.197	3.299	0.538	20.236

Estimated coefficients, estimated standard errors, p-values, and odds ratios for the multiple logistic regression model of the primary response variable 'HRETURN'

The table gives results for the dependent variable 'Attitudes to Ensuring the Highest Possible Return for Members'. Keeping the other variables constant, the estimated difference in the log odds ratio between employer and unionist is 1.19 with a standard error of .925 and a p-value of .2. Hence it is likely that the null hypothesis holds - that there is no difference between unionists and employers in their attitudes to ensuring the highest possible return for members. The logistic regression model shows that the ratio of the odds ratio is 3.29 in this table. Therefore, the probability of a union trustee having a preference for socially responsible investment over a union trustee who thinks this is not important is similar to the ratio of those preferences for an employer trustee.

**TABLE A.5 - TRUSTEE ATTITUDES TO REPORTING
REGULARLY AND DIRECTLY TO ALL
MEMBERS**

Logistic Regression Analysis Response: REPORT

Column	Name	Coeff	StErr	Pvalue	Odds	0~95	CI
0	Constant	-2.463	1.739	0.157			
2	LIABILIT	-1.671	0.733	0.023	0.188	0.045	0.791
10	JUSTIFY	2.609	1.204	0.030	13.591	1.284	143.869
12	TIME	-0.056	0.049	0.255	0.946	0.858	1.041
13	COURSES	0.241	0.728	0.741	1.272	0.306	5.295
14	EDUC-2	0.483	1.139	0.672	1.620	0.174	5.102
15	EDUC-3	1.848	1.044	0.077	6.349	0.820	49.172
16	EDUC-4	0.793	0.955	0.406	2.210	0.340	14.377
17	EDUC-5	2.695	1.469	0.067	14.810	0.832	263.763
18	STDA-2	-1.022	0.923	0.268	0.360	0.059	2.196
19	STDA-3	-1.756	1.092	0.108	0.173	0.020	1.468
20	STDA-4	-1.103	1.233	0.371	0.332	0.030	3.721
21	STDA-5	-1.721	1.425	0.227	0.179	0.011	2.919
23	GENDER	-0.774	1.107	0.484	0.461	0.053	4.035
1	TYPR-2*	-0.151	0.691	0.827	0.860	0.222	3.333

Estimated coefficients, estimated standard errors, p-values, and odds ratios for the multiple logistic regression model of the primary response variable 'REPORT'

The table gives results for the dependent variable ‘Attitudes to Reporting Regularly and Directly to all Members’. Keeping the other variables constant, the estimated difference in the log odds ratio between employer and unionist is -0.151 with a standard error of 0.7 and a p-value of .827. Hence it is likely that the null hypothesis holds - that there is no difference between unionists and employers in their attitudes to reporting regularly and directly to all members. The logistic regression model shows that the ratio of the odds ratio is .86 in this table. Therefore, the probability of a union trustee having a preference for reporting regularly and directly to all members over a union trustee who thinks this is not important is similar to the ratio of those preferences for an employer trustee.

**APPENDIX C: RESEARCH INSTRUMENT -
NATIONAL SURVEY OF
TRUSTEES OF INDUSTRY-
WIDE FUNDS**

THE UNIVERSITY OF NEW SOUTH WALES



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DEPT OF SOCIAL SCIENCE & POLICY • TEL. (02) 697 2292 FAX (02) 662 7463

INDUSTRY FUND TRUSTEE SURVEY - April, 1990

PLEASE ANSWER ALL QUESTIONS - CIRCLE YOUR ANSWERS

SECTION A: TRUSTEE EXPERIENCE

9 A 1 Of which industry-based superannuation Fund (s) are you a Trustee?.....

.....

9 A 2 Are you a **1** Union representative **2** Employer representative **3** Other.....
(Please specify)

9 A 3 On what Fund management committees or subcommittees do you serve?

.....

9 A 4 How long have you been a Trustee In this Fund?

In other funds?

9 A 5 In your capacity as a Trustee, do you (Please tick all that apply)

[] Meet with fund members or participating employers

[] Meet with fund administrators

[] Attend finance industry functions

[] Meet with investment managers

[] Take telephone enquiries from members or participating employers

[] Keep up to date with financial news

[] Give financial advice to members

[] Other (please specify)

.....

.....

9 A 6 What are the general issues which occupy most time at Trustee Board meetings?.....

.....

.....

9 A 7 Overseas research has identified a number of major activities of Trustees. Using the following scale, how much do you feel **you** contribute to each of these areas? (Please circle your answers)

	Very Much	Some	Not At All
• Reporting and communication.....	1	2	3
• Personal claims.....	1	2	3
• Investment policy.....	1	2	3
• Monitoring fund performance.....	1	2	3
• Administration & management.....	1	2	3
• Appointment of professional advisers..	1	2	3

Q A 8 In terms of your own skills, do you think that have you benefited from being a Trustee Board member?

1 YES

2 NO

IF YES, how do you think you have benefited?.....

9 A 9 Have you personally been responsible for initiating any change in Fund policies since becoming a Trustee?

1 YES

2 NO

IF YES, with what general issues were your changes concerned?.....

9 A 10 Has your Fund ever made decisions with which you were not in agreement?

1 YES

2 NO

If YES, were the issues resolved by **1** Vote **2** Consensus **3** Other.....
(Please specify)

9 A 11 Using the following scale, rate each of the following in terms of what you consider are important or unimportant attributes of a good Trustee? (Please circle your answer.)

	<i>Important</i>	<i>Not Important</i>
• Financial knowledge.....	1	2
• Investment experience.....	1	2
• Superannuation fund experience.....	1	2
• Common sense.....	1	2
• Decision-making & negotiating skills....	1	2
• Good public speaking & presentation.....	1	2
• Managerial experience.....	1	2
• Mature age.....	1	2
• Other..... (Please specify)	1	2

SECTION B: BOARD STRUCTURE

Q B 1 Who sets the agenda for your industry fund Trustee Board meetings?

Q B 2 Have you ever suggested an item for the agenda? 1 YES 2 NO

Q B 3 Are you concerned about your personal liabilities as a Trustee? 1 YES 2 NO

IF YES, in what way? Why?

Q B 4 How often do you assess the performance of your FUND ADMINISTRATORS ? (Please tick as applicable.)

1 Monthly 2 Quarterly 3 Six Monthly 4 Annually 5 Every 2 years

Other..... (Please specify)

Q B 5 How often do you assess the performance of your INVESTMENT MANAGERS ? (Please tick as applicable.)

1 Monthly 2 Quarterly 3 Six Monthly 4 Annually 5 Every 2 years

Other..... (Please specify)

Q B 6 By what methods do your Fund Trustees assess the performance of your Fund Administrators and Investment Managers ? (Please tick all that apply)

	FUND ADMINISTRATORS	INVESTMENT MANAGERS
• By assessment of published performance surveys.....	[]	[]
• In discussions with trustees of other funds.....	[]	[]
• Entirely on the recommendation of our advisers.....	[]	[]
• Percentage Rate of Return - Relative to other Industry Funds.....	[]	[]
• General service delivery.....	[]	[]
• Personal presentations.....	[]	[]

Q B 7 During the period you have been a Trustee in your Fund, have you changed your Fund Administrators or Investment Managers ? (Please circle your answer/s)

FUND ADMINISTRATORS - YES / NO INVESTMENT MANAGERS - YES / NO / DIVERSIFIED

Q B 8 In regard to overall performance, do you expect your Investment Managers to be

1 Consistently market leaders 2 Consistently in top 25% 3 Consistently in top 50%

SECTION C: ISSUES

9 C 1 How important are each of the following issues facing your industry superannuation fund in the 1990's? (Please use the following scale, and circle your answers)

	Important	Not Important
a) Extending superannuation to all employees.....	1	2
b) Ensuring highest return possible for members.....	1	2
c) Investing in Australia.....	1	2
d) Self-insuring our fund membership.....	1	2
e) Establishing a national body to represent industry funds.....	1	2
f) Socially responsible investment.....	1	2
g) Improving government laws and regulations.....	1	2
h) Encouraging voluntary member contributions.....	1	2
i) Providing continued contribution provisions for part-time, casual employees to increase their accumulated retirement benefits.....	1	2
j) Establishing our fund self-management and administration.....	1	2
k) Trustee control of asset allocation & stock selection.....	1	2
l) Taking account of environmental and ecological considerations in investment policies.....	1	2
m) Rationalising numbers of industry super funds.....	1	2

9 C 2 Which of the issues nominated above are likely to be incorporated as written policy in your fund within the next 10 years? (for example b, e & k)

9 C 3 Are there policies which you would like your Fund to adopt? (Be as general as you like.)

9 C 4 Does your Fund have explicit investment policy objectives or guidelines ? 1 YES 2 NO

IF YES, what are they?

9 C 5 Did your Fund change its investment policies after the October 1987 stock market crash?

1 YES 2 NO

IF YES, what changes did it make?.....

9 C 6 Do you think that unionists and employers working together in industry superannuation funds has affected other areas of industrial relations within your industry?

1 YES 2 NO

IF YES, what effects, and why?

SECTION D: INFORMATION & COMMUNICATION

D 1 In regard to which of the following issues do fund members seek your assistance ?
(Please use the following scale, and circle all that apply)

	<i>Frequently</i>	<i>Sometimes</i>	<i>Never</i>
• Personal entitlements.....	1	2	3
• Access to early retirement.....	1	2	3
• Employee contributions.....	1	2	3
• Employer contributions.....	1	2	3
• Rollover advice.....	1	2	3
• Investment performance.....	1	2	3
• Other issues.(Please specify) .	1	2	3

.....

D 2 Do you report on matters raised at Trustee Board meetings? **1 YES** **2 NO**

IF YES, how do you report (Please circle all that apply)

- 1** In Employer or Union Journal
- 2** Written Report/letter
- 3** Formal Report at union or employer meetings
- 4** Personal discussion
- 5** Other (please specify).....

D 3 Have you ever been called upon to justify the decisions or performance of your Board?
1 YES **2 NO**

IF YES, By whom ?.....

What was the nature of their concern ?

.....

D 4 Do you personally meet with union or employer representatives on other industry Trustee Boards?

1 YES **2 NO**

IF YES, what general issues did you last discuss?

.....

SECTION E: BACKGROUND INFORMATION

E 1 Do you presently serve on, or have you previously served on (please circle your answers)

• Another Trustee Board.....	YES	NO
• A company Board.....	YES	NO
• A government Advisory Committee.....	YES	NO
• A community organisation executive.....	YES	NO
• A union or employer association executive..	YES	NO

E 2 Are you an office-bearer in your union or employer association? **1 YES** **2 NO**

1 Appointed paid officer **2** Elected paid officer **3** Honorary official

If YES, how long have you been an office-bearer of your union or employer association ?

.....

E 3 Aside from your Trustee responsibilities, what is your formal job title?

E 4 Since your appointment as a Trustee, have you attended or been offered any courses to aid you in your role as a Trustee? 1 YES 2 NO

IF YES, what sort of courses were they?

	OFFERED	ATTENDED
• ASFA Course.....	[]	[]
• TUTA Course.....	[]	[]
• Life or Insurance Industry Course.....	[]	[]
• Finance Industry Course.....	[]	[]
• University/College Course.....	[]	[]
• Other (please specify).....	[]	[]

E 5 Do you ever feel that you would like to have additional training or support in any of the following areas? (Please circle your answers)

• Investment.....	YES	NO
• Superannuation law.....	YES	NO
• Accounting.....	YES	NO
• Selecting & assessing fund managers.....	YES	NO
• Negotiation and decision-making.....	YES	NO
• Public speaking & presentation.....	YES	NO
• Interpreting/analysing financial information..	YES	NO
• Communicating and making contacts.....	YES	NO

E 6 Which newspapers & magazines do you read regularly?

E 7 Which television news do you watch?

E 8 Apart from newspapers and television, what are your other sources of up-to-date financial information?

E 9 What is the highest education level which you have completed, and what was your area of study?

1 Secondary school 2 Trade Course, TAFE 3 CAE or equivalent

4 University degree 5 Other (please specify).....

Area(s) of study.....

E 10 You are 1 FEMALE 2 MALE

E 11 Your age? 1 20 - 30 2 31 - 40 3 41 - 50 4 51 - 60 5 61 - 70

E 12 Given your experience in the superannuation industry, are there any areas we have neglected, or any comments you would like to make ?

Thank you very much for your time and your co-operation.

**APPENDIX D: RESEARCH INSTRUMENT -
NATIONAL SURVEY OF CO-
ORDINATORS OF
INDUSTRY-WIDE FUNDS**



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INDUSTRY FUND CO-ORDINATORS SURVEY - May, 1990

Which industry fund/s do you co-ordinate?.....

SECTION A: FUND DETAILS

Q A 1 In what year was your fund/s established?

Q A 2 Is your trustee board set up as a Trustee company? 1 YES 2 NO

Q A 3 How often does your Trustee Board meet?

1 Monthly 2 Quarterly 3 Other (please specify)

Q A 4 At what location does the Trustee Board meet?

1 Union venue 2 Employer venue 3 Rotating 4 Other.....
(Please specify)

Q A 5 What is the composition of your Trustee Board?

Male

Female

No. of Trustees representing employers?

No. of Trustees representing unions?

The Chairperson is 1 ELECTED 2 INDEPENDENTLY
APPOINTED 3 ROTATING?

Term of office of chairperson

Sub-committees exist for

.....

.....

.....

Q A 6 Are Union Trustees 1 APPOINTED 2 ELECTED?

Q A 7 Are Employer Trustees 1 APPOINTED 2 ELECTED?

Q A 88 How do you circulate your Trustee Board meeting papers?

- 1 They are circulated at least 1 week before the meeting
- 2 They are circulated a few days before the meeting
- 3 They are provided at the meeting

Q A 99 What are the latest figures you have for the composition of your fund?

Number of members?

Number of participating employers?

Accumulated capital assets?

Q A 110 Are your Co-ordinators, Fund's Administrators and Investment Managers employees of your Fund or external consultants?

INTERNAL EMPLOYEES EXTERNAL CONSULTANTS

- | | | | |
|-----------------------|-------|-------|--|
| • Co-ordinators | [] | [] | |
| • Fund Administrators | [] | [] | |
| • Investment Managers | [] | [] | |

Q A 111 Do the following report directly to the Trustee Board?

YES, IN PERSON YES, IN WRITING NO

- | | | | |
|--------------------------------|-------|-------|-------|
| • Fund Co-ordinators | [] | [] | [] |
| • Fund managers/Administrators | [] | [] | [] |
| • Investment managers | [] | [] | [] |
| • Other advisors | [] | [] | [] |

(Please specify)

Q A 112 How are the following typically selected?
(Please circle your answers using the key below)

- 1 By personal recommendation
- 2 By tender
- 3 By the size & reputation of the organisation
- 4 By the track record of individuals employed by the organisation
- 5 Other (please explain)

- | | | | | | |
|-------------------------------|---|---|---|---|---|
| • Fund Co-ordinators | 1 | 2 | 3 | 4 | 5 |
| • Fund Administrators | 1 | 2 | 3 | 4 | 5 |
| • Investment Managers | 1 | 2 | 3 | 4 | 5 |
| • Actuarial/Super consultants | 1 | 2 | 3 | 4 | 5 |
| • Other advisors | 1 | 2 | 3 | 4 | 5 |

Q A 113 How are the following usually paid? (Please tick your response)

	<u>FUND</u> <u>MANAGERS</u>	<u>INVESTMENT</u> <u>MANAGERS</u>	<u>OTHER</u> <u>CONSULTANTS</u>
•• Service fees (time cost)	[]	[]	[]
•• Commission on turnover/assets	[]	[]	[]
•• Administration Fee (per member)	[]	[]	[]

Q A 114 How are your fund investments spread? What percentages of your fund assets are in the following sectors?

	AUSTRALIA	OVERSEAS
• Capital guaranteed
• Equities
• Property
• Other
(Please specify)		

Q A 115 Does your fund/s provide superannuation benefits for casual employees?

1 YES

2 NO

If YYES, what conditions apply for casual employees?

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SECTION B: CO-ORDINATOR EXPERIENCE

Q B 11 In your capacity as a Fund Co-ordinator, do you (Please tick all that apply)

- [] Meet with fund members or participating employers
- [] Meet with fund administrators
- [] Attend finance industry functions
- [] Meet with investment managers
- [] Take telephone enquiries from members or participating employers
- [] Supervise employer compliance
- [] Give financial advice to members
- [] Other (please specify)

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Q B 1 2 Do you find that Union and Employer Trustees on your Trustee Board differ

- | | | |
|--------------------------|-----|----|
| a) In their attitudes? | YES | NO |
| b) In their involvement? | YES | NO |
| c) In their influence? | YES | NO |

IF YES, in general terms how do they differ?

.....

.....

Q B 1 3 Have you ever interceded on behalf of a Fund Member?

- | | | |
|-------------------------|-----|----|
| • With the Fund Manager | YES | NO |
| • With an employer | YES | NO |
| • With the insurer | YES | NO |

If YES, what general issues are the usual source of disputation

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Q B 1 4 What is your present job title ?.....

Q B 1 5 What was your previous position?.....

Q B 1 6 What is the highest education level which you have completed, and what was your area of study?

- 1 Secondary school 2 Trade Course, TAFE 3 CAE or equivalent
- 4 University degree 5 Other (please specify).....

Area(a)s of study.....

Q B 1 7 You are 1 FEMALE 2 MALE

Q B 1 8 Your age? 1 20 - 30 2 31 - 40 3 41 - 50 4 51 - 60 5 61 - 70

Q B 1 9 Given your experience in the superannuation industry, are there any areas I have neglected, or any comments you would like to make ?

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Thank you very much for your time and your co-operation.