

# The Ties that Unwind? Social Democratic Parties and Unions in Australia and Britain

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*The ties between social democratic parties and trade unions in recent years have been stretched almost to breaking point. Drawing on evidence from the experience of Australia and Britain, this article argues that a turning point in the deterioration of the relationship was the collapse of the post-war economic boom. This event was important because it ruptured the economic foundations of the policy base of social democracy and led to the adoption by social democratic parties of a pro-business neo-liberal policy framework aimed at restoring rates of investment and profitability. In turn, this new policy emphasis necessarily threatened the interests of organised labour. The current tension in relations is therefore not merely a reflection of the pressures associated with social democrats being in government. Rather, it is rooted in the gradual decline of the health of capitalism since the 1970s – a trend unlikely to be reversed in the near future.*

A close relationship with trade unions is among ‘the characteristic features of social democratic parties’.<sup>1</sup> Focusing on the experience of Australia and Britain, this article argues that social democratic parties, as a result of fostering closer ties with capital and implementing more pro-business policies in recent decades, have become more distant from unions and implemented policies deleterious to interests of organised labour. While unions remain important to the parties organisationally, the distance politically between the two has widened to the point where unions are expected to lobby ‘their’ government just like any other interest group in a so-called ‘pluralist’ society. Party leaders do not conceive of themselves as part of a wider ‘labour movement’ – representing the interests of labour is not on their agenda.

Rifts have developed between the wings before, but a degree of permanency about the situation has now set in. Moreover, there is little prospect of a return to a more traditional social democratic policy model that would satisfy union policy preferences but also imply a greater inclusion of organised labour in party leaders’ considerations. The article suggests that central to this process has been the shift to a more pro-business policy approach, which in turn was based on the need to revive rates of business accumulation and profitability when the post-war boom ended abruptly in 1974. The transition to a neo-liberal policy framework – which includes, crucially, labour market deregulation – was always going to have a negative impact on unions, which were effectively a speed-bump on the road to neo-liberalism. It is this commitment to a pro-business, anti-labour policy framework that stands in the way of detente.

The article is divided into two sections: the first describes the process of growing political separation between parties and unions, while the second analyses the domestic and international forces driving the process.

## The Political-Economic Context of Social Democracy

Traditionally there has been tension between social democracy and the needs of business, whose interests have often conflicted with the former’s redistributive

aspirations.<sup>2</sup> This tension was reduced considerably during the post-war boom when high rates of capital accumulation seemed to fit hand-in-hand with traditional social democratic policies.<sup>3</sup> Indeed, governments of varying political persuasions were able to use the bounty afforded by historically high and consistent rates of economic growth to oversee socially progressive measures.<sup>4</sup>

The end of the post-war boom in 1974 and the return to low growth (see Table 1 below) eroded the economic base of social democracy which needs the high revenues and incomes associated with upturns to fund social reforms.<sup>5</sup> On top of the fiscal impact, the end of the boom rendered impossible the simultaneous pursuit of policies that reduced inequality and raised living standards but which did not undermine capital accumulation. Social democratic policies and the interests of capital no longer seemed to fit. The discrediting of Keynesianism as the predominant approach to policy-making due to the advent of 'stagflation' meant that social democrats lost the post-war luxury of not having to choose between orthodox economics and government intervention on behalf of their disadvantaged constituents.<sup>6</sup> In the new context of low accumulation and profits, economies now required neo-liberal policies to open up business opportunities and remove the constraints on capital to enable it to flow into uncharted areas. Given their history of class collaboration and pursuit of reforms within the parameters set by the capitalist economy, social democratic parties were, by embracing neo-liberal policies, acting rationally on the basis of what was possible in these new economic conditions. But doing so necessarily meant a turn to a policy approach much more antithetical to organised labour.

**Table 1: Declining Economic Conditions (Annual Percentage Change)<sup>7</sup>**

<b>GDP</b>	<b>1960-69</b>	<b>1969-79</b>	<b>1979-90</b>	<b>1990-2000</b>
US	4.6	3.3	2.9	3.2
Japan	10.2	5.2	4.6	1.3
Germany	4.4	3.6	2.15	1.9
Euro-12	5.3	3.7	2.4	2.0
G-7	5.1	3.6	3.0	3.1

Compounding the impact of the end of the post-war boom were political-ideological developments not congenial to the maintenance of a traditional social democratic policy framework. Chief among these was the collapse of Communism, in response to which Francis Fukuyama outlined his influential 'end of history' thesis, declaring that with the fall of the Berlin Wall came 'an unabashed victory of economic and political liberalism' and the 'total exhaustion of viable systematic alternatives to Western liberalism'.<sup>8</sup> As contestable as such a thesis was, it was not only highly influential, but dovetailed with the post-Cold War needs of a triumphal Anglo-American political class. Social democrats in particular felt the impact of these events, because to many on the Left – even those social democrats avowedly anti-Communist – the Soviet Union's prodigious expansion had once represented an economic alternative to the free market model. Social democrats now found it difficult to resist the ascendant neo-liberalism.<sup>9</sup> This, in part, explains the ease with which Blairites and their counterparts elsewhere overcame their rivals in social democratic parties in the 1990s.

Following on from this was the impact of what is known as ‘globalisation’, which as we shall see in the case of both British and Australian Labo(u)r has been interpreted by the political wing as sounding the death knell for reformism. What this ignores, of course, is the suite of neo-liberal policies – including free trade, capital market deregulation, and foreign investment liberalisation – which Harvey regards as the modern equivalent of the ‘enclosure of the commons’, and which enabled globalisation in the first instance.<sup>10</sup> In other words, neo-liberalism was a cause of globalisation, rather than a consequence. What matters, however, is the way in which social democrats have perceived globalisation as detrimental to a traditional social democratic policy framework.<sup>11</sup>

This combination of material changes in capitalism and political-ideological developments has seen social democrats abandon their historic aim of reforming capitalism in the interests of labour.<sup>12</sup> Social democratic governments once came to power with intentions to implement programmes of social reform only to be rebuffed by economic and political pressures. As recently as the early 1980s, the Mitterand Government’s reform programme in France famously concluded with the French Socialist Party implementing ‘austerity with a human face’ as a result of capital flight and recessionary conditions.<sup>13</sup> Yet the social democrats that assumed power in the 1990s in Britain, Germany and Sweden were not rebuffed precisely because they showed no intentions of social democratic reform: instead of seeing capitalism as something in need of restriction and regulation, they now sought its liberation.<sup>14</sup> An apt description of this phenomenon is ‘reformism without reforms’.<sup>15</sup> Therefore a timeless analysis which maintains that parties such as the Australian Labor Party (ALP) remain ‘capitalist workers’ parties because they continue to be composed of organised labour but at the same time manage the capitalist state,<sup>16</sup> cannot hope to grasp this sense of malaise: at the end of the twentieth century it was observed that there had ‘never been such widespread questioning of what social democracy stands for and whether it still offers distinctive policies and goals’.<sup>17</sup> Nor can such an analysis hope to comprehend the unprecedented leaking of votes by social democrats – in some cases there have been splits (eg Germany) – to other parties in protest at the abandonment of social democratic policies.<sup>18</sup> Prospects for the emergence of alternatives to social democracy – both on the left and, alas, the right – are ignored.

There have undeniably been rifts between unions and parties before. Of declining relevance to both parties has been ‘labourism’. In the case of the ALP – while accepted and used by some scholars but not others – the meaning and scope of the term has been the subject of some dispute.<sup>19</sup> In one comparison of trends in both parties, however, it refers to the belief that workers are deprived of the wealth they create in the production process and therefore require state intervention to redistribute that wealth.<sup>20</sup> Similarly, it has been argued that labourism is distinctive from the Right and the Revolutionary (socialist) Left.<sup>21</sup> Elsewhere, labourism is regarded as involving some elementary protections being offered by an ALP government, via its unique relationship with unions, to its working-class supporters.<sup>22</sup> At the very least, it has labour at the heart of it, or at least the representation of labour<sup>23</sup> – neither of which is true today.

It is not suggested that in terms of the decline of labourism – which should not be regarded as a wholly regressive development since it can be conceived of as exclusive

to white male wage-earners<sup>24</sup> – the years since the end of the post-war boom in the mid-1970s are the beginning and end of the story. Yet, as James and Markey note, in ‘the last quarter of the twentieth century the traditional policy basis of “labourist” thinking came under attack’.<sup>25</sup> The shift by social democrats to a neo-liberal stance since the end of the post-war boom has antagonised workers and unions, which stand to lose from the regressive and iniquitous effects of neo-liberalism. Accordingly in some countries there has been a ‘break-up of the socialist family’ or talk of divorce and disaffiliation.<sup>26</sup> It is doubtful that there will be a complete divorce from unions organisationally: the parties still enjoy their funding (though are increasingly less reliant on it) and the work of their foot soldiers during elections. Yet, it is clear that the trend is increasingly in the direction of de-labourising the parties in political and policy terms, and further ruptures are likely in the future, with the potential for union figures to seek alternative political allies that can advance more reliably the interests of labour.

It is evident that this process is not just a cyclical phenomenon largely attributable to social democrats being in government, for in both Australia and Britain the distance has widened during recent periods in Opposition. In this sense, it is important to separate the tensions invariably generated by social democrats being responsible for managing the capitalist state<sup>27</sup> from the specific divergence of political interests generated as a result of moves to a more business-friendly policy stance since the end of the post-war boom. Adding further weight to the perception of a degree of permanency about the current state of affairs is the fact that there is almost no prospect of a restoration of the economic base that would underpin a return to the traditional social democratic policies and which in turn might heal the rift: economic conditions have continued to deteriorate in the advanced capitalist states.<sup>28</sup> Needless to say, the global crisis that commenced in 2008, the worst since the 1930s Great Depression,<sup>29</sup> ought to have done little to engender optimism in the minds of even the most heroic reformists. As a recent analysis of the global economy has predicted, ‘the most likely prospect ... is a prolonged, deep stagnation’.<sup>30</sup> Moreover, one examination of politics since the crisis began has shown that, far from social democracy enjoying better prospects, a much greater likelihood is that neo-liberalism will emerge rejuvenated as states saddled with debt come under pressure to make cuts to social spending and privatise public assets.<sup>31</sup>

### **Separation but Not a Divorce? Party-Union Relations in Australia**

There is debate about the timing and location of the ALP’s emergence, and about what role the defeat of the momentous strikes of 1890-91 played in the formation of the party, in the sense of convincing union leaders of the necessity of achieving parliamentary representation.<sup>32</sup> On the other hand, the party’s development – in New South Wales at least – was the culmination of gradual steps towards participating in formal politics since the early 1870s.<sup>33</sup> Ever since, the relationship between the party and unions has been tested when Labor has occupied the Treasury benches.<sup>34</sup>

Yet, a more permanent distance – apparent during periods of both Government and Opposition – has developed, a trend which can be traced to the period of the Whitlam Labor Government (1972-75) when rising levels of industrial action saw the Government attempt to placate business and restrain unions as the post-war boom eclipsed in Australia.<sup>35</sup> During the period of Opposition that commenced with the

11 November 1975 Dismissal of the Government by the Governor-General, the party sought to further distance itself from unions as its pro-business policy approach led to an 'Accord' policy. The Accord reflected the political wing's desire to enforce wage restraint on unions as well as the former's perception that its links with organised labour constituted an electoral liability (see further below). The belief that the current situation is connected to material changes in the economic environment since the 1970s is lent credence by the fact that the ALP's first ever serious discussion of the reduction of trade union influence in the party occurred in the course of the National Committee of Inquiry established following the 1977 federal election defeat.<sup>36</sup> Indeed, during this period of Opposition some leading ALP politicians wished the party to sever links with unions.<sup>37</sup>

Thus, when the ALP returned to power in 1983 under the leadership of Bob Hawke the stage seemed set for rocky encounters between party and unions. In government, the ALP focused on wage restraint, micro-economic reform and eventually introduced a more decentralised 'enterprise bargaining' framework.<sup>38</sup> The latter involved the overturning of 'a bulwark of the labour tradition – the century old system of wage determination'.<sup>39</sup> Along with cuts to trade protection, this policy meant that 'the ALP itself took the major role in dismantling the "labourist" consensus of the beginning of the century'.<sup>40</sup> Indeed, Keating reportedly wished to 'tear apart' the Australian labour movement.<sup>41</sup> There were full frontal assaults on individual unions such as the pilots (not affiliated to the ACTU) in 1989, against whom the full force of the state in the form of the Royal Australian Air Force (RAAF) was deployed.<sup>42</sup> Militant unions unwilling to abide by the Accord, such as the Builders Labourers Federation, were deregistered.<sup>43</sup>

Union figures on occasion made threats to withdraw financial contributions over discontent with these policies.<sup>44</sup> But the relationship between the peak union body, the Australian Council of Trade Unions (ACTU), and the Government was relatively amicable over the course of the implementation of the latter's neo-liberal agenda.<sup>45</sup> This can be explained in part by the unions' much weaker position after the collapse of the post-war boom. During the late-1960s and early 1970s rising levels of industrial action were an indication of the movement's confidence in its ability independently to achieve improvements in wages and conditions in a context of virtual full employment.<sup>46</sup> This all changed when the boom came to an end in 1974-75. Unions historically have gravitated towards parliamentary solutions and away from direct action during economic downturns when the bargaining power of workers is considerably reduced, and when employers are more reluctant to grant wage rises.<sup>47</sup> The acceptance of the Accord by unions thus represented a turn to politics at a low point in the economic cycle. As Labor economic spokesperson Ralph Willis put it with surprising candour: 'In an emergency situation with rampant inflation and the prospect of complete economic dislocation, the acquiescence of the unions may well be forthcoming'.<sup>48</sup> Moreover, the unions were not given much choice. Then-ALP Leader Bill Hayden offered unions the alternative of '[f]iscal and monetary measures [that] are extraordinarily brutal and inequitable' in place of the Accord.<sup>49</sup>

While unions were policed and working-class living standards suffered, the governments of Hawke and his successor Paul Keating (1991-96) enjoyed a much more harmonious relationship with industry. As Maddox notes, in 1987 Hawke had

won 'approval from the leaders of the financial and industrial worlds', including plaudits from high profile capitalists such as Nobby Clark, Gerry Egan, Robert Holmes a Court, Kerry Packer and Alan Bond.<sup>50</sup> Journalist Paul Barry noted Hawke's appearance as guest of honour at the Australian Businessman [sic] of the Year Awards, sponsored by the Packer-owned *Australian Business Magazine*. He notes that Packer and Hawke 'sat next to each other throughout the evening, laughing and joking together, with Hawke leaning over on occasions to whisper a quiet word into Kerry's ear'. In his speech, Hawke rhapsodised about Packer, 'a close personal friend and ... a very great Australian'. Packer elsewhere had supported Hawke's re-election, suggesting that he had worked wonders for the Australian business community.<sup>51</sup>

Hawke's successor Paul Keating was, according to his biographer, 'more passionately pro-capital' than any of his predecessors.<sup>52</sup> Indeed, Keating suggests that he and Hawke arrived in office 'with a greater belief in markets than our conservative counterparts'.<sup>53</sup> This was evident in the Government's pro-business policy record, which included the wage-cutting Accord and labour market deregulation more broadly, financial deregulation, foreign investment liberalisation, privatisation, tax reductions, major cuts in tariff protection,<sup>54</sup> tightening of welfare eligibility, and orthodox fiscal policy. Keating even boasted that Labor had delivered more for business in four years than the Liberal Party had in 40 years.<sup>55</sup> Shortly after his election victory in 1993, Keating challenged mining bosses at their annual industry dinner with claims about the benefits Labor had delivered for their industry:

If anyone at an AMIC [Australian Mining Industry Council] seminar in the 1970s had said, 'Not only will we give you a competitive exchange rate, but we will knock tariffs over, we will get real wages down and profits up, we will radically change our industrial relations scene, we will remove the double tax on dividends', I am sure everyone would have fainted at the tables.<sup>56</sup>

The defeat of the Keating Government in 1996 in part represented a backlash against this policy record among manual working-class voters in particular.<sup>57</sup> Yet in the aftermath of the 1996 federal election defeat, the ALP largely continued the process of distancing itself from unions and cossetting business. Newly-elected leader Kim Beazley asserted that the election had wrought a 'fundamental change' in the relationship, so that the Accord was now obsolete.<sup>58</sup> Labor and the unions would 'forge different links in the future'.<sup>59</sup> On the union side, however, there was also an expressed desire for a more independent relationship, with some unions threatening to disaffiliate, or at least discontinue their support for the party over disillusionment with its political direction.<sup>60</sup>

This process gathered pace following the 1998 federal election, which the ALP narrowly lost. In place of an Accord Beazley could promise only a 'dialogue' and a 'sharing of information about the direction of the economy'.<sup>61</sup> Then-Shadow Treasurer Simon Crean spoke simply of 'a relationship, an understanding, we'll still have to do something with the trade union movement'.<sup>62</sup> In 2000, he appeared to suggest parity between unions and business: 'We will have differences but we will argue them out in the same way we will have a dialogue with the business community'.<sup>63</sup> Such language portrays both as interest groups with which a Labor government would have to deal.



At the same time, business was told that Labor was 'as comfortable in the boardroom as we are on the shopfloor'.<sup>64</sup> In an address to the Committee for Economic Development of Australia (CEDA) in 1998 Beazley assured business that Labor was about neither 'large public sectors or high-handed centralism', and he scoffed at suggestions that Labor stood for 'some antipodean version of the Supreme Soviet'; rather, the ALP offered 'parsimonious social democracy'.<sup>65</sup> Prior to losing the leadership to Kevin Rudd in 2006, Beazley even floated the idea of businesspeople sitting in on a future Labor government's Cabinet meetings. It was also clear that the unions for their part had grown unhappier with the direction of the Federal Parliamentary Labor Party (FPLP) and desired more independence.<sup>66</sup> After the 2001 federal election, Haydon Manning predicted 'separation' rather than 'divorce'.<sup>67</sup>

More recently, Kevin Rudd, FPLP leader since 2006, has added to the perception that unions carry no special weight in policy terms and that Labor would engage them no differently to business: 'When it comes to the future their input, together with the business community's input is valued'.<sup>68</sup> This attempt at portraying relative equality between the unions and business, of course, ignores the vast structural power possessed by the latter by virtue of its ownership and control of finance and industry. But nonetheless it indicates how far the unions have fallen in the political wing's estimation. The fact that Rudd no longer sees himself as part of a broader 'labour movement' is evident from his response to falling rates of unionisation in the workforce, which he claimed the ALP was not obliged to help stem, adding that unions would have to compete in the market for survival like everybody else.<sup>69</sup> Frontbencher Craig Emerson effectively argued that the party's representation extended to all people in the labour market, whether they were trade unionists, independent contractors or small business owners: thus Labor is as much a party of unions as it is of the *petite bourgeoisie*.<sup>70</sup> If the ALP is no longer a 'labour party', then it can no longer be part of a 'labour movement'.

In political and policy terms – as opposed to organisational terms where the unions remain constitutive – there is little 'labour' about the ALP. While the seeking of additional constituencies for electoral reasons is not new in the ALP – Whitlam, for instance, made an effort to attract white-collar professionals – the present situation is borne of a seemingly permanent shift to an anti-labour policy framework. Whereas unions might have bridled at Whitlam's desire to foster a plurality of constituencies, under him – at least prior to the beginning of the recession in 1974 – they could be consoled by a policy program that contained genuine social democratic policy reforms.

The ALP's industrial relations policy leading up to the 2007 federal election reflected this absence of any policy favours. While the plan to reverse aspects of the Coalition Government's *WorkChoices* policies<sup>71</sup> was unpopular with some sections of business, it was clear that Labor's policy offered only modest revisions of the previous regime, leading some union leaders and the Greens party to lampoon the policy as 'WorkChoices lite'.<sup>72</sup> A key part of the ALP policy plan, to scrap individual contracts known as Australian Workplace Agreements (AWAs), was modified to allow them to remain in place for five years.<sup>73</sup> Gillard insisted that under a Rudd Labor government workers would achieve wage rises above the minimum wage by only two means: through individual or collective negotiations with their employer, and in the case of the latter only if the business 'has become more productive and

profitable'. Moreover, the system 'will be better for business'.<sup>74</sup> Rudd maintained that: 'Labor is fundamentally pro-business. We want to get the regulator off business's back'.<sup>75</sup> It was, as some commentators noted, 'the most right-wing industrial relations policy' in the party's history.<sup>76</sup> Both major political parties in Australia thus remain committed to the trend of deregulation in the labour market evident since at least the 1980s. In opposing *WorkChoices* at all, the ALP was charged with hypocrisy by the Coalition for commencing in office the Industrial Relations revolution the latter was now completing.<sup>77</sup> Rudd also sought to demonstrate his anti-union credentials in 2007 by initiating the expulsion from the ALP of construction union leader Joe McDonald for cursing an employer on a construction site. Yet, as Humphrey McQueen observes, when concrete work collapsed on the same site a few weeks later, '[n]ot a word of criticism came from ALP leaders against the firm in charge of that life-threatening incident, not even after a panel from the Safety Institute of Australia (WA) specified fifty-seven other OHS failures'.<sup>78</sup>

Needless to say, after 11 years of the Howard Government, this fell far short of what many in the union movement hoped for, though only a few officials publicly aired their grievances. The United Firefighters Union National Secretary Peter Marshall commented that the Greens 'were the only party who would completely rip up *WorkChoices*'.<sup>79</sup> The Greens secured the support of the union's Victorian branch in their campaign for the seat of Melbourne in the 2007 federal election. John Robertson, the head of the New South Wales peak trade union body, Unions NSW, called upon unions to vote Green in Senate elections.<sup>80</sup>

Since the Rudd Government's election, unions have had much to be disappointed about: legislative changes associated with its 'Forward with Fairness' policy were predictably dubbed by some unionists as not only 'WorkChoices-lite' but also 'WorkChoices rebadged'.<sup>81</sup> Conditions and pay are under attack as part of the Government's 'award modernisation' push, and pay for workers on the minimum wage was frozen by the rather Orwellian named Fair Pay Commission in early 2009. One union official regarded the new laws as equally, if not more, difficult than the Howard Government's legislation in terms of matters the union could press for in negotiation with employers.<sup>82</sup> The Rudd Government also retained the Australian Building and Construction Commission (ABCC), which was set up by the Howard Government and granted 'police-state powers' against construction unions.<sup>83</sup>

In political and policy terms, the unions have become akin to a mere interest group vying for influence over government policy. While Labor politicians in office have always stressed their desire to rule on behalf of the 'nation' rather than organised labour,<sup>84</sup> and while relations have been strained before, the political context is one in which unions or their leaders have taken unprecedented steps towards supporting alternative parties such as the Greens. Moreover, the economic context – both in Australia and internationally – no longer allows for a social democratic policy approach that might hope to restore relations (see further below).

### Party-Union Relations in Britain

There are important similarities between the ALP and British Labour, which emerged from a resolution of the Trades Union Congress (TUC) in 1900 to establish a political organisation whose task was to advocate on behalf of unions in parliament.<sup>85</sup> Indeed, as well as both having a similar parliamentarist perspective, a labourist ideology,



a relatively non-Marxist history, and being based in comparable representative democracies, perhaps the most striking similarity between the British and Australian cases is the centrality of unions to their founding.<sup>86</sup> The relationship between the political wing and the bulk of the unions that eventually affiliated in Britain has always been 'disputatious and controversial'.<sup>87</sup> Yet under New Labour the gap between the two has arguably never been greater. Like the ALP, in policy terms British Labour now sees the unions as just another interest group in theory, but in practice as one less worthy of attention than business. Moreover, this is not just a product of Labour being in government from 1997. Like the ALP, the trend preceded the taking of power: a seemingly permanent distance has opened between, on the one hand, the unions, and on the other hand a political class deeply committed to a neo-liberal project antithetical to organised labour. Coming to power not long after the ALP's reign came to an end in 1996, British Labour had been impressed with the former's electoral success during the 1980s and 90s, which it was inclined to view as a product of its 'modernising' efforts. Consequently, the ALP influenced New Labour considerably.<sup>88</sup> Hawke and Keating thus saw themselves as the original authors of the so-called 'Third Way'.<sup>89</sup>

Such 'modernisation' undoubtedly involved relations with unions, an area the subject also of significant change in Britain. Ludlam and Taylor consider the possibility of a shift away from a Labour party-union relations model of labour representation towards one based on lobbying, under which unions have little policy influence and minimal organisational integration. This would represent a first for the UK.<sup>90</sup> Others appear to suggest that we have already reached this point. Indeed, for former Labour frontbencher Bryan Gould New Labour constituted 'Labour rejected, Labour renounced. New Labour is a negative. New Labour is, and is meant to be, Not Labour'.<sup>91</sup> The New Labour catchcry of 'fairness not favours', according to Leopold, 'implies an end to the particular special relationship, with unions becoming one of many pressure groups seeking to influence the government'.<sup>92</sup> Former leader Tony Blair himself told the party that it is 'not the political arm of anyone today other than the British people ... Forget the past'.<sup>93</sup> Clearly Blair, like his antipodean counterpart Kevin Rudd, does not picture the party and unions in one 'movement'. In fact, Blair himself wished for his to be a 'people's party', not a labour party.<sup>94</sup> Prior to coming to power he had overseen measures to limit the unions' financial contribution to the party, and to reduce union votes at party conferences.<sup>95</sup> Seyd and Whiteley cite the 30 per cent drop in the number of trade union members of Labour between 1990-97 and argue that at the grassroots level, 'the Labour Party is now neither a working class nor a trade union party'.<sup>96</sup> Under Blair, an end to the historical alliance was anticipated.<sup>97</sup>

Leopold argues that this arms-length relationship could be fortuitous for unions, too, in the sense that they are free to influence any government without having to rely on its unique relationship with Labour.<sup>98</sup> But this, of course, ignores the reality that the unions cannot expect to influence the Conservatives, other than through force of direct action. On the other hand, the unions have gone along with many New Labour 'modernising' initiatives as a result of a series of developments: changes in union politics in 1990s, whereby militancy was abandoned in favour of collaboration with employers and government; a belief that any improvement in workers' living standards will ultimately come only from the election of a Labour government;

the weak position in which unions found themselves after years of Tory policies and declining memberships; and the hegemony of neo-liberal globalisation policy discourse, which has emboldened employers.<sup>99</sup>

Despite going along with much of New Labour's neo-liberal agenda, Kimber claims that the almost century-long axiomatic political support for New Labour was under threat as a result of developments such as the Government's attacks on the national fire fighters' strike in 2003.<sup>100</sup> This has resulted in unions voting for leaderships hostile to New Labour and aligned with opposing parties.<sup>101</sup> Similar to Australia, where some unions have offered political and financial support to the Greens (see above), according to Bach, 'for the first time, many public-sector trade unions openly questioned their continued financing of the Labour Party' and countenanced giving their support to other political organisations.<sup>102</sup>

The growing estrangement from unions is in direct contrast to the cosiness of relations with business. According to Osler, who coins the expression 'Labour Party PLC' to reflect the extent to which it has become a business party, in 1996 for the first time union donations accounted for less than half of all Labour donations. A party once funded almost solely by unions can now match the Conservatives in soliciting money from capitalists.<sup>103</sup> Blair told the Confederation of British Industry (CBI) that the 'partnership' with business was 'a founding principle of New Labour'.<sup>104</sup> Indeed, he wished for New Labour to become 'the natural party of business'.<sup>105</sup> Needless to say, Labour governments in the past have implemented policies that favour business over its working-class constituents. Nevertheless, according to King, Blair's is the first Labour government to be 'openly, even ostentatiously pro-business'.<sup>106</sup> He was also reputedly the first Labour leader to visit Wall Street, and under him the party produced its first ever business manifesto.<sup>107</sup>

Notable also was the treatment of business vis-à-vis unions in terms of contributions to government and the economy: the former's was welcomed enthusiastically, whereas party leaders regarded the latter as 'vested interests' and 'wreckers'.<sup>108</sup> In 2005, Gordon Brown congratulated CBI members for 'your resilience, your innovative flair, your courage to change and your patriotic commitment to Britain'.<sup>109</sup> Unions were kept at arms-length, but business people were 'bringing their experience and expertise by serving in Government, on Advisory Groups, leading task forces, all contributing to the success of Government policy'.<sup>110</sup> Indeed, one analysis of advisory groups and task forces early into New Labour's first term found that business had 350 representatives on 70 such bodies, compared to just 31 trade union representatives. Meanwhile, ten business representatives sat on the New Deal Task Force compared with one lonely trade unionist.<sup>111</sup>

These trends are reflected, too, in the party's policy output, which is largely anti-union and pro-capital. While the British equivalent of the Hawke-Keating agenda was mostly enacted by the Conservatives (1979-97), New Labour continued down this path upon arrival in office.<sup>112</sup> Blair left intact what he conceded were the 'most restrictive trade union laws in Europe'.<sup>113</sup> New Labour did introduce some reforms, including a national minimum wage, but these were 'implemented in a minimalist manner'.<sup>114</sup> On the other hand, business appeared to get whatever it wanted. In 1998, the CBI boasted that its 'lobbying over recent months has achieved some important changes which will help make statutory Trade Union recognition, if not welcome, at least more workable'.<sup>115</sup> This was not simply business bluster. Brown

observed that when the government handed control over interest rates to the Bank of England it had 'implemented one of the CBI's own proposals'.<sup>116</sup> He told the British Chambers of Commerce in 2003 that the Government's cuts to corporate and capital gains tax were made after '[y]ou asked us to look at' them.<sup>117</sup> New Labour's encouragement of private-sector involvement in public service provision has been a source of great consternation to the unions but it reflects well the business-first mantra.<sup>118</sup> Waddington notes that New Labour was reluctant to embrace 'aspects of the European social model, in an attempt to maintain relations with employers'.<sup>119</sup>

This goes to the heart of the argument of this article, since the business-friendly policy approach is the leading factor in the gulf that separates the political and industrial wings. As McLroy argued: 'Faced with the dilemma of what to do with the unions and their potential to obstruct labour markets, New Labour's answer is to turn them from impediments into lubricants facilitating flexibility and productivity'.<sup>120</sup>

## Explanations for the Party-Unions Divergence

### *The ALP*

A turning point in the relationship between the ALP and unions occurred when the Whitlam Government was hit by the international recession of 1974, which ushered in a political-economic environment much more hostile to social democratic reformism. The recession caught Whitlam, like most people, off-guard. His so-called 'Program' involved heavy public spending on areas such as health, education, the arts, urban and regional development, and resources for disadvantaged groups. These were 'long-held goals of the labour movement'.<sup>121</sup> Yet, such policies had been developed in the context of the economic buoyancy of the 1960s, and were therefore 'predicated on growth'.<sup>122</sup>

This predication proved to be misplaced, for the boom ended in 1974. Australia in 1974-75 suffered declining growth, high inflation, and rising unemployment.<sup>123</sup> The dramatic deterioration in economic conditions is shown in Tables 2 and 3 below.

**Table 2: Australia's Economic Performance, Pre and Post-1974 (Per Cent)<sup>124</sup>**

	<b>Pre-1974<sup>125</sup></b>	<b>1974-83</b>
GDP	5.2	1.8
Inflation	3.3 <sup>126</sup>	11.4
Unemployment	1.3 <sup>127</sup>	5.6

**Table 3: Australian Economic Performance, 1960s-90s (Annual Average Per Cent)<sup>128</sup>**

<b>Australia</b>	<b>1960s</b>	<b>1970s</b>	<b>1980s</b>	<b>1990s</b>
Real GDP Growth	5.3	3.5	3.3	3.5
Unemployment	2.2	4.2	7.6	8.9
Inflation (quarterly)	2.5	10.1	8.3/8.1 <sup>129</sup>	2.3/2.8 <sup>130</sup>

Labor's reforming ambitions were drastically curtailed in this new economic scenario, which marked a turning point in the gradual shift by the ALP to the neo-liberal policy approach that has both reduced union influence and benefited business. While it has been argued that by the time of Whitlam's arrival in office in 1972 there had already been a move away from 'statism' to market forces, there is little doubt that a sudden shift took place in office in response to the change in economic environment. This shift would prove to be a turning point in the ALP's adoption of neo-liberalism and the end of its plans for major social reform.<sup>131</sup> The sudden break in policy was evident at the party's 'watershed' Terrigal federal conference in early 1975. Newspapers carried articles or editorials on the conference headlined, '1975 Kills Labor's Reforms', 'It's Power Before Principles', and 'Labor Retreats'.<sup>132</sup> Barry Hughes described it as a 'pro-business orgy'.<sup>133</sup> Whitlam, meanwhile, pledged the party's commitment to finding 'ways of restoring profitability'.<sup>134</sup> In addition, underlining the growing concern to achieve wage restraint, Conference empowered the Government to seek constitutional authority over prices, incomes and interest rates.<sup>135</sup> This was one of the decisions that led left-winger George Crawford to wonder whether he was at a Liberal Party conference.<sup>136</sup> Later that year, then-ALP Treasurer Bill Hayden brought down a budget that effectively announced the end of Keynesianism and which some argue heralded the era of economic rationalism in Australia.<sup>137</sup>

This was not enough, however, to placate business, which by 1975 had 'declared war' on Labor.<sup>138</sup> As Johnson put it, for business it was a case of doing 'too little too late. Business remained unconvinced that Labor would cut public spending sufficiently, or control the trade union movement'.<sup>139</sup>

In this context of business opposition combined with economic stagnation, the party set out to make its policies more pro-capital during the period in Opposition from 1975-83. Party leader for the bulk of this time, Bill Hayden, promised that the next Labor government would be a far more conservative affair.<sup>140</sup> As the then-South Australian Labor Attorney-General put it, 'as alternative managers for the capitalist system a Labor government will be forced, in times of economic downturn, to use the same economic strategy as the Fraser Government is using now'.<sup>141</sup> One ALP delegate to the party's 1981 national conference feared that the economic crisis 'undermined the whole basis of the sort of broad reform programme that the Labor Party has so frequently attempted to advocate in the past'.<sup>142</sup>

Unintelligible except in this context is the Accord. While containing a number of elements designed to make the package more saleable to unions,<sup>143</sup> its main motivation was to achieve wage restraint, reduce inflation and improve the conditions for profit regeneration in a time of poor business performance. *The Age* thus argued correctly at the time that the policy was 'in fact concerned primarily with wage restraint'.<sup>144</sup> The experience of the Accord in hindsight vindicated this analysis.<sup>145</sup> While business was not a party to the Accord, its needs for increased profits and industrial peace were well satisfied.<sup>146</sup> Thus what was ostensibly an industrial relations policy formed the centrepiece of the Opposition's attempt to prove its 'responsible' economic management credentials.<sup>147</sup> The Accord also reflected the FPLP's judgement of the record of the Whitlam Government, which, it was felt, had been unable to control unions. Paul Keating later contrasted the success of the Accord in quelling union unrest with 'the industrial mayhem of the Whitlam period'.<sup>148</sup> Because the Hawke

and Keating Governments were strongly neo-liberal they had good reason to police the union movement, which potentially represented the strongest resistance to their pro-capital policy designs.

The Rudd Labor Government has continued this pro-business approach in an era of sclerosis in the world economy and the failure of the Australian economy to return to its post-war heyday. The domestic economy has done comparatively well since the early 1990s recession, in part because of a mining boom driven by growing Chinese demand. But still the ALP operates in an international context of decline and uncertainty, and few now hold on to the post-war boom induced illusion that capitalism's cyclical upsets have been overcome.<sup>149</sup> This point was rammed home by the global economic crisis of 2008-09, which has left the Rudd Government with the task of reining in a large budget deficit.<sup>150</sup> Thus the possibility of a release from the neo-liberal policy straightjacket is remote: despite claims by Rudd of the overthrow of the neo-liberal orthodoxy and its replacement by something known as 'social capitalism' or 'social democracy' itself,<sup>151</sup> these comments were superseded in March 2009 by his insistence that open markets are the best creators of wealth, and that free market activity provided the necessary tax revenue to fund health and education.<sup>152</sup> As a social democrat, Rudd cannot really be taken seriously. According to former ALP leader Mark Latham, Rudd in 2004 had lobbied him to become Shadow Treasurer by putting a 'salespitch ... straight from the neoliberal playbook. He was enthusiastic about pro-market policies such as deregulation and reducing the size of the state'.<sup>153</sup> The Government's much publicised \$50 billion economic stimulus package was largely a short-term measure aimed at preventing the Australian economy from sliding into recession, rather than a long-term redirection of Australian capital.

Moreover, the perceived need to appease capital in a context of globalisation militates against the ALP pursuing a more union-friendly policy approach under Rudd. In 2000 he voiced fears about a 'race to the bottom' in labour standards and taxation, concluding that 'the volume and volatility of global capital imposes unprecedented constraints on what reformist governments can do'.<sup>154</sup> His FPLP colleagues largely share his pessimistic assessment of the consequences of globalisation for state intervention.<sup>155</sup>

As was noted earlier, there are serious flaws in this approach to globalisation, with its ignorance of the fact that many Hawke and Keating Government policies – such as financial deregulation, liberalisation of foreign investment rules and freer trade – helped to bring about the process of globalisation that apparently presents such strong challenges for reformists. Nevertheless, while Labor politicians ruminate so pessimistically on the consequences of globalisation, the prospects of a return to a more traditional social democratic policy approach that would provide succour to the unions but also imply a more welcome place for them in the political considerations of party leaders, seem slim.

### *The British Labour Party*

Like the ALP, in terms of the historical context of the rift between party and unions the previous period in government (1974-79) at a time of economic crisis (see further below) is critical. 'New Labour' leaders argued that party-union relations were 'too close and incestuous' in the years of the Callaghan government, and a move to reduce unions' influence at party conferences was therefore 'a necessary first step

in modernising the party-union link'.<sup>156</sup> The more hostile attitude to the unions by party leaders reflected in the above statement largely is a product of the gradual shift by Labour over time away from a social democratic policy framework towards a pro-business neo-liberal policy approach. The accompanying focus on business in turn is a product of the changed economic climate: the lower levels of economic growth since the 1970s that have put pressure on governments for policies that revive business performance. It is this continued embrace of neo-liberal policies that is the central strain in the relationship.

Alongside this are perceived pressures from globalisation to adopt capital-friendly policies. New Labour politicians, like their social democratic counterparts elsewhere, have concluded that globalisation renders traditional social democratic policies unviable. Then Chancellor Gordon Brown argued in 2003 that the competitive forces arising from growing capital flows from Britain's traditional rivals as well as emerging ones in Asia and Eastern Europe required a policy package of fiscal and monetary restraint, free trade, and 'flexibility' in product, capital, and labour markets.<sup>157</sup> Elsewhere he argued that countries not implementing policies of this kind would suffer 'lost markets, stagnation and economic decline'.<sup>158</sup> Labour leaders' attitudes to globalisation thus provide a *prima facie* motive for not re-regulating the labour market.

Yet, New Labour politicians are just as guilty as ALP politicians of overstating the extent and consequences of globalisation (see above). Also, as is true elsewhere, British neo-liberal policies helped create globalisation.<sup>159</sup> Thus, the key factor in the shift is the decline in economic conditions that induced the policies which in turn helped pave the way for globalisation. As we saw earlier, Labour's greatest success in achieving social democratic reform was under Attlee's government in the post-war period. The British economy did perform less well relative to other countries during the 1950s and 60s.<sup>160</sup> Nonetheless, this era represented the most successful period in British economic history, with growth rates averaging three per cent in the 1950-73 period, and unemployment averaging between 1 and 2 per cent.<sup>161</sup> While Labour was out of power for much of this period, its prosperity nonetheless led many in the Labour leadership to take these conditions for granted and accept Anthony Crosland's emphasis on economic growth as the main means by which equality would be achieved.<sup>162</sup>

Unsurprisingly, Labour was negatively affected when the halting of the post-war expansion coincided with the re-election of Harold Wilson's government in 1974. According to Thompson, British capitalism now appeared unable 'to finance a programme of social reform'.<sup>163</sup> In response, Labour made 'the largest cuts in real public expenditure that have occurred in the last fifty years'.<sup>164</sup> Wilson's 1975 'social contract' was introduced for the specific reason of securing wage restraint from unions. His successor James Callaghan's priority was to restore profits for the private sector, and it was now believed that only entrepreneurship could shore up the economy.<sup>165</sup> Labour's policy response enabled Margaret Thatcher to claim continuity with her predecessor.<sup>166</sup>

The New Labour changes thus represent merely the latest stage in a process that commenced in the mid-1970s. Fielding concludes that, in addition to changes in the 'electoral landscape', New Labour's 'roots can also be found in the response by the 1974-79 Labour governments to the end of that "golden age"'.<sup>167</sup> According



to Kenny and Smith, Callaghan's policies are a 'neglected precursor to current Labour thinking'.<sup>168</sup>

If it is true that the collapse of the post-war boom and the ensuing lower economic growth was the turning point in the neo-liberal evolution, it might be countered that the much healthier economic circumstances of the British economy in the late-1990s and early twentieth century posed problems for this explanation. The British economy, for instance, grew at an average annual rate of 1.7 per cent per year in the 1990s, but grew by 2.7 per cent in the first five years of the twenty-first century.<sup>169</sup>

But this ignores the underlying weaknesses of the contemporary British economy relative to the post-war boom period.<sup>170</sup> Moreover, the international economic context impinges on domestic policies: the ever-present threat of Britain being caught in a global contagion – after the Asian 'tigers' crisis in 1997-98 and the global downturn in the early part of the twenty-first century – meant that New Labour leaders were unwilling to jettison their neo-liberal policy stance, including a lightly regulated labour market. Brown, for instance, believed that 'stability' and taking 'tough monetary and fiscal decisions', as well as pursuing 'flexibility' in product, capital and labour markets, were necessary to stave off recession in Britain.<sup>171</sup> Such policies did not, of course, prevent Britain from being one of the hardest hit countries in the global economic crisis that commenced in 2008, a situation that has saddled the British economy with masses of debt and the expectation of having to make swingeing cuts to the social sector and undertake further privatisation in order to appease business, financial commentators and credit ratings agencies.<sup>172</sup>

Thus, as is the case with the ALP, the British and international economic context and perceptions about globalisation's impact among New Labour elites do not bode well for a return to a more traditional social democratic policy agenda that might provide unions with policies of the kind to which traditionally they have aspired, and see them given greater prominence in the party's plans. In short, we can expect the divergence of two separate movements – political Labour versus organised labour – to continue, even if, as expected, Labour is defeated at the general election due in 2010.

## Conclusion

There are some differences between the cases studied here. Much of these owe to timing: the ALP's neo-liberal agenda – which included wage restraint for unions and policies to improve profitability for business – was implemented in the 1980s and 90s at the same time as British Labour languished in Opposition. This in turn has undoubtedly led to variations in the neo-liberal policy mix advocated by the parties in the respective countries. There are, however, fewer differences and more similarities. Both parties sought to overcome their reputation apparently gained from previous periods in office of being unable to control the unions and keep them at arms-length. More broadly, there is growing distance between unions and parties in policy and political terms. The unions remain important organisationally, but one can no longer speak of a 'labo(u)r movement' united by common political aspirations and goals. The political wing's desire for a pro-business policy approach that necessarily involves, *inter alia*, weak protections for the rights of organised labour is the key factor in this separation.

The evidence suggests that in both cases the critical factor in this process has been the change in policy direction towards a much more avowedly pro-market

and pro-business one since the mid-1970s. This in turn is a result of the watershed changes in economic conditions. There seems little prospect of an improvement in relations, particularly while both political parties are in office and dealing with the consequences of the worst international recession since the 1930s – a predicament not conducive to a more conventional social democratic policy framework. One can therefore anticipate not necessarily a divorce, but probably a shift from a monogamous relationship to one where unions seek other political partners and the parties rely increasingly on other funding sources such as business.

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## Endnotes

- \* This article has been peer-reviewed for *Labour History* by two external referees.
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