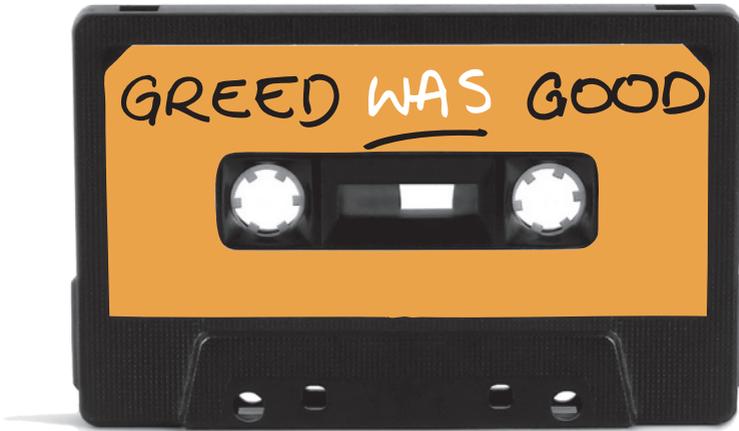


# FACTS

October 2006

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## Australia since the 1980s

In 2006, with a renewed national focus on improvements to Australia's tax and industrial relations systems, it is worth-revisiting the last great period of reform—the 1980s.

The reforms of the 1980s were an attempt to undo the unintentional damage of earlier Governments by introducing protective trade barriers and other wage controlling measures. Hampered by these restrictions, Australia's productivity failed to keep up with the growth experienced in other countries.

This FACTS tells the story.

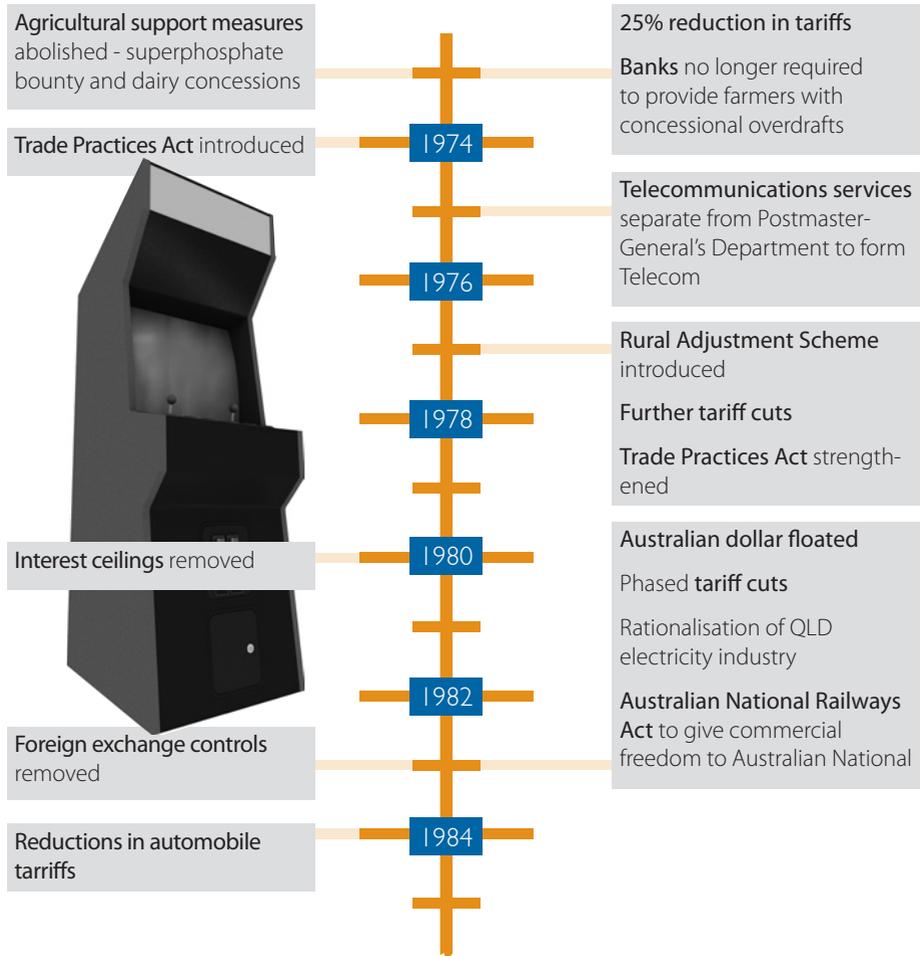
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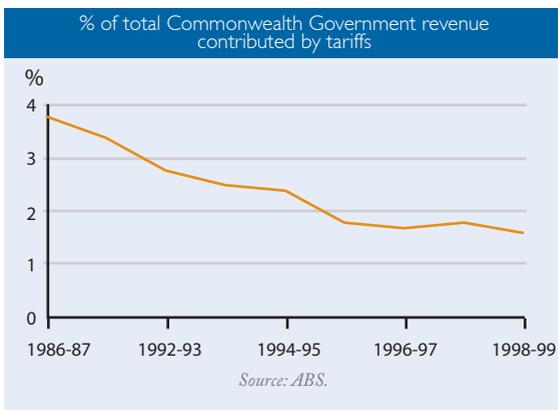
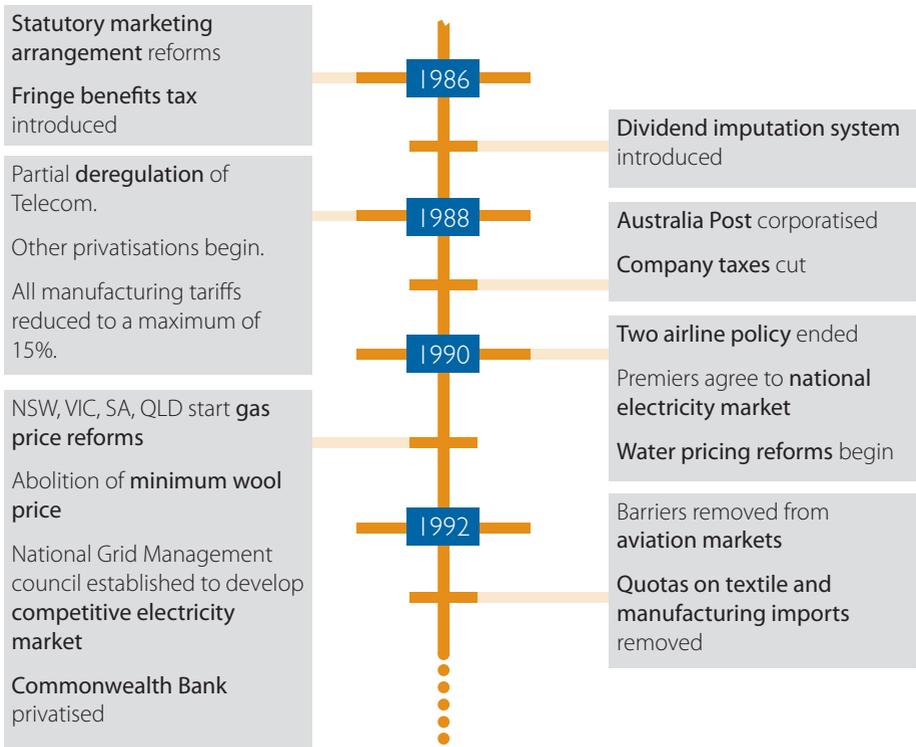
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Each edition provides a handy reference of numbers and facts relevant to key policy issues.*

## What Changed?

As Australia's economic growth slowed and real income started to fall behind other countries, it became obvious that a new approach was needed.

Governments began to realise that the best route to prosperity was open markets and competition.



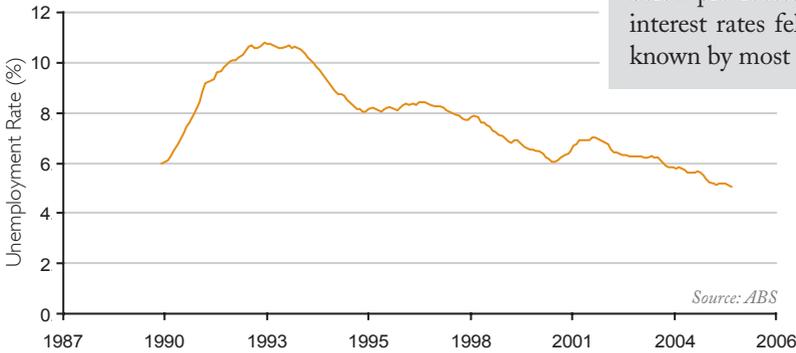


The Commonwealth was willing to sacrifice revenue in the short term by cutting tariffs which contributed nearly 4% of Commonwealth revenue in the mid 1980s.

## The Results

# WORKING

### Unemployment Falls



Unemployment dropped to below pre-recession levels and interest rates fell to lows unknown by most Australians.

# LENDING

After the extraordinarily high rates of the late 1980s, inflation dropped sharply in the beginning of the 1990s.

### Interest Rates Fall



Margaret Thatcher

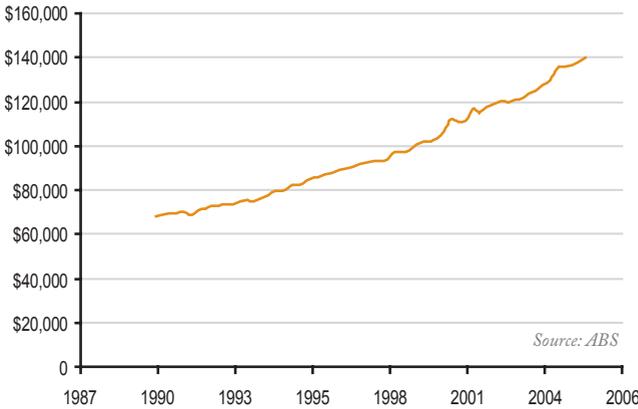


“WE WANT a society where people are free to make choices, to make mistakes, to be generous and compassionate. This is what we mean by a moral society; not a society where the state is responsible for everything, and no one is responsible for the state.”

“THERE IS no such thing as Society. There are individual men and women, and there are families.”

“HOPE is no basis for a defence policy”

Total household disposable income, nominal (\$million)



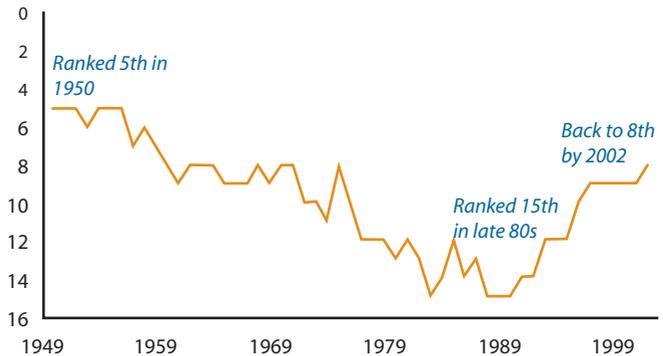
# WEALTH

Competition and a more productive economy increased the sizes of the average Australians wallet.

# GDP

After the Second World War, Australia's economic performance gradually declined relative to other OECD nations. By the 1980s, the fall had been dramatic

OECD per capita GDP ranking



## Ronald Reagan



“THE GOVERNMENT’S view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it.”

“ENTREPRENEURS and their small enterprises are responsible for almost all the economic growth in the United States.”

“MY FELLOW AMERICANS, I am pleased to tell you I just signed legislation which outlaws Russia forever. The bombing begins in five minutes.”

## Labour reforms in the 1980s and 1990s

The 10 year period from 1987 to 1996 saw many changes introduced in order to boost Australia's poor productivity, culminating in the 1996 *Workplace Relations Act*.

The focus on increased productivity during this period couldn't help but take into account the ever changing labour force. Collective bargaining dominated industry and the public sector (**85% of workers were covered by collective bargaining in 1985**).

Single agreements which covered multiple employers and many thousands of employees made the Australian labour market inflexible and unsuitable to a growing number of employees.

**Some of the most significant changes were:**

**1987 Two-tier wage system introduced.**

\$10/week rise for bottom tier and up to 4% for top tier workers. The Restructuring and Efficiency Principle led to agreements focusing on performance based pay.

**1988 Industrial Relations Act** led to the formation of the AIRC to settle disputes. It also aimed to reduce number of unions by allowing for restructuring organisations. Structural Efficiency Principle introduced to replace two-tier system and to encourage change in union awards.

**1991 Enterprise Bargaining Principle** introduced which allowed bargaining with respect to productivity measures and wage increases.

**1994 Industrial Relations Reform Act** further encouraged enterprise agreements by extending them to workplaces with no union representation.

**1995 Australian Public Service** agencies allowed to negotiate their own agreements to increase public sector flexibility.

**1996 Workplace Relations Act** established to allow more direct focus on employer-employee negotiation aimed at balancing employee needs.

**Non standard  
employment\*  
increased from  
22% in 1982 to  
43% in 1995**

The Work Choices legislation is one of a series of industrial relations reforms over the last 20 years—a direction implemented by Labour governments more than 10 years ago in a bid to see Australia become a power in the increasingly global and competitive industrial world.

\* work that deviates from the traditional model of continuing, full-time waged work.

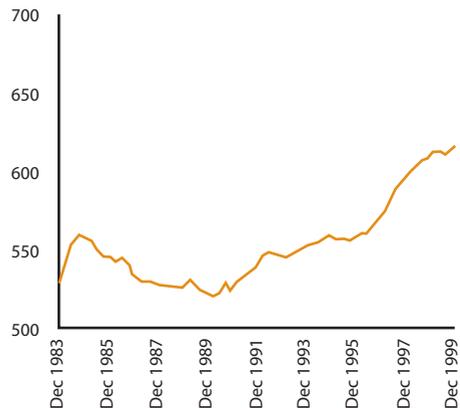
### What still needs to change?

The policy reforms of the 1980s focused on increasing productivity by increasing competition and removing the regulations that were preventing businesses in many sectors from flourishing and consumers benefiting from a more competitive market.

As successful as these changes have proved, it is important to realise that in an increasingly global marketplace we need to compete against workforces with significantly lower labour costs. The only way to do so is to boost productivity, and allow businesses and workers more flexibility. But until relatively recently, Australia's complicated industrial relations laws have resulted in increasing labour costs for a decrease in actual work time.

Employees have seen the benefits of reforms of the 80s and subsequent increases in productivity, but it is the inflexibility of the system that is now holding back both employees and employers from further improvement.

Real average weekly earnings  
(Wage index 1901=100)



Source: ACII

### Did you know?



Despite their best efforts, **very little** of the economic growth of the last ten years can be attributed to animated 1980s superheroes.

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“Facts are stupid things.” - Ronald Reagan