

# WAGE INDEXATION AND THE IMPACT OF THE 1975 NATIONAL WAGE CASES<sup>1</sup>

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## THE WAGE INDEXATION PRINCIPLES

In its decision on 30th April 1975 a Full Bench of the Australian Conciliation and Arbitration Commission tentatively decided to introduce wage indexation in the following quarter after a further hearing. In the narrow sense, indexation means increasing award wage rates by the same percentage as increases in the Consumer Price Index (C.P.I.). The Commission was prepared to introduce indexation only if, at the same time, principles of wage fixation were introduced which would make indexation economically feasible. In its decision it outlined these principles or guidelines. Wage indexation or the principles of wage indexation have come to mean not only indexation itself but all the wage fixing principles or guidelines specified by the Commission. In this article the word "wages" includes salaries.

## THE BACKGROUND TO THE DECISIONS

For many years prior to 1953 the basic wage element in award wage rates had been automatically increased each quarter in federal awards by the amount of the increase in the price index used for the purpose. Following the decision of a Full Bench of the Arbitration Court in 1953<sup>2</sup> these automatic adjustment provisions were removed from all federal awards.

The basic wage as an element of the award wage rate disappeared from federal awards when the Commission decided in 1967 to introduce the total wage.<sup>3</sup> The union claims which were before the Commission in 1975 were that the whole award wage rate should increase automatically each quarter by the same percentage as the quarterly increase in the Consumer Price Index. These were applications for a greater order of automatic increase than applied up to 1953.

The need to restore to wages the purchasing power which had been lost through past price increases has played a significant part in the decisions of

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<sup>1</sup> This article, based on a paper delivered on 6th September 1975 at the Seminar on Labour Relations Law at Monash University, considers the position after the three Wage Indexation decisions of 30th April, 18th September and 3rd November 1975.

<sup>2</sup> *Basic Wage and Standard Hours Enquiry 1952-1953* (1953) 77 C.A.R. 477.

<sup>3</sup> *National Wage Case 1967* (1967) 118 C.A.R. 655.

the Commission in national wages cases but, until this year, the Commission had on many occasions declined to introduce automatic adjustments to compensate for price increases. In the *1974 National Wage Decision* the Commission said that it had "been impressed by the suggestions that indexation could have positively beneficial economic, social and industrial implications",<sup>4</sup> but was not at that stage prepared to introduce indexation. It said that "There may well be a give and take package on wage fixation procedures under which employers and employees would be prepared to include some form of indexation."<sup>5</sup> It added

"The Commission in 1974 has been provided with a fresh approach to the case for indexation and if this 'new look' can provide the catalyst for significant long term improvement in industrial relations for Australia, then bold experimental steps should be adopted by the Commission for the fullest exploration of its potential."<sup>6</sup>

I suggest that experience will show that indexation has a real potential as a catalyst leading to the introduction of a coherent package of wage fixation principles and procedures capable of achieving significant long term improvements in industrial relations.

The economic background to the decision in April was succinctly stated in the Commission's reasons

"The unemployment rate has risen to the highest level in the post-war period. In real terms, private investment fell sharply during 1974 and private consumption expenditure declined during the second half of 1974. Productivity growth for 1974 was negative. A very large build-up of unsold stocks has taken place. Inflation has accelerated to the highest rate since the early 1950s but it has been outstripped markedly by pay increases. The combination of these inter-related factors is reflected in the abnormally large increase in the share of wages and salaries in Gross Domestic Product and the corresponding squeeze of profits measured by Gross Operating Surplus of Companies. Because of the reasonably high level of international reserves, the only feature of the economy which has not caused undue concern is the adverse movement in the balance of payments during 1974."<sup>7</sup>

Material before the Commission showed that in 1974 wage increases ran far ahead of productivity and price increases. While the Consumer Price Index increased by 16.3% over the year to the December quarter 1974, seasonally adjusted average weekly earnings per employed male unit increased by 27.7%, and in federal awards, minimum weekly wage rates

<sup>4</sup> *National Wage Case 1974* (1974) 29 I.I.B. 891, 906.

<sup>5</sup> *Ibid.* 906.

<sup>6</sup> *Ibid.* 907. For an interesting analysis of the 1974 decision see John Nieuwenhuysen, "The National Wage Case, 1974" (1974) 16 J. of Ind. Rel. 284.

<sup>7</sup> *Reasons for Decision, 30th April 1975*, 3-4. References are to the duplicated Reasons for Decision issued by the Commission upon announcing its decisions on 30th April, 18th September and 3rd November 1975. (1975) 30 I.R.B. 770.

increased by 35.0% for adult males and 41.5% for adult females. The higher increase in female minimum weekly wage rates was due to the implementation of equal pay.<sup>8</sup>

The experience of 1974 brought the spotlight upon serious deficiencies in Australia's wage fixing principles and practices which exacerbated the undesirable tendencies operating in the economy that year. Based on the assumption, widely accepted in industry, that each wage was entitled to maintain its historical relativity to other wages, the medley of collective bargaining increases and arbitrated increases, operated, in conditions of high inflation, to increase the rate of inflation, to worsen business recession and to increase unemployment.

The same price rises could be relied on to obtain national wage increases, industry increases and increases in over-award payments. Adherence to the preservation of historical relativities meant that every increase tended to trigger repercussive increases in other areas. This started a wage round which, when it returned to its point of origin, could again be relied on as justifying an increase at that point. This could start the wage round once again.

### SUBMISSIONS ON INDEXATION

In the hearing prior to the decision of April 30 the unions, through their peak councils<sup>9</sup> sought full percentage indexation. The Australian Government, intervening in the public interest, supported plateau percentage indexation. This would have given a full percentage increase to an award rate up to the level of average weekly earnings and a flat amount of increase above that plateau. The governments of South Australia and Tasmania supported the approach of the Australian Government.

The main grounds advanced in support of indexation were social equity to wage earners, advantage to the national economy, and improvement in wage fixation methods and industrial relations.

The advantage to the wage earner is the quarterly restoration of the real value of the wage.

It was submitted that the advantage to the national economy was that indexation would ensure a moderation in the rate of increase of wages. In 1974 wage increases, by running far ahead of price increases, had contributed to further increases in the rate of inflation. It was put that the

<sup>8</sup> Equal pay was finally implemented on 30th June, 1974 pursuant to a formula announced by the Commission in *National Wage and Equal Pay Case 1972 (1972)* 27 I.I.B. 2447.

<sup>9</sup> The Australian Council of Trade Unions (ACTU), the Australian Council of Salaried and Professional Associations (ACSPA) and the Council of Australian Government Employees Organizations (CAGEO) are the three peak councils. They are so called because they are the central bodies to which trade unions may become affiliated. Blue collar unions affiliate to the ACTU, white collar unions affiliate to ACSPA and public service organizations affiliate to CAGEO.

expectation of continuing and rising inflation had led unions to seek and obtain wage increases which had over-compensated for price increases. It was stressed by those seeking indexation that if wages were automatically adjusted each quarter to compensate for price increases this would remove the existing uncertainty which gave unions an incentive to obtain on each occasion as much compensation as possible for price increases so as to build in a safety margin against future increases and thus ensure that in the long run they were not left behind in the race to maintain the real value of wages.

In support of its plateau percentage indexation the Australian Government emphasized that there had been a marked shift in the distribution of income away from profits; that this was a major cause of unemployment; that it was necessary to restore business confidence through restoring profitability; and that it was necessary to take steps, for a time, to increase the share of national income going to employers. Its plateau percentage indexation would contribute to this. It would make this contribution while still giving full protection to those with rates up to average weekly earnings.

The supporters of indexation never asserted that indexation alone would overcome the undesirable features of the 1974 economy. It was put that with the budgetary and monetary measures being taken by the Australian Government, indexation would make a substantial contribution towards lessening the rate of increase of inflation, restoring business confidence and reducing unemployment.

The third ground relied on in support of indexation was that its introduction would enable more satisfactory principles and practices of wage fixation to be introduced as part of the wage indexation system and that this would contribute to improved industrial relations. The Australian Government made extensive submissions upon desirable new principles and practices of wage fixation.

The private employers opposed wage indexation in any form and in this they were supported by the governments of New South Wales, Victoria, Queensland and Western Australia. They challenged the validity of the grounds relied on in support of indexation. They denied that the systems of wage indexation put forward would work as their proponents contended. They submitted strongly that automatic indexation would build into the economy automatic inflation.

Both unions and employers emphasized that the income tax scales were a potent cause of wage increases. The interest of the wage earner and his family is in the real value of his take-home pay; in the goods and services which his after-tax pay will in fact purchase. It was pointed out that because wage increases tend to move wages into brackets where they are liable to a higher percentage of taxation there is a demand for wage increases which over-compensate for price increases, so that the take-home after-tax pay will increase by the amount necessary to compensate for price increases.

Two factors were important in leading the Commission to its tentative decision to introduce indexation. The Australian Government supported indexation on condition that a definite and comprehensive system of wage fixation which it put forward should accompany the application of indexation. This system specified that there should be no wage increases on account of price increases except by indexation. Other wage increases were to be limited to those on account of changes in national productivity, work value or other special circumstances but not including changes in relativities. Under the wage indexation system of the Australian Government over-award payments could be increased by agreement in accordance with the quarterly indexation increases but the limits on wage increases were to apply both to award and over-award wages. The Australian Government proposed a series of supporting mechanisms, in most of which it would play an active role, to ensure compliance with the proposed system of wage fixation.

The other important factor was the attitude of the Australian Council of Trade Unions. It indicated to the Commission support for a comprehensive system along the lines of that proposed by the Australian Government.

#### THE DECISION OF APRIL 30<sup>10</sup>

The Commission, in its reasons, referred to the introduction of indexation as a momentous step. Its importance in Australian industrial arbitration lies not only in indexation itself but in the comprehensive set of the wage fixing principles of which it is one of the elements. The Commission said that it was

“of the view that some form of wage indexation would contribute to a more rational system of wage fixation, to more orderly, more equitable and less inflationary wage increases and to better industrial relations, *provided* that indexation was part of a package which included appropriate wage fixing principles and the necessary ‘supporting mechanisms’ to ensure their viability.”<sup>11</sup>

Later the Commission said of indexation

“We have recognized its potential virtues but we are equally aware of its potential dangers. Regardless of the reasons for increases in labour costs outside national productivity and indexation, regardless of the source of the increases (award or over-award, wage or other labour cost) and regardless of how the increases are achieved (arbitration, consent or duress), unless their impact in economic terms is ‘negligible’, we believe the Australian economy cannot afford indexation.”<sup>12</sup>

It decided not to adopt the Australian Government’s plateau percentage

<sup>10</sup> For an interesting evaluation of the 30th April decision see Braham Dabscheck, “The 1975 National Wage Case: Now We Have An Incomes Policy” (1975) 17 J. of Ind. Rel. 298. See also A. J. Boulton, “The National Wage Case 1975, and the ‘Indexation’ of Wages” (1975) 49 A.L.J. 283.

<sup>11</sup> *Reasons for Decision 30th April 1975*, 21-2. The Commission’s underlining.

<sup>12</sup> *Ibid.* 23.

indexation. It considered that this approach would not lead to a substantial shift of income from wages to profits but would produce union resistance because it compressed relativities and resulted in loss of real income for wages above the plateau.

The Commission established the following guidelines setting out the principles and procedures of the wage fixing system under which it believed that indexation should operate

- “1. The Commission will adjust its award wages and salaries each quarter in relation to the most recent movement of the six-capitals C.P.I. unless it is persuaded to the contrary by those seeking to oppose the adjustment.
2. For this purpose, the Commission will sit in April, July, October and January following the publication of the latest C.P.I. We expect the time of such hearings to be short.
3. Any adjustment in wage and salary award rates on account of C.P.I. should operate from the beginning of the first pay period commencing on or after the 15th of the month following the issue of the quarterly C.P.I.
4. The form of indexation will be determined by the Commission in the light of circumstances and the submissions of the parties, provided that an increase of less than 2 per cent in any one quarter should be applied fully to all award rates.
5. No wage adjustment on account of the C.P.I. will be made in any quarter unless the movement in that quarter was at least 1 per cent. Movement in any quarter of less than 1 per cent will be carried forward to the following quarter or quarters and an adjustment will occur when the accumulated movement equals 1 per cent or more.
6. Each year the Commission will consider what increase in total wage should be awarded on account of productivity.
7. In addition to the above increases, the only other grounds which would justify pay increases are:
  - (a) Changes in work value such as changes in the nature of the work, skill and responsibility required, or the conditions under which the work is performed. This would normally apply to some classifications in an award although in rare cases it might apply to all classifications.
  - (b) Catch-up of community movements. As a result of a series of industry wage increases last year a firm base has been widely established with appropriate relativities between and within awards on which indexation can be applied. However, there may be some cases where awards have not been considered in the light of last year's community movements. These cases may be reviewed to determine whether for that reason they would qualify for a wage increase but care must be exercised to ensure that they are genuine catch-up cases and not leap-frogging. It will be clear that this catch-up problem is a

passing one and should not occur under the orderly system of wage fixation we propose as the basis of indexation.

It is to be understood also that the compression of relativities which has occurred in awards in recent years does not provide grounds for special wage increases to correct the compression. Compression is a matter which could be raised for consideration in cases dealing with the form of indexation and in cases dealing with national productivity distribution.

8. Any applications under paragraph 7 above whether by consent or otherwise will be tested against the principles we have laid down, and viewed in the context of the requirements for the success of indexation. This does not mean the frustration of the process of conciliation but it does mean that the Commission should guard against contrived work value agreements and other methods of circumventing our indexation plan. We draw attention to Section 4(1)(q) of the Act which says that the meaning of 'industrial matters' includes 'all questions of what is right and fair in relation to an industrial matter having regard to the interests of the persons immediately concerned and of society as a whole'.

It should be understood that these principles also apply to matters under the Public Service Arbitration Act."<sup>13</sup>

The Commission decided to give its wage indexation principles a period of trial to enable their viability to be tested. It adopted a course which enabled it to observe performance rather than interpret and weigh words of intention.

The Commission increased award wage rates by the full 3.6% increase in the Consumer Price Index for the March 1975 quarter. It decided to hold a further hearing after the publication of the June quarter Consumer Price Index in July. At this hearing all parties would have an opportunity to make submissions on the wage fixation principles which the Commission had set out in its reasons. The Commission added

"As part of the proceedings before us to discuss the principles, we will hear submissions as to what should be done about the C.P.I. movement in June. It is our present intention that provided there has been substantial compliance with conditions 7 and 8 above we will apply our principles to the June figure . . ."<sup>14</sup>

The Commission was naturally concerned to ensure that by adopting principles which would adjust wages quarterly for prices and annually for productivity it was not leaving it open to wages to increase significantly in other ways and so exacerbate inflation. It was for this reason that it specified the wage fixing principles necessary to accompany indexation.

It was also concerned that these principles should in practice be put into

<sup>13</sup> Ibid. 32-35.

<sup>14</sup> Ibid. 35.

operation. It recognized that practical mechanisms were necessary to support its principles. It said

"The 'supporting mechanisms' needed to sustain these wage fixing principles would require the co-operation of all concerned in their application. Every award wage increase other than those by way of indexation and national productivity and whether by consent or opposed, will be monitored by the Commission and in our view should be refused unless it conforms with the principles.

The Australian Government has not only made a major contribution to the debate on indexation, it has also made a number of positive suggestions as to how it would act to ensure viability of indexation. We are conscious that the conclusions we have reached do not conform in all respects with the concepts put forward by the Australian Government, but we believe firmly that its support is vital to the success of our proposals. The Australian Government has said that it will intervene in relevant cases before the Commission; and it will also ensure observance of the wage fixing principles in the federal public sector. Although the detail of this policy was not spelt out, we understand it to mean that advantage will be taken of the procedure under the Public Service Arbitration Act to lodge objections in cases, thereby permitting the Public Service Arbitrator to monitor pay claims under the Act. The Australian Government will make submissions to the Prices Justification Tribunal that wage increases including over-award payments which are inconsistent with principles of indexation be disallowed as a factor justifying price increases."<sup>15</sup>

On the effects of taxation the Commission said

"It is not for the Commission, of course, to suggest what is an appropriate level and structure of taxation but we believe we have a duty to point out that we are impressed with the contention that the size of wage demands, especially in a period of rapid price change, is related to the level and structure of personal income taxation; and that the viability of our wage fixing principles will depend in part on the Government's constant sensitivity on this point."<sup>16</sup>

#### THE ISSUES IN JULY-SEPTEMBER

The increase in the Consumer Price Index for the June quarter was 3.5 per cent. The persuasive effect of the April 30 decision and experience in the meantime had led to a number of changes of position by the time of the hearing commencing on 29th July. All governments in Australia were supporting wage indexation and the Commission's principles. There was widespread support from the Australian and State Public Service Boards and from State Industrial Tribunals.

Counsel for the private employers, instructed on behalf of the National

<sup>15</sup> *Ibid.* 23-24.

<sup>16</sup> *Ibid.* 25.



Employers' Policy Committee continued to express opposition to indexation in any form. However, the Metal Trades Industry Association, the Master Builders' Federation, the private trading banks and C.S.R. Ltd at this hearing expressed their support for indexation and the Commission's principles. The Australian and State Governments informed the Commission of the steps which they had taken to support the operation of the Commission's guidelines. There was extensive debate on whether there had in word and in deed been substantial compliance with the guidelines.

The Commission in its decision of April 30 had stated that it realized that the limits set to the grounds for wage increases might create difficulties in cases which involve claims going beyond those limits.<sup>17</sup> It contemplated that discussions upon these difficulties would be included in submissions at the later hearing upon its proposed wage fixation principle generally. In the July-September hearing the Commission was told of difficulties and anomalies which had been encountered in the practical working of its principles. Submissions were made that modification or further definition of the principles was required.

The Australian Government proposed that the guidelines should be extended to allow wage adjustments in cases of serious anomaly. Other parties and interveners told the Commission of cases where supervisors were not receiving as much as those they supervised. The Australian Government also suggested that the guidelines should permit adjustment in other special circumstances which would occur in rare and isolated cases. A number of union peak councils sought wider extensions.

The Australian Government made extensive submissions upon the nature and assessment of work value. It also suggested confined adjustment procedures to enable wages to be adjusted in accordance with the guidelines in one area without repercussive effects operating to raise wages in surrounding areas.

#### THE DECISION OF SEPTEMBER 18

The Commission stated in some detail what it intended to be encompassed by changes in work value. To make clear that the factors mentioned in the guidelines as amounting to changes in work value were exhaustive and not merely illustrative it changed the words "such as" to the word "being". That ground of justification for pay increases now reads

"Changes in work value *being* changes in the nature of the work, skill and responsibility required, or the conditions under which the work is performed."<sup>18</sup>

The Commission clarified the concept of "catch-up of community movements" and expressed the view that claims under this transitional

<sup>17</sup> Ibid. 35.

<sup>18</sup> *Reasons for Decision 18th September 1975*, 5. Emphasis added.

principle should disappear by the end of 1975. It stated that it was conscious of the existence of anomalies but was concerned with the substantial difficulties in the way of evolving a satisfactory concept to enable increases to be made in anomaly areas without flowing to the surrounding areas. It said that the President would confer with the parties and with other tribunals in the hope of reaching a consensus view on the action to be taken to overcome anomalies.

In response to submissions by the Australian Council of Trade Unions and the Australian Government, the Commission stated

"We recognize . . . that there is a cogent argument in justice that at least some over-award payments should be indexed. We therefore express the view that it would not be inconsistent with our principles for individual members of the Commission after hearing the employers and unions concerned to recommend the indexation of over-award payments when award payments are indexed."<sup>19</sup>

It was satisfied that there had been substantial compliance with conditions 7 and 8 of its guidelines but was not prepared to introduce indexation on a permanent or semi-permanent basis. Award wage rates were increased by the amount of the June quarter increase in the Consumer Price Index, 3.5 per cent. The Commission said that at the next hearing, if its guidelines continued to be observed, it would adjust wages in relation to the September movement unless persuaded to the contrary by those seeking to oppose the adjustment.

### THE OCTOBER HEARING

For the September quarter the Consumer Price Index increased only by 0.8 per cent. The major factor in this reduced rate of increase was the substantial reduction in the cost of hospital and medical services due to the introduction of the Medibank system. For the weighted average of the six capital cities index, the increase for all sections other than medical and hospital services was 2.9 per cent. Under the guidelines an increase of less than 1 per cent in the Consumer Price Index is not reflected in a wage increase until a later quarter when the accumulated increase equals 1 per cent or more.

The Australian Council of Trade Unions and the other peak councils applied for a wage increase of 0.8 per cent in the particular circumstances. The main ground relied on was that the underlying rate of inflation was more than 0.8 per cent and had been masked by the adjustment of the Consumer Price Index due to Medibank. Reliance was also placed on delay which had occurred in implementing the June quarter increase due

<sup>19</sup> Ibid. 9-10. For a case where the right to make a recommendation was challenged see *R. v. The Commonwealth Conciliation and Arbitration Commission; Ex parte The Transport Workers' Union of Australia* (1969) 119 C.L.R. 529.

to the July-September hearing and the likelihood of delay in implementing the December quarter increase.

### THE NOVEMBER 3 DECISION

In dismissing the application for an increase the Commission said

“These principles were put forward as an integrated whole, described in our September decision as a ‘fragile’ package, and the effect of departing now from one must surely put all our indexation principles at risk. If one principle is departed from before the time set down for debate on the whole package, we are apprehensive that the same thing may happen to others in situations where it is argued that there are circumstances which are very special.

Members of this Commission sitting both as members of full benches and as individuals have complied with the principles including occasions where very special circumstances were argued. The principles as a whole have also received support from State tribunals.

Principle 5 was part of the A.C.T.U’s original proposal for automatic indexation and was endorsed by it as recently as August as part of our package.

In our view, the whole package must remain unchanged until it is reviewed early next year.”<sup>20</sup>

### THE IMPACT OF THE DECISIONS

The decision of April 30 demonstrated the influence within the community of a decision on a question of great national importance made by a Full Bench of the Commission after considering the relevant evidence and hearing full argument. The fact that by the second hearing attitudes of opposition and scepticism to indexation and its principles had changed, to the extent that all governments and a number of important private employers supported indexation and there was, as the Commission found, substantial compliance with its guidelines, indicates the persuasiveness of the decision and the authority accorded to it. This should occasion no surprise to those who have seen the decisions of the Prices Justification Tribunal, which carry no sanctions, followed in practice.

The decision itself is well reasoned, well constructed and clear. It utilizes and integrates the individual expertise of the members of the bench in law, economics and industrial relations.<sup>21</sup> It reflects a great deal of collective knowledge of the community, industry and human nature.

The three decisions show that the Commission has accepted for itself a role which, within its constitutional and statutory limitations is one of

<sup>20</sup> *Reasons for Decision 3rd November 1975, 5.*

<sup>21</sup> The Members of the Full Bench in each of the three indexation decisions discussed were Mr Justice Moore, President, Mr Justice Robinson, Mr Justice Ludeke, Mr Deputy President Isaac, Mr Public Service Arbitrator Taylor and Mr Commissioner Portus.

positive initiative in the area of wages policy. While acting within the confines of the applications and submissions of the parties and interveners, it has shown a readiness to adopt new principles and approaches to cope with contemporary problems and in particular the problem of the effect of wage movements on the national economy. Clearly it accepted the responsibility emphasized in the Australian Government submission which it quoted, that "The only way in which a policy with regard to wages can be implemented in practice is by the Commission making decisions."<sup>22</sup>

The Commission has on occasions tended to state its principles very generally and sometimes ambiguously.<sup>23</sup> The indexation decisions state definite principles of general application in unambiguous terms. In the Decision of September 18 the Commission said

"During the present hearings, counsel for the Australian Government said that 'the application of principles adopted with a full appreciation of the contemporary conditions after full argument and consideration is more likely to lead to a resolution which is in accord with equity, good conscience and the substantial merits of the case than the processes of what is often called "palm tree justice" where each decision depends upon the individual views of the person making the decision'. If the decisions which we have made in this case are adhered to we believe there will be more rational wage fixation, substantial industrial justice and greater economic stability."<sup>24</sup>

It is not difficult for those in industry to know whether a particular increase falls within the indexation guidelines or not.

These decisions mark a new approach to wage fixing practice and procedure. They step away from wage fixation by collective bargaining to wage fixation within parameters specified or monitored by the Commission. They involve a comprehensive restatement of wage fixing principles appropriate to a time of high inflation. Subjects long regarded as beyond the purview of the Commission, such as over-award payments and the effect of tax on wages, are taken into account.

The Australian Government has been involved in these decisions and their implementation in a way not previously seen in Australian industrial relations. Its submissions played a major part in formulating the indexation principles and proposing the supporting mechanisms. The Honourable Clyde R. Cameron, who was Minister for Labor and Immigration at the time made a major contribution in the initiation and construction of the government case. His successor, Senator the Honourable James McClelland has given strong support to the indexation principles and the effective operation of the supporting mechanisms. In formulating its policy, preparing its case and working for acceptance of the indexation principles, the

<sup>22</sup> *Reasons for Decision 30th April 1975*, 5-6.

<sup>23</sup> I criticized the structure of the official *Reasons for Decision* of the Commission in this respect in "Principle and Practice in Commonwealth Industrial Arbitration After Sixty Years" (1964) 1 Fed. L. Rev. 47, 54-66.

<sup>24</sup> *Reasons for Decision 18th September 1975*, 14.

Australian Government relied a great deal on the officers of the Department of Labor and Immigration. The knowledge, experience and imaginative and constructive approach of these officers is reflected in the Australian Government submissions which were adopted by the Commission. Of the many officers who contributed, those most vitally involved were Dr Dianne Yerbury, First Assistant Secretary, Industrial Relations (National) Division, and Mr Derek Volker, Assistant Secretary. It is widely accepted that involvement of the National Government, as well as employers and employees, is essential to any wages or incomes policy. The indexation decisions form a basis for these policies. During 1975 wage increases have ceased running ahead of price increases. The wage indexation principles must be regarded as having made a substantial contribution to this.

It is hard to predict the future of wage indexation and its principles in the long term. They may expire after serving a useful purpose for a period during high inflation. On the other hand they may open a door to a new province for the application of principle in industrial relations.<sup>25</sup> In assessing their potential usefulness one may adopt the approach of Michael Faraday, a pioneer of early knowledge of electricity. When a lady asked him what was the use of electricity, he replied "Madam, what is the use of a new born babe".

<sup>25</sup> This article was written before the dismissal of the Whitlam Government on 11th November 1975.