

# Key Concept – Globalisation

By Leo Isaac

An understanding of the pressure that “**globalisation**” brings to bear on the Australian Economy is fundamental to an understanding of Industrial Relations.

Australia’s economy is very much dependent on the global economy. Australia must export goods and commodities to other countries so that it can earn money to pay for the goods and commodities it imports. In short, Australia must export coal, gold, and wheat so that we can import televisions, clothing and cars.

How much Australia can export is dependant on how competitive our prices are in the global market. If wages and salaries are too high, and if workplaces are inefficient, then the cost of production will be higher, and Australia will be less competitive in the global marketplace.

**The remuneration of workers, the conditions of employment and the efficiency of the workplace are all important aspects of Industrial Relations.**

In order to ensure that Australia remains competitive in the global economy, the Australian Government through its Industrial Relations Policy puts downward pressure on wages and salaries, and upward pressure on productivity in the workplace.

A failure to ensure Australia’s competitiveness in the global economy over a significant period of time would likely result in the loss of jobs, more unemployment, more business failures and a contraction of the economy. In such circumstances the lifestyle in Australia would go backwards.

Advancements in technology and transport continue to promote increased globalisation. New industrial giants such as China and India are emerging. In these countries, workers are paid only a small fraction of what Australia workers are paid. This makes China and India very competitive in the global marketplace. Cars, clothing and electronic goods can be made in these countries far more cheaply than in Australia. The effect of this is that Australian Jobs are lost “overseas”.

Australia has a choice. Put downward pressure on wages and salaries to make Australia more competitive or face a greater disaster – become uncompetitive and see unemployment begin to rise to potentially dangerous levels. The Workplace Relations Act 1996 was a landmark reform of the Howard government. It is perhaps a lesser of two evils.

Hence, with downward pressure on wages and salaries and upward pressure on productivity, there should be no surprise that Australian’s now work longer that they did 30 years ago, and most families now rely on two income earners rather than just one.

If the global economy expands Australia’s economy tends to follow suit. If the global economy contracts

