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**AUSTRALIAN CENTRE FOR INDUSTRIAL RELATIONS
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**ECONOMIC RESTRUCTURING & INDUSTRIAL
RELATIONS IN AUSTRALIA & NEW ZEALAND:
A COMPARATIVE ANALYSIS**

edited by Mark Bray & Nigel Haworth



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**Economic Restructuring &
Industrial Relations
in Australia & New Zealand:
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Contents

| <i>Contents</i> | (i) |
|--|------------|
| <i>Contributors</i> | (ii) |
| 1. Comparing Australia and New Zealand <i>Mark Bray and Nigel Haworth</i> | 1 |
| 2. The Economic Imperative for Restructuring in Australia and New Zealand <i>Robert Castle and Nigel Haworth</i> | 16 |
| 3. Legislative Change in Industrial Relations: Australia and New Zealand in the 1980s <i>Richard Mitchell and Margaret Wilson</i> | 38 |
| 4. Government Policy on Restructuring the Labour Market in Australia and New Zealand <i>Peter Brosnan and John Burgess</i> | 60 |
| 5. Industrial Relations and Economic Restructuring in Australia and New Zealand: Employers' Agendas <i>David Plowman and Maryan Street</i> | 91 |
| 6. Unions and Economic Restructuring in Australia and New Zealand <i>Mark Bray and Pat Walsh</i> | 122 |

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1. Comparing Australia and New Zealand

Mark Bray
Nigel Haworth

The papers drawn together in this collection have their origin in a conference held in Sydney in May 1991. The purpose of the conference was twofold. First, it was a modest attempt to explore comparative methodology in labour relations. Secondly, it was an opportunity to compare and contrast the different policy orientations towards labour relations in New Zealand and Australia during the 1980s.

The comparative methodology interest has two elements. The initial intention of the conference was to provide a context in which two academics, one from each country, might write a paper on a particular issue as it had developed in their own country, and thereafter work together to create a jointly-written comparative synthesis of the individual country studies. In principle, such a mechanism for achieving comparative analysis might well appear easy. In practice, a number of pitfalls are possible. Clashing individual interpretations, clashing analytical styles, the sheer diversity of experience across two nations, the practical problems which dog all attempts at joint authorship are but some of the practical problems which can occur. In the event, this project has shown that the integration of material on a comparative basis may be undertaken with a high degree of success and with relatively few difficulties, provided that effective guidelines for comparison are established in the development of the project and, of course, provided that the collaborators are willing to accept the discipline of joint authorship. In passing, it should be noted that the editing capacities of contemporary word processing packages aid this collaboration greatly.

The second element of the comparative agenda concerns the relationship between approaches to comparative method and the particular issues raised by the New Zealand-Australia comparison. Comparative analysis has, of course, a long and distinguished history in the social sciences. It serves a number of purposes. It provides the opportunity to sharpen descriptive analysis, allowing the uniqueness of national institutions and events to be more clearly identified and assessed. More importantly, it provides a research strategy by which explanations of similar and different institutions and processes can be developed. Comparative

analysis also allows the 'success' of national institutions to be assessed and, consequently, may contribute to public policy debate (Castles 1991).

These purposes may be pursued through a variety of comparative research strategies. Przeworski and Teune, for example, distinguish between the 'most different' and the 'most similar' research designs (Przeworski and Teune 1970). Simply, the former dwells upon the patterns of similarities between cases which are otherwise quite different, whilst the latter focuses upon patterns of diversity in cases which otherwise are very similar. As we shall demonstrate below, the Australia-New Zealand comparison falls so firmly into the latter camp that it is remarkable that so few comparative studies of the two countries have been undertaken (see Castles 1985, Denoon 1983, Sandlant 1989, for example).

Perhaps it is only when countries traditionally deemed to be very similar begin to part ways that comparative analysis is applied, as in the recent crop of Canadian-US comparative studies following the divergence in union performance in the two countries (Meltz 1986, Adams 1989, Russell 1991). This collection of papers emerges from a similar conjunction. Australia and New Zealand have been commonly perceived for generations to be broadly similar countries sharing common social, political and cultural roots. However, in the 1980s, Australia and New Zealand grew apart in their political and industrial relations experience. This collection of papers places these developments under close comparative scrutiny, revealing a range of explanations for the divergence and, consequently, offering not only insights into the historical process but also analysis useful for contemporary policy discussions.

THE HISTORICAL SIMILARITIES

To most external observers, Australia and New Zealand are very similar, if not identical societies, proximate to each other and born as British colonies at broadly the same time. The process of European settlement in Australia began in earnest with the establishment of the colony of New South Wales in 1788. New Zealand emerged formally as a colony in 1840 after a period of informal settlement. Both colonial experiences involved the expropriation of land and rights from existing indigenous peoples. In the case of Australia, this involved virtually no recognition of pre-existing rights to land or resources. In New Zealand, such recognition was given in the Treaty of Waitangi, signed in 1840, but subsequently substantially ignored by the colonial state. To all intents and purposes the indigenous peoples of both countries found themselves overwhelmed in numerical and political terms, becoming economic and political minorities in their own lands.

The two 'settler' societies subsequently grew in similar ways. The white populations were swelled by immigration principally from Britain, but with Australia generally taking in a wider cross section of nationalities and cultures. This divergence grew in the post-Second World War period when the rate of immigration into Australia from Europe and Asia grew very rapidly. However, in comparison with mainstream OECD nations such as the UK, West Germany, France and Italy, both Australia and New Zealand have relatively small

populations and similarly smaller domestic markets and labour forces (see Table 1; for the possible implications of this, see Katzenstein 1985 and Castles 1988).

Table 1: Total Population, Australia and New Zealand, 1881 - 1986

| Year | Australia (millions) | New Zealand (millions) |
|------|-------------------------|---------------------------|
| 1881 | 2.3 | 0.5 |
| 1901 | 3.8 | 0.8 |
| 1921 | 5.4 | 1.3 |
| 1947 | 7.6 | 1.7* |
| 1954 | 9.0 | 2.2^ |
| 1961 | 10.5 | 2.4 |
| 1971 | 13.1 | 2.9 |
| 1981 | 14.9 | 3.2 |
| 1986 | 16.0 | 3.3 |

Notes: * 1945 figure

^ 1956 figure

Sources: Censuses of Population as reported in Official Yearbooks

The economic basis of both economies was also similar in that their early economies were dominated by primary industries strongly orientated to the markets of the colonial power. In the Australian colonies, the main industries were wool, wheat, gold, coal and other minerals, while their New Zealand counterparts were sheep meat, dairy and wood products. Consequently, both economies were to find it difficult to diversify from this commodity export base into a 'modern' manufacturing-based economy, even with the benefits of import substitution policies. In this, both countries display features which have much in common with the other great commodity export economies of Latin America - Argentina and Uruguay in particular. It is the legacy of this primary product basis which defines the impact of the 1970s economic downturn on both economies, as shown in Chapter 2.

The common British heritage in Australia and New Zealand resulted in remarkable social and cultural similarities. Citizens of the two countries spoke the same language, read similar books, listened to similar music, played the same sports, fought in the same army units, shared the same respect for individualism, and suffered the same disillusionment with the colonial power as it rethought its international orientation in the 1960s and 1970s. It was, however, in the political arena that many of the most significant similarities emerged. When self-government came to the respective colonies, it was modelled on the Westminster model of parliamentary government modified in the case of Australia to cope with the demands of a federal structure and, in the case of New Zealand, to cope with obligations barely fulfilled to indigenous people. Political parties evolved in

similar ways. In both, divisions grew between an originally rural political tradition, later urbanised into a manufacturing and agricultural capital alliance, and a primarily urban labour tradition found most explicitly in the Labour/Labor parties of both nations. In Australia since the 1940s, this structure has comprised a coalition between the Liberal Party representing urban capital and the Country/National Party representing rural capital. In New Zealand, the National Party has fulfilled the same function since 1949. Interestingly, the balance of power between the labour and conservative parties in both countries has followed a remarkably similar path (see Table 2).

Table 2: The Political Complexion of Australian and New Zealand National Governments, 1940 - present

| Australia | | New Zealand | |
|-------------------|-----------------------|---------------------|-----------------------|
| Labor (Curtin) | Oct. 1941 - Jul. 1945 | Labour (Savage) | Dec. 1935 - Mar. 1940 |
| Labor (Forde) | July 1945 | Labour (Fraser) | Mar. 1940 - Dec. 1949 |
| Labor (Chifley) | July 1945 - Dec. 1949 | National (Holland) | Dec. 1949 - Sep. 1957 |
| Liberal (Menzies) | Dec. 1949 - Jan. 1966 | National (Holyoake) | Sep. 1957 - Dec. 1957 |
| Liberal (Holt) | Jan. 1966 - Dec. 1967 | Labour (Nash) | Dec. 1957 - Dec. 1960 |
| Country (McEwen) | Dec. 1967 - Jan. 1968 | National (Holyoake) | Dec. 1960 - Feb. 1972 |
| Liberal (Gorton) | Jan. 1968 - Mar. 1971 | National (Marshall) | Feb. 1972 - Dec. 1972 |
| Liberal (McMahon) | Mar. 1971 - Dec. 1972 | Labour (Kirk) | Dec. 1972 - Aug. 1974 |
| Labor (Whitlam) | Dec. 1972 - Nov. 1975 | Labour (Rowling) | Sep. 1974 - Dec. 1975 |
| Liberal (Fraser) | Nov. 1975 - Mar. 1983 | National (Muldoon) | Dec. 1975 - Jul. 1984 |
| Labor (Hawke) | Mar. 1983 - Dec. 1991 | Labour (Lange) | July 1984 - Aug. 1989 |
| Labour (Keating) | Dec. 1991 - present | Labour (Palmer) | Aug. 1989 - Oct. 1990 |
| | | National (Bolger) | Oct 1990 - present |

Despite the strong political similarities between the two countries, some significant differences also emerged which contribute to an understanding of the divergent experiences of the 1980s and 1990s. First, the unification of the various Australian colonies, consummated at the time of federation in 1901, required a federal system of government in which the division of powers between state and federal parliaments, generally bicameral, was set out in a written constitution (Sawer 1973). The development was very different in the case of New Zealand where a unicameral national parliament has governed since 1951, without a written constitution (Palmer 1979). The clear effect of this institutional difference has been seen in the capacity of a governing party to impose its policy will on the nation. In the case of New Zealand, governing parties have been able to implement policies under substantially fewer constraints than in Australia. In turn, this has allowed radical shifts to take place in government policy more easily in New Zealand than in Australia, where the bicameral and state-federal

structures act as a system of checks and balances. In New Zealand, the potential for 'elected dictatorship' has resulted in a massive erosion of public confidence in politicians and has substantially fuelled formal moves towards proportional representation.

THE PARALLELS IN INDUSTRIAL RELATIONS

At least until the 1980s similar institutions and processes emerged in the industrial relations area in both countries, at least partially as a consequence of the general similarities in historical development. The union movements of the two countries assumed similar structures and strategies over similar time periods. In fact, frequent trans-Tasman travel and migration meant that many of the same individuals were active in both labour movements. Craft unions emerged as the initial labour organisation in both countries in the mid-19th century. New, more industrial unions grew amongst less skilled workers from the 1880s, but the combination of early craft union development and legislative interventions ensured a strong tradition of occupationally-based unions up to the 1990s. The industrial strategies of both countries' unions before 1890 tended to reflect the influence of British bargaining traditions which often inspired their antipodean counterparts, but the disaster of the 1890 Maritime Strike (itself a trans-Tasman event) saw a movement towards alternative strategies. On the one hand, the unions responded to the combination of industrial defeat and political marginalisation by placing a new emphasis on independent working class action. The Australians set the pace here, forming their own political party in several of the colonies in the 1890s, and quickly winning parliamentary seats. By the early 1900s, the Australian Labor Party had formed a minority government in the new federal parliament and its counterparts in the states were providing unions with valuable political support. The New Zealand unions were slower in establishing their own party because of a combination of factors, including the support given to labour by the 1893 Liberal government and the challenges to the arbitration system posed by the 'Red Fed' (Olssen 1988). However, following the defeat of the syndicalist challenge, a New Zealand Labour Party was formed in 1916, after the election in 1914 of six 'Social Democrat' or Labour MPs to parliament.

On the other hand, the defeats of the early 1890s also turned both union movements towards compulsory arbitration as a means of achieving recognition from hostile employers. This approach gained its first success in New Zealand in the form of the 1894 Industrial Conciliation and Arbitration Act, introduced by a Liberal government, perhaps drawing in part on an unsuccessful bill introduced in South Australia (Mitchell 1989, 87). This legislation in turn encouraged the introduction and affected the form of compulsory conciliation and arbitration legislation by governments in Australian states and in the federal parliament (*ibid*; Reeves 1969). Although there were differences between the various Australian and New Zealand systems of arbitration, they were essentially very similar and they subsequently played a crucial role in the moulding of industrial relations institutions in both countries.

It is widely argued that the impact of the arbitration systems of both countries was advantageous for unions. For example, unions received considerable

protection under the arbitration tradition, indicated by the growth of union membership in both countries in the early decades of the 20th century (see Table 3). Similarly, arbitration allowed both countries' unions to exercise considerable influence through the settling of legally-binding minimum standards for wages and many conditions within industrial sectors and defined geographical regions.

Table 3: *Number of Unions and Union Membership, Australia and New Zealand, 1901 - 1986*

| Year | Australia | | | New Zealand | | |
|------|------------------|----------------------------|--------------------------------|------------------|----------------------------|-------------------|
| | Number of Unions | Total Union Members (000s) | Union Density ¹ (%) | Number of Unions | Total Union Members (000s) | Union Density (%) |
| 1901 | 198 | 97.2 | 6 | 202 | 23.8 | 8 |
| 1911 | 573 | 364.7 | 28 | 307 | 55.6 | 19 |
| 1921 | 382 | 703.0 | 52 | 418 | 97.7 | 26 |
| 1931 | 361 | 740.8 | 45 | 405 | 90.5 | 18 |
| 1941 | 374 | 1 075.6 | 50 | 419 | 231.0 | 49 |
| 1951 | 359 | 1 690.2 | 60 | 415 | 272.8 | 47 |
| 1961 | 355 | 1 894.6 | 57 | 395 | 324.7 | 44 |
| 1971 | 351 | 2 452.2 | 51 | 346 | 386.3 | 39 |
| 1981 | 324 | 2 994.1 | 56 | 258 | 519.7 | 48 |
| 1986 | 326 | 3 186.2 | 55(46) | 227 | 489.8 | 54 |
| 1990 | 295 | 3422.2 | 54(41) | 112 | 648.8 | 44 ² |

- Notes:**
1. Union Density is calculated as Total Union Membership as a proportion of the Total Employment. After 1976, the Australian Bureau of Statistics presented two estimates of union density: the traditional one based on figures from union officials and the new (presented here in parentheses) based on a survey of employees.
 2. 1989 figure

Sources: Australian Bureau of Statistics, *Trade Union Statistics*, (Cat. No. 6323.0); Australian Bureau of Statistics, *Trade Union Membership*, (Cat. No. 6325.0); *NZ Official Yearbook*

Despite this focus on the positive aspects of the arbitration system, there is an alternative tradition which points to the disadvantages which accrued to unions (Howard 1977; Deeks and Boxall 1989). Union structures were defined by the legislation, often resulting in small, relatively weak union organisations. The strong centralisation of bargaining may be blamed for the weaknesses in workplace organisation evident in both countries. The development of a full range of union strategies was held back by legislated limitations on union actions.

For both countries, therefore, it may be argued that the arbitration model constrained union development in ominous ways.

Despite the many institutional similarities the bargaining structures of the two countries did manifest some differences. For example, the New Zealand system seems to have been relatively more restrictive on union structure and actions than the Australian, given the former's refusal to register national unions and its narrow interpretation of industrial matters. It is also clear that there was a substantial number of important New Zealand unions actively opposing the arbitration system, as shown, for example, by the disputes of 1912-13 and 1951. The almost continuous tinkering with the New Zealand arbitration system from the 1960s onwards, the impacts of the 1968 nil wage order, and the 1973 Industrial Relations Act suggest a loss of confidence in the system at odds with the renewed confidence in the Australian Commission resulting from the introduction of wage indexation in 1975. In general, it seems that by the end of the 1970s, the confidence felt by the key actors in the arbitration system was substantially less strong in New Zealand than in Australia, a circumstance perhaps explaining in part the ease with which the New Zealand arbitration system was rejected during the 1980s by government and many employers.

THE NEW DIVERGENCE: AUSTRALIA AND NEW ZEALAND IN THE 1980s

After decades of similar development, the 1980s saw Australia and New Zealand parting ways in significant areas of politics, economic and social policy and in industrial relations. This new divergence is the main focus of this book. Chapter 2 lays out the economic difficulties faced by the two economies as a result of the post-1973 international downturn. Castle and Haworth show that both economies have been forced to reject old certainties about a protected, inward-looking domestic economy surviving on the back of broadly positive terms of trade for primary exports. The lesson of the 1970s and 1980s has been that the two economies must integrate into a new international division of labour on terms substantially defined externally and with challenging consequences for traditional economic thinking. Flexibility and deregulation have been the driving themes of the restructuring process, much as has been the case elsewhere in the OECD. However, the manner of achieving these ends has varied between Australia and New Zealand. The former has yet to see the creation of a consensus for Hayekian 'shock' adjustment and, whilst it is early to draw conclusions, such a consensus has many hurdles to cross before it may be put in place. Rather, in Australia, there has been a partial acceptance of the deregulatory imperative in areas such as government expenditure, tariff reduction and financial deregulation. In contrast, the labour market has been the site of continuing interventionism by the Australian government by means of the Accord, itself an eminently corporatist approach. In New Zealand, deregulatory fervour struck far more dramatically and earlier, with the 1984 Labour government initiating one of the most profound deregulatory programmes in the OECD (see Bollard and Buckle 1989).

The explanation for this divergence in policy is, on the surface, quite simple. Whereas the 1983 Hawke government was prepared and able to mix and match

deregulatory policies for the economy as a whole with neo-corporatist policies for the labour market and industrial relations in particular, and in the process maintain some historical consistency in terms of ideology, the 1984 Lange government was to all intents and purposes hijacked by free market ideologists. As Oliver shows, the traditional corporatist model which one would have expected to be introduced in 1984 was defeated within the Labour Party by a free market alternative which, when in power, found strong support in a key ministerial grouping and in Treasury (Oliver 1989). The inability of the labour movement, itself then in the throes of major restructuring, to support the corporatist tradition within the Labour Party such that it might overcome the free market offensive is an important factor in the explanation of the totality of corporatism's defeat. This was not the case in Australia. The power of the ACTU and the closeness of policy-making between the ACTU and the ALP ensured that the newly-elected government would continue to respond to ACTU suggestions and advice, albeit patchily.

This, then, defines the contrast between the two countries. However, underlying this simple view lies the broader question - what were the conditions which permitted the political redirection of the New Zealand Labour Party, and which also gave rise to identical policies within the National Party? Is there more to this contrast than a difference in balance of forces between the labour movement and their traditional political party in each country? There is little research available on which to base an answer to these questions, but Castle and Haworth ask whether the answers may lie in the conjunction of economic performance and industrial relations outcomes in economies of differing sizes. A hypothesis deserving further investigation suggests that the Australian economy has diversified to a greater extent than that of New Zealand, in part because of the relative size of the domestic market. Greater levels of diversification have led to an empowerment of organised labour, in turn reinforced by the consolidation of the arbitration system in the mid 1970s. In contrast, relatively limited diversification and a continuing dependence on primary exports, coupled to a labour movement organisationally hidebound by the arbitration system and riven by internal dissension about the creation of the CTU and its links to the Labour Party, are plausible factors underpinning the free market panacea's success. To this may well be added the continuing presence in New Zealand of a traditional anti-collectivism, once rural but now broadly urbanised, which saw in the free market model great opportunities. The extent to which popular involvement grew in the pre-1987 speculative boom might be adduced as evidence of such a presence (see, for example, Fairburn 1989).

The contrast between the two countries is discussed in relation to legislative measures on industrial relations in Chapter 3. Mitchell and Wilson highlight the paucity of legislative change in Australia as it seeks to stimulate economic reform. Rather, reform occurred largely within the existing legal framework. In particular, they note Rimmer's description of the Australian process as 'managed decentralism' in which award restructuring has sought to shift the focus of negotiation down to the level of the enterprise. In this model, the strengths of the award system and of the industrial relations institutions are seen as an important element in the peaceful and negotiated reform of the bargaining system.

The New Zealand model of reform has been altogether more radical, if somewhat phased in implementation. Under the 1984 Labour government, the labour relations system was reformed extensively but primarily in terms of educating unions into new decentralised practices. Thus, the 1987 Labour Relations Act, whilst radical in historical terms was nowhere near as dramatic a reform measure as those applied elsewhere in the economy. Walsh has explained this convincingly in terms of an alliance of interests - the Department of Labour, some employer practitioners, members of the parliamentary labour party and others who defeated a more radical model of reform (Walsh 1989). It required a defeat of the Labour government in 1990 and a root-and-branch innovation by the new National government to give to New Zealand the sweeping qualities of the Employment Contracts Act. The focus on constitutional structures in the two countries in Chapter 3 reinforces the view noted above that the system of checks and balances found in Australia has no counterpart in New Zealand. Hence in New Zealand, 'almost total power' rests with the executive, enabling radical reforms to be pushed through with great determination.

A further conclusion drawn by Mitchell and Wilson warrants attention. In both countries, there is little sense of stability in the legislative framework governing industrial relations. In Australia, the possibility of a change of government brings with it the likelihood of a sea-change in industrial relations policy, much as has been introduced in Victoria in late 1992. In New Zealand, a defeat for the National government in 1993 will mean substantial amendment of the Employment Contracts Act, even its complete abolition. Even if National stays in power, there are two scenarios which involve further legislative reform in the industrial relations area. If, for example, domestic productivity rates do not rise to levels deemed adequate for an international competitiveness strategy, further legislation in support of the Contracts Act might be introduced. This might include the abolition of the specialist labour market legal institutions - the Employment Tribunal and the Employment Court. Alternatively, if economic growth does take off, and employees are able to reassert a degree of labour market power by means of bargaining strength, it is widely assumed that the contemporary commitment to contract-based bargains may give way to a more interventionist, wage determination model. In both countries, the advantages of a stable, procedurally consistent bargaining environment may be lost in coming years.

If the legislative approaches to industrial relations have varied across the two countries, what may be said about the comparison in general labour market policies during the 1980s? Brosnan and Burgess offer an overview of labour market changes in Chapter 4 in which they too highlight the distinction between the Australian Accord and the New Zealand 'New Right' experience of 'flushing out' the labour market. However, they also draw attention to the external constraints faced by both economies, much as discussed by Castle and Haworth in Chapter 2. Brosnan and Burgess argue that institutional and policy decisions made internal to the two countries are secondary considerations in comparison with the changes generated by the effects of international restructuring. The historical dependence of the two economies on international economic activities has exacerbated this external constraint on internal policies.

Brosnan and Burgess conclude that Australia's labour market adjustment policies have broadly been more successful than those of New Zealand. Both countries have adopted a supply side orientation to adjustment, focusing on combinations of labour market programmes, unemployment assistance and up-skilling as the appropriate way forward. Yet, under the 'managed' system of the Accord, these policies have whilst contributing to wage constraint, also been able to improve the social wage, improve labour force participation rates, generate new jobs and, at least until 1990/91, contain the unemployment rate. Meanwhile in New Zealand during the 1980s, performance in these areas is described as 'disastrous'. It remains to be seen if the 1990s will see a similar profile in labour market measures emerge in Australia as restructuring takes on a more radical and less managed profile. However, on the basis of Brosnan and Burgess' argument, it is difficult to accept the primacy of the 'New Right' agenda over more traditional 'corporatist' policies.

Turning away from government and policy development, what of the responses of unions and employers to the changes of the 1980s in the two countries? Once again, the divergence between the two experiences is striking. In Chapter 5, Plowman and Street suggest quite different patterns of employer response. In New Zealand, there has been a coming together of employer views on the bargaining system and its role on the creation of an internationally competitive economy. At the beginning of the 1980s, the two key employer organisations - the Employers' Federation and the Business Roundtable - were not closely aligned. The former represented a more traditional employer perspective, accepting protection as a defence against foreign competition and broadly remaining committed to Keynesian-type macroeconomic policies. The Roundtable adopted an alternative view, extolling the virtues of deregulation and its sisters, privatisation, free trade, a smaller government, low inflation and so on. In the industrial relations sphere, the Employers' Federation happily sought a shift in the balance of power towards employers, but on pragmatic rather than strategic grounds. The Roundtable saw labour market and bargaining deregulation as the *sine qua non* for the effective integration of New Zealand into a new world economic order, and drew on international thinking, particularly from Chicago and from Hayek, on the best way to break down centralised bargaining traditions. In the event, the Roundtable industrial relations agenda failed to win the day under the 1984 and 1987 Labour governments, but has generally succeeded under the 1990 National government. In the process, the Employers' Federation has swung into line behind the same agenda. Thus, by 1990, the employers' position in New Zealand was consistent across the two key organisations, not only in terms of industrial relations thinking but also in terms of wider economic strategy. It would not be overdrawn to say that a free market zealotry dominates contemporary employer contributions to national debates in New Zealand.

This is not the case in Australia. First, Plowman and Street show the high degree of differentiation between employer organisations on policy issues. Secondly, they show that there is no generally accepted alternative to the awards system uniting employer policy suggestions on industrial relations. Thirdly, the pure free market model has by no means a dominant position in employer thinking. Fourthly, it is clear that many Australian employers are willing to accept the Accord approach to bargaining reform. In sum, Plowman and Street suggest that

the corporatist model in Australia met the needs of many employers during the 1980s to the extent that they were unwilling to promote a New Zealand model of reform of the economy in general and the industrial relations system in particular.

The difference between employer responses in the two countries clearly owes something to the size and complexity of employer interests in the context of the political system. In New Zealand, it is possible to identify a relatively small, closely-linked network of employers, pundits, government officials and politicians, and lobby groups sharing a belief in the free market agenda and able to construct an assault on policy-making, particularly in Wellington. This is not a conspiratorial intervention in that it is exposed to public gaze constantly. It is possible to talk of 'policy capture' by this group under both Labour and National party governments. The Employers' Federation and the Roundtable are simply elements within this agglomeration of interests. The simple 'smallness' of policy-making circles in New Zealand permits a strong unified intervention to make ground unlikely to be made in Australia. Here again, differences in constitutional structure play their part in facilitating this intervention. It is not unreasonable to describe the collection of forces uniting around this intervention as a 'hegemonic policy alliance'. For reasons discussed earlier in this introduction, the likelihood of such an alliance being created in Australia is reduced because of the greater size and complexity of the pressure groups and their agendas, and similar qualities attached to the constitutional structure. Interestingly, as the 1990s open up, the questioning of this hegemony grows in New Zealand as political alliances emerged opposed to Labour and National dalliance with a pure free market model. Simultaneously, in Australia an attempt grows to create a political unity round such a model.

Bray and Walsh discuss the union movements in the two countries in Chapter 6. Both were faced by the same set of challenges as restructuring became the driving force behind government economic policy. Both union movements sought to recast their activities in terms of what has come to be known as 'strategic unionism'. In other words, unions on both sides of the Tasman sought to establish a role in the macroeconomic planning of their respective economies whilst also seeking to contribute to workplace reform. Yet the outcomes for the two movements were very different. Under the Accord, the ACTU led Australian unions into a close alliance with government's restructuring project. Bray and Walsh argue that as a result of this, Australian unions were able to exercise a degree of control over matters such as national wages policy, industry issues and worker involvement in the management of change. In contrast, in New Zealand, the CTU not only failed to put in place with the post-1984 Labour governments the local version of the Accord (the Compact), but were also excluded from the traditional tripartite mechanisms through which they might have exerted influence. Indeed, under the National government's Contracts Act, the term 'trade union' has been totally excised from the legislation, a clear indication of the standing of unions in some quarters of New Zealand's society.

As Bray and Walsh suggest, the explanation for these divergent experiences lies in the differences in union-Labour Party relationships during the crucial years of the early 1980s. In Australia, close personal and organisational ties between the ACTU and the Labor Party, coupled to the creation of an effective joint vision for

Australia's future, gave the ACTU access to policy-making at the highest level. As Bray and Walsh plot, the opposite happened in New Zealand, where there was a virtual absence of relations between the victorious free marketeers in the 1984 cabinet and the union movement. Exacerbating this strategic weakness were internal features of the New Zealand movement. In particular, the organisational coherence of the CTU was weak in comparison with that of the ACTU. Finally, Bray and Walsh reinforce the argument found elsewhere in this collection that the strength of the arbitration system in Australia gave support to the union movement in a way absent from New Zealand.

CONCLUSION

On the basis of the material gathered in the following chapters, it is clear that the pressures faced by the Australian and New Zealand industrial relations systems in the 1980s derived from two broad sources - the external and the internal.

The external challenges caused by a reorientation of the international order were taken as given in both economies. The question for both was how to integrate into the new reality of the post-1973 world. It is in the internal response that we see differences emerging during the 1980s. The political circumstances of Australia permitted the growth of a restructuring model which accepted key tenets of corporatism, particularly in the industrial relations area. The Australian union movement was sufficiently attuned to the opportunities created by this model to take some advantage from it, just as the employers were increasingly disunited in their approaches to reform. For the bargaining system, the crucial reinforcement of the arbitration system in the mid-1970s gave renewed legitimacy to the Commission and award settlement procedures which in turn were able to play an important role on the restructuring of bargaining in the 1980s.

The New Zealand story is very different. The dominant restructuring model applied was a purist free market version which gave little ground to corporatist consultation and which accepted as fundamental needs the weakening of the arbitration system and the union movement. The arbitration system did not enjoy the renewed legitimacy received by its Australian counterpart, and the union movement was substantially weaker. To heighten the contrast, employers in New Zealand were increasingly united around a radical free market perspective and were integrated into a coherent lobby for radical reform within the political superstructure.

Thus, in the 1980s, the generations of parallels between the Australian and New Zealand bargaining systems appear to have broken down. This conclusion demands consideration of another argument. Is it not possible that Australia is simply a decade behind New Zealand in the restructuring process? Could it be that the Accord was nothing more than a historical anachronism delaying the day of reckoning for the Australian economy and its arbitration system? Such an argument seizes on the agenda for reform of the Leader of the Opposition, John Hewson - an agenda which lies at the heart of the 1993 electoral campaign. Similarly, it looks to the late-1992 Victorian legislation and the earlier Greiner

legislation in New South Wales as the precursors of 'real' restructuring of Australian bargaining. The answer to these questions will be determined by the political process in Australia, but we can speculate on this outcome in general terms. It is noteworthy that there is in late 1992 something of an international retreat from the free market model. Economies such as that of Japan which have never absorbed the purism manifest in New Zealand's Rogernomics are engaged in substantial state-directed economic reform. The Clinton agenda in the USA accepts the need for continuing restructuring yet seeks to achieve this end by a pragmatic balance of policies driven less by ideology than consensus. We have already noted that in New Zealand political alternatives to Labour and National have emerged as a result of the seeming uniformity of economic policies across the two traditional parties of power. In late-1992 Australia, commentators are questioning the previous certainty that the Hewson agenda will win the 1993 federal elections, whilst it is also clear that even were Hewson to win the federal election, his policies might not rest easily with state requirements. Such straws in the international wind might lead to an alternative conclusion to that drawn above. It may be that the Accord model is the precursor of a renewed corporatist pragmatism in both economic and industrial relations policies at the international level. Such a conclusion would suggest that New Zealand will have to draw on the Australian experience as it rejects its recent role as an economic test-bed for free market policies.

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2. The Economic Imperative for Restructuring in Australia and New Zealand

Robert Castle
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In recent years there has been a thorough reorientation of economic policy-making in Australia and New Zealand. The post-war policy consensus for Keynesian style macroeconomic policies, protection from overseas competition, regulated financial and labour markets and an expanding public sector has been shattered. In its place in Australia is an uncertain mixture of fiscal and monetary policy, measures to increase the 'openness' of the economy, pressure for microeconomic reform to expose product and factor markets to greater competition, privatisation and a winding back of the public sector. Despite differences over timing and implementation, this new agenda has been broadly accepted by both Labour and the Coalition. In New Zealand, adherence to a radical free-market policy based on deregulation, privatisation and international competitiveness has been the order of the day, under both Labour and National governments. In contrast to Australia, the vigour and certainty of the free market model has been dramatic in New Zealand.

Australia and New Zealand have always been affected by international trade, but now natural protection caused by distance has diminished and exposed them to increased competition. The traditional response of increasing protection has been rejected, as policy makers are increasingly aware of the costs of isolation in a world economy characterised by expanding international trade and capital flows leading to an intensification of an international division of labour. What is now sought is not isolation but greater integration into international capitalism. But this is occurring during a time of world wide recession with rising unemployment and falling capital values - factors which intensify the pace and costs of adjustment.

The tenor of the economic discussion of these issues is an important factor. For example, current economic debate in New Zealand tends towards the apocalyptic. International competitiveness on the back of massive restructuring is widely seen as the only alternative to an otherwise inexorable slide into Third World status

(Crocombe et al 1991). Continuing the imagery, New Zealand is reaping what was sewn in the decades of lost opportunity when it failed to adapt to the new realities of imperial decline, adverse terms of trade, declining productivity, a weak manufacturing base and poor policy making. In this view, the scale of the required restructuring is directly proportional to the degree of tardiness in confronting the task. Fortunately, follows the argument, the Labour government of 1984 and the National government of the 1990s have broadly grasped the nettle of reform and begun the restructuring process.

Apocalypse or not, the issue of restructuring has been on New Zealand and Australia's agendas for fifty years or more. From the early days of import substitution through the phase of manufacturing development in the 1950s and 1960s and on into the 1990s, governments have sought to transfer the export earnings of the primary sector into a nationally and internationally viable manufacturing sector. The logic of the model has been to maximise the developmental effects of primary export earnings whilst such earnings were high. Hence the crucial policy issues have been, first, the terms of trade for primary export goods; secondly, the efficacy of internal measures to translate export earnings into manufacturing growth; and, thirdly, the issue of the phasing of this policy.

Unfortunately, in all three contexts, New Zealand and Australia have performed relatively poorly. As elsewhere, the terms of trade began to move against primary sector exports from the mid-1960s, reducing the capacity of export earnings to fund manufacturing development. This decline was exacerbated by the phasing issue. Arguably, import substitution policies took firm hold in New Zealand and Australia in the 1950s, late in the day in comparison with, say, Latin America, and too late to make substantial ground before the terms of trade decline. Such ground as might have been made was constrained by a poor policy mix which failed to recognise the effects of the phasing-terms of trade dilemma. There was a degree of diversification behind tariff barriers and in a highly directed internal market, but, arguably, too little too late. Of course, this argument begs the question of whether relatively small economies in the 1950s and 1960s could have achieved an integrated manufacturing sector thereafter capable of competing internationally in even the most advantageous of circumstances.

ECONOMIC PERFORMANCE IN AUSTRALIA

There has been considerable concern in recent years about Australia and New Zealand's economic performance. In the former, economic growth has been disappointing, inflation has been persistently above, and productivity growth below the average. Yet employment growth has been strong, unit labour costs have tended to fall and the decline in the manufacturing sector has been slowed. The service sector has expanded and government spending has fallen. The internal picture is by no means overwhelmingly poor, but the external sector has been the source of considerable concern. There has been a persistent current account deficit, mounting foreign debt, adverse fluctuations in the terms of trade and increased import penetration.

Table 1 examines Australia's growth performance and its sectorial composition between 1968 and 1988, as well as that of New Zealand and some of their major trading partners. Australia's overall growth performance during 1968-88 is better than New Zealand's and the USA's somewhat worse than Japan's, but considerably worse than that of Hong Kong, Singapore and Korea. There is a similar pattern for 1985-88 although Australia also slips behind the USA during that period. However, Australia's growth performance in the eighties is close to the OECD average but behind those of its major trading partners in Asia. The other notable feature of Australia's growth in the eighties is its variability with three major downturns in real output during the decade offsetting two bursts of well above average growth.

Table 1: Growth Rates Of Sectoral & Total GDP At Factor Cost, 1968 - 1988 (Constant 1980 Prices)

| PERIODS | GROWTH RATES (%) | | | | | |
|---------------------------|------------------|-----------|---------|----------|-----------|-----------|
| | AUSTRALIA | N/ZEALAND | JAPAN | HONGKONG | REP KOREA | SINGAPORE |
| <u>GDP at FACTOR COST</u> | | | | | | |
| 1970-1974 | 3.97% | 5.60% | 5.58% | 9.27% | 10.16% | 11.71% |
| 1975-1979 | 2.84% | -1.55% | 4.88% | 12.37% | 10.32% | 7.88% |
| 1980-1984 | 1.81% | 2.64% | 3.46% | 6.54% | 8.96% | 7.64% |
| 1985-1988 | 3.37% | -0.60% | 3.76% | 12.63%+ | 11.91% | 7.92% |
| 1968-1988 | 2.95% | 1.79% | 4.45% | 8.74%++ | 8.48% | 8.06% |
| <u>GDP INDUSTRY</u> | | | | | | |
| 1970-1974 | | | 6.40% | 3.52% | 15.35% | 12.19% |
| 1975-1979 | 2.51% | | 5.73% | 13.65% | 17.17% | 8.79% |
| 1980-1984 | 0.30% | 4.90% | 4.74% | 6.05% | 11.79% | 8.55% |
| 1985-1988 | 0.93%+ | | 3.66%+ | 13.30%+ | 14.93% | 7.69% |
| 1968-1988 | 2.11% | 3.02%* | 5.14%++ | 7.44% | ++ 13.03% | 8.30% |
| <u>GDP MANUFACTURING</u> | | | | | | |
| 1970-1974 | | | 7.91% | 1.88% | 19.50% | 14.58% |
| 1975-1979 | 2.72% | | 7.00% | 12.90% | 17.87% | 11.29% |
| 1980-1984 | -1.14% | 4.70% | 7.33% | 6.35% | 11.99% | 3.03% |
| 1985-1988 | 2.11%+ | | 3.82%+ | 14.18%+ | 16.72% | 14.86% |
| 1968-1988 | 1.43% | 2.97%* | 6.35%++ | 6.91% | ++ 14.39% | 8.49% |
| <u>GDP SERVICES</u> | | | | | | |
| 1970-1974 | 4.83% | | 6.35% | 12.51% | 8.49% | 9.73% |
| 1975-1979 | 2.97% | -0.66% | 6.20% | 11.88% | 10.15% | 7.85% |
| 1980-1984 | 2.92% | 2.85% | 4.34% | 6.87% | 9.81% | 7.87% |
| 1985-1988 | 4.48%+ | 3.75%+ | 3.93%+ | 12.44%+ | 12.41% | 6.57% |
| 1968-1988 | 3.97% | 2.16%* | 5.70%++ | 9.55%++ | 8.99% | 7.34% |

SOURCE:

1 Computed from data in IBRD World Tables 1990

NOTES

Growth rates computed using semi-log method.

2 Other than those with symbols, the above figures are computed for the periods in the second column

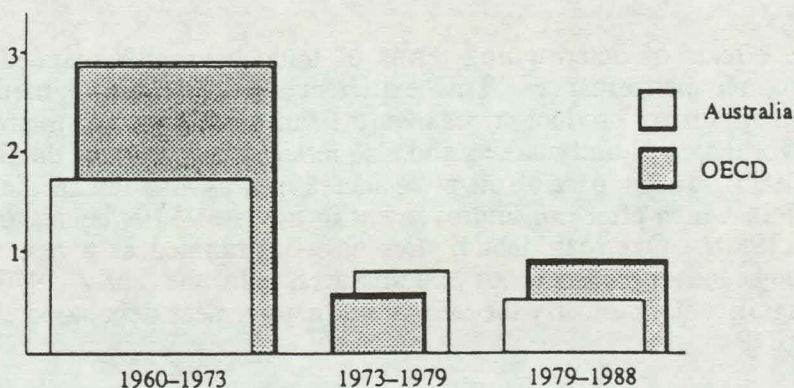
| | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| 3 | <u>Symbols</u> | <u>Periods</u> | <u>Symbols</u> | <u>Periods</u> | <u>Symbols</u> | <u>Periods</u> |
| | * | 1977-1986 | + | 1985-1987 | \$ | 1974-1987 |
| | ** | 1971-1987 | ++ | 1968-1987 | | |

In the sixties and seventies Australia's rate of inflation was below the OECD average, but since then has been persistently above. It is only in the last few quarters that inflation has again approached that of our major trading partners. Now government policy is seeking to achieve a sustainable fall in inflation to below 4 per cent. The consequences of inflation are always a matter of controversy but the government has argued that the inflation gap between Australia and its major trading partners has been a major factor in widening the interest rate gap between Australia and overseas financial markets.

In the eighties productivity has also fallen below the OECD average (Diagram 1). Productivity growth in Australia was above the OECD in the seventies but has fallen in the eighties below the performance achieved in the seventies and has not followed the improvement recorded in the OECD in the eighties. The reasons for this are complex (and discussed later in the paper), but one factor which has affected productivity growth has been the rapid growth in the workforce. The labour force grew at 3.5 per cent per year between 1983 and 1989. Employment growth has been particularly rapid for females. More part-time jobs have been created than full-time. Most of the new jobs have been created in the private sector. Australia's employment and participation ratios are above OECD averages. The tendency for real wages to fall over this period may be one reason for this rapid growth in employment, but experience in the 1990-92 recession indicates the vital role of adequate levels of aggregate demand in employment creation. The major Australian policy failure in the eighties has been the external. Therefore it is not surprising that this has consequently driven much of the reform agenda. The adverse current account balance has been the major constraint on growth and has restricted possible increases in purchasing power. However, the factors influencing this are not just short term and domestic, and developments in the national economy need to be examined to better understand the recent external problems of both Australia and New Zealand.

Diagram 1: Productivity Changes in Australia and the OECD

Average annual percentage rate of change



Source: Industries Commission, Annual Report 1989-90, AGPS, Canberra, 1990, p. 4.

NEW ZEALAND'S ECONOMIC PERFORMANCE IN THE 1970s

A somewhat similar story can be told of the decline of New Zealand's economic performance in the 1960s and 1970s. In 1960, New Zealand's per capita GDP was about 10 per cent above the OECD average. By 1985 it was below 65 per cent of that average. This decline is equivalent to GDP per capita increases of other OECD countries growing at an annual 2 per cent more rapidly than that of New Zealand (Planning Council 1989, 7). The decline is equally obvious in productivity terms. Between 1960 and 1979, New Zealand growth in total factor productivity was markedly less than the OECD average (Table 2). How one chooses to explain this poor performance defines one's approach to restructuring, as we shall see below. For the moment, it is clear that no single cause of poor productivity performance is identifiable.

Table 2: New Zealand Productivity Growth

| Business Sector: Average Percentage Change in Total Factor Productivity (Annual Rates) | | | | | | |
|---|---------|------|------|-------|--------|-----------|
| | Average | NZ | US | Japan | W Germ | Australia |
| 1960s-1973 | 2.8 | 0.6 | 1.5 | 6.1 | 2.8 | 2.1 |
| 1973-1979 | 0.7 | -2.5 | -0.1 | 1.8 | 1.8 | 0.6 |
| 1979-1986 | 0.6 | 0.6 | 0.0 | 1.7 | 0.8 | 0.5 |

Source: New Zealand Planning Council (1989, 8)

The effects of deteriorating terms of trade have also plagued New Zealand's economic performance. This experience reflects the international movement against primary product prices over the same period, growing problems of access to world agricultural markets and also reflects the impact of the first oil price hike in 1973. The impact of oil price increases was also felt in the current account deficit, which after an improvement in the late 1970s began to increase during the 1980s. Overseas debt figures also deteriorated as a result of government policy and the impact of externalities. In the early 1970s debt was an insignificant factor. By the late 1980s, net overseas debt stood above 60 per cent of GDP.

Figures for inflation indicate a controlled situation up until the late 1960s. Thereafter, inflation grew quite dramatically, running at 15 per cent in the late

1970s and peaking above this at times in the early mid-1980s. Registered unemployment figures make equally stark reading moving from minimal unemployment levels in the early 1970s to around 80,000 in the early 1980s.

Easton has argued that the implications of the terms of trade reversal were clear from the mid-1960s (Easton 1982). The need for diversification was recognised earlier still, but the problem of lags between recognition of a problem and the implementation of policy responses emerged. Had diversification been taken forward more dynamically at an earlier stage, perhaps the long-run decline in economic performance might have been tempered. In other words, had the phasing of alternative policies been different, so might the outcomes have been different. At issue here are, firstly, the efficacy of government economic policy, and secondly, the quality of investment decisions made by New Zealand management. Government economic policy might be described as a directed protectionism on the back of successful primary product exports. As such, its rigidities were increasingly out of touch with the changing performance of national and international economies. For all that, contemporary commentaries from those directing government economic policy in the 1960 and 1970s argue that their responsibility for downturn derives not from the wrong policy framework but from inappropriate use of particular policy tools, an argument with growing relevance in the bleak 1990s. However, government policy-makers should not bear the whole responsibility for decline. Capital productivity has been relatively poor, reflecting poor investment decisions and inefficient use of capital endowments. New Zealand management performance has not generally been impressive. As another measure of some interest, sectoral performance is perhaps best judged in terms of productivity trends over the past thirty years (Table 3). Agriculture shows declining productivity increases, primarily as a result of its state of the art nature. The same applies to agriculturally-based manufacturing. The manufacturing sector shows a similar profile, although in some areas the effects of restructuring are expected to raise productivity. It is generally felt that the service sector under performed up to the 1980s and that it is here that a major improvement might be expected during the 1990s.

Table 3: Productivity Trends And Forecasts

| Average Annual Percentage Change in Productivity | | | | |
|---|----------------|------------------|------------------|------------------|
| | 1961-72 | 1973-1986 | 1987-1992 | 1992-1997 |
| Agriculture | 4.69 | 1.59 | 1.5 | 1.5 |
| Fishing | -0.41 | 2.75 | 1.0 | 1.0 |
| Forestry | 0.04 | 3.74 | 2.0 | 2.0 |
| Mining | 3.21 | 8.49 | 6.0 | 3.0 |
| Food | -3.87 | 10.86 | 3.0 | 2.0 |
| Textiles | 3.23 | 1.27 | 2.5 | 2.5 |
| Wood | 4.61 | 0.41 | 3.0 | 3.0 |
| Paper | 5.65 | 0.44 | 3.0 | 2.5 |
| Chemicals | 4.51 | 4.01 | 1.0 | 1.0 |
| Non-Metals | -0.78 | -0.64 | 1.0 | 1.0 |
| Metals/Mach | -1.98 | 0.29 | 2.3 | 2.3 |
| Other Manfg | -2.92 | 4.45 | 2.5 | 2.5 |
| Electricity | 5.36 | 4.62 | 2.3 | 2.7 |
| Construction | 1.93 | 1.59 | 2.0 | 2.0 |
| Trade | -0.81 | -0.14 | 2.3 | 1.1 |
| Transport | 2.66 | 0.41 | 2.3 | 1.1 |
| Communications | 0.92 | 6.52 | 5.5 | 5.5 |
| Finance | -1.01 | -1.23 | 1.5 | 1.1 |
| Services | -0.37 | -1.43 | 0.2 | 0.0 |
| TOTAL | 1.23 | 0.66 | 1.4 | 1.2 |

Source: Meads and Orr (1990, 2)

INTERNATIONAL CONTEXT: AUSTRALIA AND NEW ZEALAND COMPARED

World trade boomed in the early 1970s but the basis for that was exchanges of specialised industrial products within the OECD countries and growing exports of labour intensive products from the Asian Newly Industrialising Countries (NICs) rather than trade between industrial and primary producing countries. The oil crisis strained the non-oil developing countries which borrowed heavily to maintain living standards. Debt repayments subsequently crippled growth in these economies in the eighties and encouraged over production of primary exports, which kept their prices low.

Trade among developed countries was encouraged by the removal of trade barriers within the EEC and the effects of several rounds of GATT negotiations

which reduced tariffs on industrial products to very low levels - about one quarter of those prevailing in Australia and New Zealand (Industry Commission 1990-91). This encouraged internationalisation of both consumption and production, increasing specialisation and economic integration beyond national boundaries. Exports as a proportion of GDP rose significantly in most smaller OECD countries in the seventies and eighties (for example, in Belgium between 1965 and 1986 this ratio rose from 43 and 69 per cent, in the Netherlands from 43 to 54 percent, and Sweden from 22 to 33 per cent).

However, this trend largely passed Australia by, with Australian exports rising from 15 per cent of GDP in 1965 to 16 per cent in 1986. Continuing high tariffs and an overvalued exchange rate until 1985 meant that Australia failed to participate in this new round of international specialisation. Hence, Australian manufacturing industry remained inward-looking with many foreign owned firms operating import substituting plants behind protective barriers with little local research and development. Australia was almost alone among smaller OECD nations at the end of the eighties with its broad but shallow industrial structure.

Continuing dependence on primary-sector exports made Australia particularly vulnerable to terms-of-trade fluctuations - a factor which made economic policy-making more difficult and contributed to Australia's growing balance of payments problems. Decreasing costs from international specialisation in developed countries and the growing competitive edge of the NICs, increased Australia's relative cost disadvantage and made large areas of manufacturing uncompetitive even with existing protection.

One indication of the increased competitive pressure is through the indices of revealed comparative advantage calculated by Drysdale (1988) using the ANU International Economic Data Bank. Although this only goes up until 1983, it clearly shows Australia's growing disadvantage in both labour-intensive and other manufactures, the rising competitiveness of the NICs firstly in labour-intensive products and increasingly in other manufactures. It also shows the rapid changes in competitiveness and the pattern of industrial production in the Asia Pacific region (Drysdale 1988).

In view of this, it is surprising that Australia managed a modest increase its proportion of manufactured exports, from 15 per cent in 1965 to 22 per cent in 1986. Much of this growth was in the processing of metals such as aluminium and steel, but there was growth in transport equipment where some tentative steps were taken towards internationalisation under the Motor Vehicle Plan, chemicals and telecommunications equipment.

These international factors have been instrumental in pushing the Australian government towards more open and competitive policies as reflected in the 1988 announcement of new tariff benchmarks of 15 and 10 per cent, and the March 1991 industry statement which adopted a 5 per cent tariff benchmark to be reached by June 1996. These moves toward trade liberalisation have come despite rising unemployment, continuing balance of payments problems and record levels of foreign debt. Australia is reacting belatedly to the changes in the international economy over the past two decades, and protection is now identified

as the cause of our current difficulties rather than the solution. The result is the unleashing of competitive market forces on a scale never before seen in Australia. Developments in both external and domestic sectors of the Australian economy need to be analysed against this background of an accelerating international division of labour and greater liberalisation.

AUSTRALIA'S EXTERNAL SECTOR

Australia's balance of payments problems and the consequent increase in foreign debt have dominated economic policy-making in recent years and appear set to continue to constrain economic policy throughout the nineties. Despite the doubts of some academic economists that private foreign borrowing constitutes a problem (for example, Pitchford 1990, Forsyth 1990), the government and other economists (for example Arndt 1989) believe that the problem is serious. The ratio of net external debt to GDP rose from 21 per cent in June 1980 to 44.5 per cent in June 1990. However, the major growth was between 1980 and 1986 with the debt stabilising after that. However, the cost of servicing the debt has risen from 2 per cent GDP in 1980 to 4.3 per cent in 1989-90. To stabilise the debt and debt service costs requires regular trade surpluses which will 'require domestic spending to grow less quickly than domestic production' over the next few years (Treasury 1991).

The reasons for this deterioration in the external sector in the eighties are complex but three major factors stand out:

- (a) falling import prices encouraged a rise in import penetration;
- (b) falling export prices mean that higher export volumes were needed, just to maintain returns;
- (c) upswings in the trade cycle spilled rapidly over into imports, placing a firm constraint on economic growth and domestic consumption.

The fall in the price of imports is a reflection of specialisation abroad, with declines in prices of products such as computers and other electrical goods. This trend has been assisted by reductions in protection and is an indicator of the greater competitive pressures on Australian producers in the eighties. The phasing down of tariffs to 5 per cent by 1996 and the elimination of many non-tariff barriers will accentuate these pressures. The exchange rate and unit labour costs have a major influence on indices of competitiveness. The sharp depreciation of the Australian dollar in the mid-eighties increased competitiveness but the economy responded only sluggishly to the relative price changes induced by the fall in the value of the dollar (Teal, 1990). Some exporters accepted lower margins to maintain market share, whilst rises in the price of intermediate imports used by Australian producers adversely affected the prices of domestically produced goods. Exports became more profitable but export volumes could not respond quickly due to high levels of domestic demand from 1987 to 1989. Devaluation also increases the size of the foreign debt as 58

per cent of Australia's net external liabilities are denominated in foreign currencies.

There has been a steady increase in export volumes, especially for minerals and manufactures, with a smaller increase in services, especially tourism, and a decline in rural products. Although the overall ratio of exports to GDP has changed little over the past two decades, the growth in non-metal manufactured exports has been impressive with volumes growing by 90 per cent from 1983 to 1989-90. Exports of chemicals, telecommunications equipment and transport equipment have been substantial. The growth in transport equipment exports is a direct result of the Motor Vehicle Industry Plan which provides import credits for exports and has encouraged greater specialisation in sourcing of components and the number of models produced. The Capri sports car is the most notable example, but all Australian-based car producers have contributed. Exports of metal manufactures remain important, with both steel and aluminium contributing. Ironically this is not the result of free market forces, but is attributable to the Industry Plans developed for these sectors.

Even though rural and mineral commodities still accounted for 69 per cent of Australian exports in 1989-90, the growth in manufacturing exports gives some hope for the future development of manufacturing in a more international competitive environment. It has occurred despite the cost penalties which many Australian exporters currently face because of protection, and the government hopes that its new low protection in the nineties will encourage further growth in manufactured exports.

The external sector and the international economy placed great pressure on the Australian economy in the eighties. Substantial swings in commodity prices exposed Australia to large and damaging swings in the terms of trade. Australia's terms of trade fell by 14 per cent between September 1984 and March 1987, rose by 20.8 per cent from then until December 1989, falling back again by 9.2 per cent until March 1991. The Australian trade cycle is more volatile than that of its major trading partners and this has contributed heavily to fluctuations in imports and national income and has added to the volatility of exchange rate since the floating of the Australian dollar in 1983.

NEW ZEALAND'S SEARCH FOR COMPARATIVE ADVANTAGE

Two sorts of evidence of the comparative advantage effect of deregulation may be offered. The first relates to OECD data on international competitiveness (OECD, 1990a, 30). Using the real effective exchange rate as a measure, it is argued that competitiveness declined between 1984 and 1988, due primarily to a combination of high real interest rates and surge in confidence in the macroeconomic policies. Since 1988, a combination of increased productivity, unit labour cost increases below those of competitor nations and a decline in the nominal exchange rate from mid-1988 has produced an increase of competitiveness as measured in terms of a depreciating real effective exchange rate. However, the OECD also warns that the dependence of the New Zealand economy on primary and semi-fabricated products makes for difficulties in

applying traditional measures of competitiveness. Of course, the implication of this argument is that an overall improvement in competitiveness is a prerequisite for the development of comparative advantage in sectoral and product terms. A second index of comparative advantage is more tentative. Planning Council documents include sectoral projections which suggest comparative advantage potential in the traditional primary sectors (meat, dairy products, for example) in forestry and related products, in fishing, in some manufacturing sectors, most of which with a strong Australian market orientation, and in some services.

Broadly, this view is supported by the recent 'Porter Project' report (Crocombe et al 1991). Although their approach focuses on international competitiveness rather than comparative advantage, their analysis indicates a narrow range of leading products, in which the top twenty-five industries by world market share are dominated by fruit, meat and animal products, wool, dairy products, fish and forest products. This dependence on primary products for international market success is counterposed by the Porter Project to the case of Switzerland, which displays a broader range of successful export industries, including advanced sophisticated manufacturing and services. Furthermore, the emphasis on primary products as the source of export success appears to be growing, perhaps as one would expect after the blows to manufacturing struck by deregulation. To quote their conclusions:

New Zealand exports in a range of structurally unattractive and, therefore low profit, industries. Low entry barriers and easy substitution limit the returns available in these industries. Powerful buyers and suppliers tend to further erode profitability. Fierce competition, driven in part by high exit barriers and non-economic considerations, compounds these difficulties. As a result, New Zealand producers are usually price takers rather than price makers for exports as well as for imports of machinery, industrial inputs, services and capital. This basic structural feature for many of the industries in which New Zealand competes, and our position within those industries, makes for an unfavourable long-term profit outlook the evidence suggests that New Zealand is consolidating its position as an exporter in structurally unattractive industries and segments. (Crocombe et al 1991, 53)

THE IMPETUS FOR RESTRUCTURING IN NEW ZEALAND

It has been noted above that restructuring has been an issue for New Zealand for several decades. However, the 1984 election of the Fourth Labour government, and its subsequent adoption of a firm supply-side policy, imposed a traumatic adjustment policy with dramatic implications for all sectors. The tardiness of the response to the reverses experienced by the New Zealand economy since the 1960s contributed to the adjustment trauma. The response has institutional and policy aspects worth exploring.

Institutionally, a firm supply-side policy was an unlikely prospect at the end of the 1970s. The political parties were broadly in agreement that an interventionist Keynesian approach was needed for New Zealand, though perhaps with some

greater emphasis on the impact of the international market. Treasury was controlled firmly by Finance Ministers, and Treasury's commitment to monetarist policies was constrained in policy circles. The Business Roundtable was moving towards a more active role in promoting structural adjustment, but had yet to achieve its current notoriety. The Employers' Federation still couched its policy suggestions within the dominant economic framework. The trade unions, still divided between public and private sector organisations, were corporatist to the (literal) man.

By the end of the 1980s, parties, state sector organisations, employers' groups and, even, the newly-united union movement were couching their policy suggestions more or less in terms of the need for international competitiveness, monetary stability and restructuring. This sea-change emerged from an element of panic which grew in the late 1970s as it became apparent that the New Zealand economy faced a continuing decline. The indices which provoked this panic included relative standard of living data, the terms of trade profile, productivity data and the burgeoning debt burden. As each of the institutions came to recognise their common concern with these data, a crucial political change occurred within the Labour Party (Oliver 1989). Key members of the Labour leadership absorbed supply-side arguments as the only alternative to a protectionist model. Between 1981 and 1984, a battle was fought out in the Labour Party between supply-siders and corporatists, with the former winning in the person of Roger Douglas, a relatively recent recruit to the 'new orthodoxy'. It is very clear that policy options came to be couched in terms of a strict dichotomy (that is, supply-side or Keynesian intervention) rather than in terms of a continuum between the two extremes (Kerr 1991).

The truncated political, social and economic networks found in small countries like New Zealand permitted the rapid adoption of the deregulatory approach by many of the other key economic institutions. The Roundtable became the active supporter of increasingly more extreme demands for deregulation, particularly in the labour market. The Employers' Federation moved over time to a similar position. Farmers' organisations and the Manufacturers' Federation broadly accepted the policy focus on efficiency and international competitiveness, though manifesting worries about high interest rates, an overvalued currency and, in the case of the manufacturers, over-rapidly reduced tariff barriers. The National Party, whilst highly critical of Labour's policies when in opposition, gave birth to a supply-side tradition at odds with the party's traditional leadership. It is this tradition which took over the National Party's economic policy after the 1990 election victory. Perhaps the only institution not at one with Labour's initiatives was the union movement, but to all intents this was disestablished as a client of the parliamentary Labour Party, though not of the constituencies.

The policy dimension merits attention because of the vitality of the supply-side success. In contrast with Britain, where commitment to a supply-side policy was tempered by political and economic circumstances, the level of support swinging in behind the New Zealand Labour Party's policies, coupled with the bullish run-up to the 1987 crash, created a true policy hegemony for the supply-siders. Whilst the seriousness of the crisis facing New Zealand is often suggested as the surrogate reason for this hegemony, it is never-the-less a remarkable feature of

the 1980s. Even after the 1987 crash, a dourer, battlefield image of the supply-side future continued to dominate economic policy debate.

Quite simply, there has not been a coherent economic alternative before the population since the early 1980s, a fact which also suggests an important role played by the media and others in maintaining the policy hegemony (Perry 1990).

POLICIES OF ADJUSTMENT IN NEW ZEALAND

The list of deregulatory measures introduced by the Labour government is staggering in its scope, as is the rapidity of its enactment. No other OECD economy has been catapulted so quickly and intensely into structural adjustment. Price controls were removed; transport, energy and finance sectors were deregulated; entry licensing into many other industries was removed; state trading activities were corporatised and/or privatised; monopoly rights accruing to state trading activities were removed; the exchange rate was floated; favoured status was removed from various types of investment (eg R&D) and from certain sectors (agriculture and exports in particular); corporate and personal taxation regimes were reformed; regulation of corporate and trade practices were revised; direct financial levers (eg interest rates, reserve ratios) were abandoned; controls over outward and inward investment were loosened substantially; import licensing was terminated, import tariffs were reduced; the Closer Economic Relationship (CER) was ratified with Australia (Bollard and Buckle 1987).

It is a truism in today's New Zealand that before this adjustment policy, few other western economies were so regulated. The accretion of measures to direct the economy was such that the economy was truly 'managed'. In this context, the rapidity and depth of change can only be likened to the Hayekian 'shock' model of adjustment (Hayek 1980). Labour's intention was not only to deregulate but also to transform the expectations of economic actors in line with the 'realities' of the international market. However laudable this aim, it was in many ways misguided at a number of levels. The model itself may well be flawed (Mayer 1990). The appropriateness of the model to small, dependent economies is questionable. The ability of the economy to cope in the short and long terms with the raft of changes is equally at issue. In practice, as we shall see, the financial sector took off in an uncontrolled expansion which contributed much to the particularly harsh effects of the 1987 crash. The lack of effective controls on activities such as insider trading was particularly notable. Manufacturing simply wilted in the face of reduced protection. Agriculture entered a confused period in which commodity prices varied dramatically and out of synchronisation with each other, with the result that little sectoral stability existed. Management skills to deal with adjustment were generally lacking, further exaggerating the adjustment's effects. The consequences of deregulation and free market policies for concentration of capital and internationalisation of the New Zealand economy are also important considerations (Haworth 1991).

ADJUSTMENT IN AUSTRALIA

The external sector has set the context for change in Australia and has led to close examination of areas of the Australian economy long isolated from both foreign and domestic competition. The emphasis in policy-making has switched from macroeconomic management to microeconomic reform. The difficulties in using either fiscal policy or monetary policy for short-term stabilisation purposes has led to macroeconomic policy being targeted more towards long-term goals, such as increasing domestic savings, rather than short-term goals like employment. Monetary policy is being used for medium term goals such as lower inflation, with government fearful that premature monetary stimulus could place unsustainable pressure on the balance of payments in the next upswing of the trade cycle. Consequently, the government was relatively slow to respond to the current recession with the decline in the budget surplus in 1990-91 (from \$8.1b to \$1.4b) being almost entirely due to the operation of built-in stabilisers. Tax receipts have fallen and welfare expenditures risen as activity declined, but there have been few discretionary fiscal interventions to stimulate the economy. The Hawke government's rejection of more traditional Keynesian macroeconomic followed its experience with the monetary stimulus to the economy following the October 1987 stock market crash. This fuelled the subsequent boom in income and imports and has led to suspicion over the use of discretionary macro policy for short-term stabilisation. The Keating government's 'One Nation' package provided only limited direct fiscal stimulus despite the expansionist rhetoric which accompanied the statement.

The need to obtain greater competitiveness has led to a change in emphasis from macroeconomic policy to microeconomic reform. Labour costs along with other input costs are the major domestic determinants of competitiveness. Therefore, the pressure has continued to mount on labour and other costs as Australia's competitiveness against its major trading partners declines. Other input costs are improved by reducing protection and increasing efficiency in the provision of inputs from the non-traded goods sector. This has made microeconomic reform in this area a major goal.

Microeconomic reform has become the instrument to secure improvements in efficiency. Microeconomic reform includes policies such as market liberalisation to reduce barriers to competition, deregulation, privatisation and reform of work practices. Throughout the OECD these policies are being adopted (OECD 1990b) and there is a fear that if Australia and New Zealand fail to follow these developments they will drop further behind in terms of growth and living standards.

For this reason the pursuit of efficiency has become the overwhelming goal for both public and private enterprises, and more traditional concerns over equity have largely been swept aside and left to the tax-transfer system. The basic objective in increasing efficiency is to obtain a more favourable relationship between inputs and outputs. This can be done in two ways either by increasing productive efficiency by lowering costs and moving to a lower cost structure, or

by improving exchange efficiency by increasing competition and reducing the excessive profits earned by those with monopoly power.

One of the major objectives of microeconomic reform has been to increase efficiency and lower costs especially in the area of infrastructure. Electricity, railways, road and sea transport and the waterfront have all been at the forefront of microeconomic reform. These industries affect both export and import competing industries and even though some belong clearly to the non-traded sector, they affect input costs throughout the traded goods sector.

As much of this infrastructure is publicly owned, the pressure has mounted for Federal and State governments to join the world-wide push for privatisation. Privatisation can take several forms, including denationalisation, contracting out, liberalisation and deregulation. The Federal Government has moved to denationalise QANTAS, Australian Airlines and AUSSAT to and sell off some equity in the Commonwealth Bank. These moves follow earlier measures involving government dockyards, aircraft factories and defence support industries, but compared with the pace of privatisation in Europe and New Zealand, denationalisation in Australia has been relatively unimportant in microeconomic reform to date.

Deregulation has been the most significant instrument of microeconomic reform. Deregulation of the finance, land transport and now air transport sectors has occurred in the last decade. Financial deregulation and the floating of the dollar were major steps towards integrating the Australian and international economies. These measures have not only encouraged further foreign investment in Australia but the relaxation of exchange rate controls enabled Australian institutions to invest abroad. The entry of foreign banks increased competition in the banking system and encouraged the rise of the asset trading entrepreneurs during the mid-eighties. The restructuring of the financial sector as a result of deregulation was largely unplanned and the subsequent collapse of the entrepreneurs and the bank's debt problems has again led to closer regulation of the financial sector.

The Australian government has sought to use a tripartite approach to microeconomic reform. Negotiations between employers, unions and government have been a feature of reform in many sectors. This has often slowed the pace of reform but it is hoped that it will provide a more enduring basis for reform. The support of unions has been secured through the continuation of labour market regulation and a negotiated and regulated move to less centralised bargaining. Instead of the Heyekian shock, the Australian government has used the Accord to reduce conflict and obtain a consensus in favour of restructuring.

The Industries Commission (1990) has estimated of the potential benefits from microeconomic reform as an estimated increase in GDP of \$22 billion with the creation of an extra 53,000 jobs and a 7 per cent reduction in the price level. These gains arose from reforming: transport \$10.7b; assistance \$3.7b; post and telecommunications \$1.7b; and electricity \$1.4b, with contracting out yielding \$3.4b, further rail reforms \$1.7b and improved water services \$1b.

Yet the evidence is not strong that these types of savings can be achieved through denationalisation, contracting out or even liberalisation. The replacement of a nationalised monopoly with a private one, or even a duopoly, is likely to have minimal long-term effects on productive efficiency. The 20 per cent savings recorded in some early studies on contracting out have been difficult to sustain in later contracts as an oligopolistic market has emerged. Even liberalisation to encourage free entry may ultimately reduce competition as has occurred in the US airline industry. Microeconomic reform can have benefits but it is not a panacea, and Forsyth (1990) has questioned its impact on the foreign debt and external balance.

THE ROLE OF GOVERNMENT IN ECONOMIC POLICY

In the case of New Zealand, the adjustment policy adopted by the 1984 Labour Government redefined government's role in the economy. Within the broad framework of deregulatory policies, perhaps the most obvious and controversial policy was the corporatisation and privatisation of state assets. The OECD calculates that state sector divestment has earned government some \$4249 million between 1987 and 1990 (OECD, 1990a, 68). However, as a restructuring process, state sector reform has also taken the corporatised enterprises (State owned enterprises - SOEs) and the core civil service departments and subjected them to rigorous managerial reform orientated towards maximising efficient resource utilisation. Thus, for example, in the SOE sector, Forestrycorp moved to an almost total contract-based production model, consequently laying off the larger part of its work force. In the core state sector, the current debate about the corporatisation of universities illustrates the tenor of the reform process (Boston et al 1991).

In the eyes of many commentators, the OECD included, this process of divestment and reform has been partially undermined by the increase in spending on welfare, education and health which has caused the ratio of government expenditure to GDP to rise since 1985. This, it is argued, has been the prime reason for tight money controls, high real interest rates and exchange rate pressure. When taken in conjunction with the debt burden, now at some 50 per cent of GDP in net terms, the pressure has grown for there structuring effect to be visited upon social expenditure, a pressure to which the National Government responded in its 1990 Finance Act. It is believed that the size of the debt looms paramount in current government economic thinking. Of course, a consequence of welfare cuts is a further contraction in demand, a reinforcement of declining private consumption since the late 1980s.

In Australia, one irony of liberalisation to date is that labour productivity, an important measure of efficiency, has apparently declined relative to the sixties and seventies. 'Labour productivity growth has been slower in Australia in the 1980s than the average for the OECD. A substantial part of this slow down is attributable to the rapid rise in employment.' Employment growth in Australia averaged 1.2 per cent 1979-84 and 3.3 per cent 1984-9, compared with OECD averages of 0.2 per cent and 1.3 per cent for the same periods' (Dowick 1990, 23). The reduction in real unit labour costs and high rates of economic growth during

the period 1983-89 led to the rapid growth in employment, which the government claimed as one of its major policy successes.

The paradoxical fall in labour productivity is partly due to labour capital substitution and partly due to problems in the measurement of productivity outside the market sector, especially in the service sector. Australia and the USA assume zero productivity growth in Finance, Public Administration and Community Services, whereas other OECD countries impute positive productivity growth to these sectors (Dowick, 1990, 4). Given the rapid growth in employment in the Finance and Community Services sectors during 1983-89, this national account convention adversely affects some measures of productivity. There are also some problems with the use of OECD data, as the 1988 OECD Australian labour productivity estimates are sharply lower than the ABS series and the OECD now says their estimate was based on an incorrect figure (Dowick, 1990, 10). However, despite the qualifications, there was a slow down in Australian labour productivity in the eighties which, combined with adverse movements in the terms of trade, has restrained purchasing power and restricted the scope for wage increases. The Industries Commission regards this as a reason for 'continuing efforts in microeconomic reform ... as they provide an important means for achieving substantial productivity improvements' (IC, 1990, 40).

The concern about increasing productivity through market forces as a means of meeting increased competition from overseas, and bringing about a long-term improvement in the balance of payments and economic growth is fully expressed in the government's March 1991 Industry Statement. This accepted Industries Commission opposition to selective intervention for targeting key sectors of the economy. Strategic trade theory was rejected in favour of the 'level playing field' approach which encourages market neutral measures to reinforce existing comparative advantages. The reductions in protection across the board, the phasing out of high tariff and non-tariff barriers protecting the textiles, clothing and footwear, and motor vehicle industries, and reduction of some tax distortions affecting exporters were all designed to complement earlier microeconomic reform measures, and make Australian industry more competitive. The acceleration of denationalisation and other liberalisation measures over the next few years will see Australia going down a somewhat similar path to that followed by New Zealand in the mid eighties. Pressure for labour market reform will intensify and there will be a major employment shake out in manufacturing as tariffs fall. This will increase both regional and structural unemployment and increase the costs of liberalisation and greater integration into the world economy.

THE ISSUE OF PRODUCTIVITY IN NEW ZEALAND

Productivity increases have followed the implementation of the adjustment programme in New Zealand, although they should be set against a stagnant output performance. Between 1987 and 1990 labour productivity in the manufacturing sector grew at an annual rate of around 5 per cent, with a 14 per cent increase in 1989, whilst the economy as a whole increased by around 3 per cent. Two key factors explain this improved productivity performance. Firstly,

there has been some technological improvement in sectors such as forestry, telecommunications and the dairy industry, leading to productivity increases. However, there is evidence which suggests that the rate and quality of technological adaptation is lower than it might be (Bowie and Bollard 1987). Secondly, steady output coupled with falling employment will tend to give rising productivity levels. Government and the OECD expect productivity increases to be maintained, primarily because it is anticipated that the removal of protection and government intervention will lead to efficient investment patterns which in turn will promote total factor productivity. What has not been agreed in the productivity debate in New Zealand is the extent to which the industrial relations system has contributed to past poor productivity performance and, hence, the implications of further labour market deregulation for productivity (see, for example, Grimes 1982, Easton 1987). The OECD also makes the point that in the year up to March 1990, labour productivity rose 11.4 per cent and profits rose by almost 20 per cent (OECD, 1990a, 65). Clearly, the expectation exists that a direct correlation between productivity, profits and investment will be established in the investors' minds. This correlation appears more clearly when, as has been the case since 1988, wage costs have declined substantially.¹

FLEXIBILITY AND COMPETITIVENESS: A SHARED AGENDA

Both Australia and New Zealand have undergone a major shift in policy orientation in the last decade with inward-looking protectionist policies being replaced with measures designed to ensure greater integration with the world economy. The comfortable inward-looking certainties of the McEwan and Muldoon eras have gone, and Australia and New Zealand are paying the price for not participating in the multi-lateral tariff reductions which followed rounds of GATT in the 1960s and 1970s. The increased mobility of international capital and a new international division of labour have drawn Australia and New Zealand into the process of internationalisation at a time when the outlook for world economic growth and increased trade is bleak compared with the 1960s and 1970s.

In both countries flexibility, deregulation and internationalisation have become major objectives of economic policy. The mechanisms used to achieve these objectives have differed significantly in Australia and New Zealand despite the similarity of the objectives. New Zealand's supply-side, market shock approach contrasts with Australian attempts to negotiate change through the Accord to achieve microeconomic reform. The political consensus for market orientated reform in New Zealand has not been achieved in Australia, with the Opposition offering a New Zealand style approach as an alternative to the Labour government's more gradual neo-corporatist policies. However, the changes in the Australian political landscape should not be underestimated.

1 In passing, value added figures bear out the argument that it is the primary sector - mining and agriculture - which has improved most, whilst manufacturing has shown little improvement in recent years (OECD, 1990a, 22).

There has been a reappraisal of the role of government in the economy. Government spending was reduced in the late 1980s, despite Australian government spending being far below the OECD average. Market forces have allowed a greater role in many sectors with tariff cuts and financial deregulation the outstanding examples. The Australian government has, however, taken a much more interventionist approach to the labour market than its counterpart in New Zealand.

Uncertainties about the future shape of the global trading system and the impact of international recession have increased the difficulties facing both governments in internationalising their economies. There are significant signs of success but the costs have been high, especially in terms of unemployment. The challenge for the 1990s is to put policies in place which reduce the cost of internationalisation so that flexibility and competitiveness can be achieved at lower cost. To date, both countries have relied in the efficacy of market processes to the exclusion of the development of other support policies. However, as Eastern Europe has discovered, the transition to a more market orientated economy can be traumatic. Despite the New Zealand experience, the question of whether *laissez-faire* or targeted intervention is best to deal with the international and domestic forces pressing for liberalisation and internationalisation remains open, and is likely to provide the main political battleground in both countries in the 1990s.

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3. Legislative Change in Industrial Relations: Australia and New Zealand in the 1980s

**Richard Mitchell
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INTRODUCTION

At the turn of the century both Australia and New Zealand enacted legislative frameworks for the regulation of industrial relations which were based on the concepts of compulsory arbitration and the recognition by incorporation of trade unions within the statutory framework. Until 7 May 1991 these fundamental concepts remained common to both countries. On that date, however, New Zealand enacted the Employment Contracts Act which marks a total departure from the whole concept of a statutorily recognised industrial relations system. It will be shown in this chapter that there have been similar legislative frameworks operating in both countries, and that these have responded in not dissimilar ways to the changes to the economy during the past 20 years. However, in the early 1990s their paths fundamentally diverged, New Zealand following the path of deregulation, and Australia at least for the time being, continuing with its centralised regulatory framework.

The reasons for the introduction of these early frameworks are all well known in both countries and do not merit extensive exploration in this chapter. In summary, in Australia the coexistence of factors such as the uneven development of voluntary industrial relations practices, the predominant role of the state in the regulation of economic and industrial matters, the great strikes and depression of the 1890s and the emergence of the Australian Labour Party brought about a situation in which compulsory arbitration legislation was the preferred political compromise as a means of stabilising Australian industrial and economic relations (Macintyre and Mitchell 1989; Patmore 1991). In New Zealand, it was the combination of such factors as the social consequences of the unregulated market as seen in the report of the Sweating Commission in 1899, the Maritime Strike in 1890, the introduction of universal male pakeha suffrage in 1890 and the subsequent election of the Liberal Government and several independent labour members, and the appointment of a Fabian socialist William Pember Reeves as

the Minister of Labour, that resulted in 1984 in the enactment of the first Industrial Conciliation and Arbitration Act (Woods 1963; Roth 1973; Holt 1986;).

In Australia, however, it was not until the introduction of the New South Wales legislation in 1901, and that of the Commonwealth parliament in 1904, that compulsory arbitration was confirmed as the state-sanctioned method of industrial dispute settlement, and set the pattern for the other Australian States. The relationship between Federal and State jurisdictions in industrial relations is a complicating factor when examining industrial relations legislative frameworks. In this chapter it is proposed to confine the discussion principally to the federal framework because it has become the dominant industrial relations framework establishing the institutions, standards and principles that have been followed by the States. Where relevant, however, illustrative references are made to some of the developments in the Australian States.

THE STATUTORY FRAMEWORK

It is necessary from the outset to appreciate that the legislative frameworks did not replace, nor were intended to replace, all previous forms of industrial regulation. Common law principles, especially those relating to contract and tort, continued to apply, as did existing trade union, and factory legislation. Although common law principles still applied they were not extensively developed and applied because of the overriding importance of the industrial conciliation and arbitration legislation that came to dominate all industrial relationships, both individual and collective. Employment related legislation has tended to complement or supplement the provisions of awards and agreements that were outcomes of the industrial relationship.

In analysing the legislative framework and examining its impact on the labour market, it is necessary to identify the key components of that framework. The four key elements that characterise both the New Zealand and Australian statutory schemes are:

- (i) the establishment of a permanent tribunal with powers to settle industrial disputes;
- (ii) the statutory requirement to comply with the system;
- (iii) the incorporation and regulation of trade unions;
- (iv) the imposition of limitations on the power to take industrial action.

These elements were present in the Australian Commonwealth Conciliation and Arbitration Act of 1904 and remain in its successor, the Industrial Relations Act 1988. In slightly varying degrees, they also characterise the systems of the six Australian States. They were also present in New Zealand in the first Industrial Conciliation and Arbitration Act 1894 and remained part of the statutory framework until the Labour Relations Act 1987, which marked the beginning of

the first substantial break with the previous framework. This break was completed with the Employment Contracts Act 1991.

The Tribunal

The principal Australian federal tribunal is the Industrial Relations Commission, which is the successor to the Court of Conciliation and Arbitration (1904-1956) and the Conciliation and Arbitration Commission (1956-1988). The New Zealand tribunal that fulfilled a similar function was variously known as the Arbitration Court (1894-1972); the Industrial Commission (1972-1977); the Arbitration Court (1977-1987) and Arbitration Commission (1987-1991). The primary purpose of these tribunals was the settlement of industrial disputes and the recording of those settlements within awards or agreements. At various times statutory criteria were laid down to guide the decision making of the tribunal. These criteria were normally a mixture of economic, industrial relations, and equity considerations. Although disputes were capable of being settled outside the jurisdiction of the tribunal, it did exercise a dominant influence on the outcomes of such agreements.

Compulsion

The compulsory nature of the system was experienced in two ways. First, the parties were compelled to submit their dispute to the tribunal, through the right of one party to refer the dispute to the tribunal, or through the power of the tribunal or the state to act on its own accord. Second, once the tribunal had determined the matter, its decision was final and binding on the parties to the dispute and all those bound by the award; that is, potentially all employers and workers within a specified industry and defined area. The compulsory nature of the process was reinforced by the array of penalty provisions that operated in the event of a failure to comply with an aspect of the act or the decision of the tribunal.

Incorporation and Regulation of Trade Unions

A major part of the statutory frameworks dealt with the registration and regulation of unions and employer associations. Whilst both groups were treated equally under the law, the impact of the regulation in practice fell almost exclusively on trade unions. The systems were intended, and did in fact, incorporate the trade unions into the legislative framework. In order to get access to the benefits of the legislation, such as the obligation of the employers to bargain with them, the trade unions had to be registered under the act. The act of registration triggered a series of legal requirements that governed the organisation and functions of trade unions. In return for this regulation of their affairs, trade unions gained many advantages, such as corporate legal personality, recognition by employers, monopoly coverage in their industries and occupations covered by their membership rules, and preferential employment for their members. While there were advantages and disadvantages to the trade unions through registration, their registration was essential to the effective functioning of the whole system of industrial relations set up under the legislation.

Restrictions on Direct Action

It follows from the theory of compulsory arbitration that industrial action is unnecessary. Both the Australian and New Zealand statutory frameworks have provided for considerable restrictions on strikes, lockouts, and other forms of industrial action. In both countries, however, the statutory provisions, especially those relating to penalties, have been ineffective. In Australia constraints on direct action have included the power to deregister unions that engage in certain forms of prohibited industrial action, the imposition of bans on industrial action in awards, and the penalties imposed where industrial action impinges on specified individual rights guaranteed under the Industrial Relations Act 1988. In New Zealand, the statutory trend has been towards distinguishing between direct action arising during the negotiation of agreements, and direct action taking place during the life of the agreement. In the former case direct action is lawful, while in the latter case it is unlawful.

In both countries there has also been an increasing tendency to rely on the common law, and other sanctions external to the arbitration system, to provide more effective remedies for damage resulting from direct action. One of the most important of these in Australia has been provisions in the Trade Practices Act which prohibit various forms of secondary industrial action. In New Zealand, however, there are now restrictions under the Employment Contracts Act on common law action for damages. The act provides immunity from such actions if the direct action is undertaken in pursuit of a dispute of interest. Finally, it should be noted that both countries have imposed special restrictions on direct action in industries defined in the legislation as essential. These provisions are intended to protect the public from the effects of strikes and lockouts.

Although it is necessary to understand the elements of the statutory framework when analysing the industrial relations systems of New Zealand and Australia, such an analysis is not sufficient for a complete understanding of the regulation of both industrial relations systems. Two other factors must be considered to provide a complete picture. The first is the important role of the outputs of the conciliation and arbitration process; that is, the awards and agreements in regulating the wages and conditions of individual workers and employers. Under the compulsory arbitration systems, awards and agreements acquired status similar to that of delegated legislation. Their provisions were the result of the interrelationship among employers, unions, governments and the arbitration tribunal. They laid down the work classification structures, basic rates of pay, working hours, holidays, leave, conditions of terminations and a variety of other employment related conditions that were to apply to the majority of the paid workforce. In effect, the awards and agreements represented a form of a 'fair employment contract', which reflected both the economic position of the respective parties, and the public policy requirement that such contracts reach accepted standards of fairness.

The second factor is the effect of the arbitral process itself on the content of awards and agreements. In both countries it was normally quasi-judicial or judicial bodies that settled industrial disputes and made awards and agreements, and this inevitably had an influence on their decision making. The role of

precedent, and concerns with achieving 'industrial justice' inevitably influenced the outputs of the arbitration process. It has been argued on occasion that these 'judicial' factors have been more important in the decision making process than other material factors such as the pressure of the market forces, political pressures, and bargaining power. However, the weight of opinion supports the view that the 'judicial' approach to industrial decision-making was little more than a mask for the 'real-politik' of economic and political struggle between the parties to industrial relations (Sheridan 1990; Dabscheck 1980). Whilst the extent of the influence of judicial factors varies with the type of dispute, it is nevertheless a distinguishing characteristic of industrial relations systems operating within a statutory framework of conciliation and arbitration.

On the whole throughout the 1980s, Australia retained the major elements of the statutory framework outlined above. Only in the State of New South Wales has a government seriously attempted to attack the compulsory arbitration framework, and whilst the measures introduced there (the Industrial Relations Act 1991) include a system of enterprise bargaining and voluntary unionism, they fall a long way short of the deregulation carried out in New Zealand. New Zealand has replaced its compulsory arbitration system with a framework that requires a more market driven approach to the employment relationship. The principal characteristic of the current New Zealand framework is an emphasis on individual and collective contracts negotiated by individual employers and workers directly, or through their appointment of an individual bargaining agent. Trade unions may be a bargaining agent, but they hold no different position from any other individual or organisation providing this service.

IMPACT ON THE LABOUR MARKET

A brief analysis will now be undertaken of the impact of the compulsory arbitration framework on the labour market. Since it is too early to assess the impact of the Employment Contracts Act on the labour market in New Zealand, the analysis as it relates to New Zealand will emphasise the conditions in the labour market that led to the decision to change fundamentally the legislative framework that regulated industrial relations in that country until 1991. The factors examined when assessing the impact of the legislative framework will be wages and conditions; award coverage; award structure and content; union influence and growth; union structure; and industrial action.

Wages and Conditions

The statutory system of industrial dispute settlement in both countries has from its introduction been concerned with the essence of the employment relationship - the wage/work bargain. The settlement of industrial disputes quickly developed into formal centralised process whereby the settlement of major 'national' or 'industry' cases provided the standard or basis for the wages and conditions settled in other awards and agreements. The process of flow-on of wages and conditions helped to maintain a uniform level of minimum employment guarantees throughout both New Zealand and Australia. Market forces were

directly recognised only in the form of 'over-award' payments which themselves were usually subject to comparison and flow-on pressures.

Much of this 'centralised control' depended on the authority and status of the arbitration tribunal. The tribunal's authority was supported both by the legal constraints on direct action, and the actions of the parties who relied on the tribunal - employers and unions, individually and through their representative organisations (Sheridan 1990). Governments also have found the tribunals useful instruments for policy implementation. For example, in New Zealand throughout the early 1970s and early 1980s, governments used statutory regulations to determine the level of wage increases and conditions that would prevail in all industries and occupations (Boston 1984). Similarly, in Australia a system of wage indexation was implemented during the 1970s. Precedents for this government intervention in the labour market through the use of tribunals are found in both Australia and New Zealand during the 1930s, when there were orders for a uniform decrease of 10 percent in award wages.

A feature of this system of wage determination was that awards applied at a national or industry level, and while they covered individual enterprises, they often did not determine either the wages or conditions that applied within a specific enterprise. These were determined either informally through individual or collective over-award agreements or more formally through an exemption from the award and the negotiation of a legally enforceable agreement. This two-tier, and on occasions three-tier, system of bargaining was the cause of much criticism of the system. It created uncertainty, increased transaction costs, and was considered to have contributed to the high inflation of the 1970s and 1980s. A more recent criticism suggests that the system contributed to high unemployment (OECD 1990; Hyde and Nurick 1985; Treasury 1984).

Award Coverage

Another feature of the statutory system is the pervasiveness of its outcomes. Unlike in other industrial relations systems, an employer cannot escape the regulation inherent in the award system by avoiding or repelling trade union organisation within its enterprise. All employers become covered by an award when they are made parties to a dispute. A dispute may be created by either party by the declaration that a dispute exists and the filing of claims. It is a simple procedure which effectively locks all parties into the process of arbitration. Once an award is determined, all employers in the industry and area stated in the award are bound by the provisions of the award. Also, all employees employed by employers so bound are also covered by the award. It is this procedure that explains why there are historically high levels of award coverage amongst both employers and employees in Australia and New Zealand.

Award Structure and Content

The complexity of the award structure reflects the complexities of trade union organisation in Australia and New Zealand. Awards and trade union membership can be defined in terms of industry and/or occupational coverage. The result is that employers are frequently covered by more than one award for different parts

of their workforce, and these workers may belong to several different trade unions (B.C.A. 1989). In terms of content, awards principally deal with the rewards for labour under time-hire contracts; that is wages, allowances, various forms of leave, hours of work and related matters. No general performance requirement is built into awards beyond the normal expectation of the contract of employment.

In general, there are three areas in which it is agreed that awards have produced outcomes which are inimical to improvements in efficiency and productivity. First, job classifications specified in awards became very technical, which in turn produced jobs which hampered the employers flexible use of labour and the development of career opportunities for employees. Second, restrictions on the spread of working hours, and use of casual and part-time labour, limited the employers power to schedule and organise the work process. Third, awards on the whole did not encourage the use of performance-based pay systems, either as an adjunct to or substitution for the time-rate system.

Union Influence and Growth

The participation of trade unions has always been central to the functioning of the statutory framework. In order to ensure their participation, legal advantages were given to trade unions. In return for registration of the trade union under the legislation, the union obtained autocratic recognition by the employer in negotiations, legal status, preferential treatment for union members in employment and protection from discrimination for involvement in union activities. As a result of this system, both New Zealand and Australia have had high levels of unionisation (Crean and Rimmer 1990). This has led to the criticism that trade unions have become too powerful and are more interested in retaining their organisational power than delivering a service to individual members.

Whether members are better off under an arbitration system or a market system is difficult to assess, but the New Zealand experiment will provide data of the effects of a market driven system. During the 1980s, there has been a steady decline in union membership and coverage. The Employment Contracts Act will accelerate this trend in New Zealand. Furthermore, in Australia, trade unions are still perceived as having not only an industrial bargaining role but also a broader involvement in social and economic matters. This is no longer the position in New Zealand, where the coincidence of the employment contract, economic efficiency narrowly defined and the interest of the enterprise is now deemed to be exact.

Union Structure

The statutory framework has influenced the structure of the trade union movements of both countries. At the turn of the century, unions were organised along craft, industry and general conglomerate lines, and the legislation institutionalised this varied organisational structure. This has made subsequent rationalisation of union structure difficult to achieve. Unions in both countries have been characterised by large numbers of numerically small unions, multi-

union representation within one workplace, demarcation disputes between unions, and complex bargaining arrangements to accommodate the interests of the various unions members.

Industrial Action

Finally, it should be noted that the arbitration system failed to achieve one of its primary objectives; namely, the elimination of direct action in pursuit of wages claims. Strikes and lockouts have continued, although it may be argued that the nature of direct action has been influenced by the statutory framework. Strikes tend to be shorter and more frequent, and over a greater variety of matters than in most comparable countries (Sorrell 1979).

THE 1980s AND THE REFORM AGENDA

On the basis of the foregoing outline of the legislative framework and its impact, the changes that took place during the 1980s or were foreshadowed during that time were predictable. What was not so predictable was that the changes were initiated by a Labour Government in New Zealand, and in Australia through a joint policy between the Australian Labor Party and the Australian Council of Trade Unions that came to be known as the Accord (1983). The method by which the reforms were introduced provides one of the major differences in approach between Australia and New Zealand. It is this difference of method that has affected the outcome in both countries. Australia opted for reform through a political and industrial process of negotiation between government and the trade union movement designed to achieve changes in the organisation of the workplace and the regulatory framework that governs conditions within firms. The award was retained as the primary vehicle to effect these changes.

In contrast, in New Zealand the reforms were led by the Government, bureaucracy, the New Zealand Business Roundtable and the Employers' Federation, with limited consultation with the New Zealand Council of Trade Unions. The purpose of the reforms was not to adapt the existing arbitration framework, but to abolish it completely and replace the entire framework with individual contracts of employment, which were to become the principal vehicle for regulation of this aspect of the labour market. It is interesting to note that reform initiatives in both countries were immediately preceded by policies that attempted to give governments increased centralised control of the labour market through the use of the arbitration tribunals. These policies were also accompanied by attempts to weaken the trade union movement through the imposition of severe penalties for direct action (Mitchell 1979; Boston 1984).

A feature that was also shared by both countries in the process of reform was the commissioning of a series of reports, meetings, and discussions on the nature of the reforms. Again, however, New Zealand differed from Australia in that the principal element of reform, the removal of compulsory arbitration, was done prior to any formal investigation in the system and recommendations for changes had been undertaken (the 1984 amendment to the Industrial Relations Act). In Australia, on-going discussions were taking place within the context of the

Accord during the 1980s, though the nature of these discussions reflected the state of the economy at the time. For example, after 1986 the focus of award restructuring was on reforming the labour market, and consequently wage increases were tied to changes impacting on workplace and structural efficiencies and productivity.

The most important of the Australian inquiries was the Hancock Inquiry which undertook a broad examination of the labour relations law and systems of the Commonwealth between 1983 and 1985 (Hancock 1985). Ultimately, the recommendations of the Hancock Inquiry, which favoured the preservation of the compulsory arbitration system, provided much of the basis for the subsequent statutory overhaul to the federal industrial relations legislation in 1988 (Mitchell 1988). Other inquiries included the Niland Report in 1989, which was initiated by the Liberal Government in New South Wales, and which recommended the partial abolition of compulsory arbitration and encouragement of enterprise bargaining (Rimmer 1989). In contrast, the Committee of Inquiry into the Industrial Conciliation and Arbitration Act in the State of Queensland (1987) was extremely reserved in its recommendations for reform (Bennet and Quinlan 1989; Quinlan and Rimmer 1989). Finally, in 1987 the Business Council of Australia, an organisation representing the major companies in Australia, announced its own inquiry, which recommended the introduction of enterprise bargaining to replace the existing system (B.C.A. 1989).

In New Zealand, the first attempt to review the industrial system was undertaken by a tripartite committee called the Long Term Reform Committee, which in September 1983 published a report describing the present system which was to provide the basis for a further report evaluating the options for reform (Long Term Reform Committee 1983; Brosnan 1983). Before that paper was completed there was a change of government in July 1984. One of the first acts of the new Labour Government was to call an Economic Summit, at which it outlined a new direction in economic policy (Economic Summit 1984). Included in that policy was a proposed reform of the labour market, the first step of which was the repeal of the provisions requiring compulsory arbitration.

The next step was a review of industrial relations which took place in 1985 with the publication of the Green Paper *Industrial Relations: A Framework for Review* (N.Z. Journal of Industrial Relations Symposium 1986). The Green Paper led to the major actors publishing their written submissions, which provided a good insight into their positions (New Zealand Business Roundtable 1986; New Zealand Employers Federation 1986; and New Zealand Federation of Labour 1986). Predictably, all parties wanted some level of reform but the trade union movement wanted to retain an interest in industrial relations through the continuation of the award system, while the employers' groups wanted enterprise bargaining, or at least industry bargaining. No public hearings or oral submissions were allowed on the Green Paper, which was quickly followed by the *Government Policy Statement on Labour Relations* in September 1986 (the White Paper). This statement clearly pointed in the direction of industry and enterprise bargaining and the abolition of the national award system. The recommendations in the White Paper were incorporated in the Labour Relations Act 1987. This Act covered both the public and private sector and reflected

recommendations in a further government report (Pay Fixing in the State Sector 1986).

Before proceeding to deal with the content of the changes brought about by legislative and award reform, it is pertinent briefly to identify the principal common objectives of the reform agenda of the 1980s. There are five major points on which it is proposed to focus. These are as follows:

- (i) the shift to an enterprise focus to encourage greater attention to conditions in individual enterprises and the improvement of efficiency and productivity at the workplace;
- (ii) the rationalisation of award structure and content to remove those aspects of awards which unduly limit the flexible employment of labour, and the development of improved work skills;
- (iii) the rationalisation of union structure to reduce the numbers of unions in any one workplace, to reduce demarcation problems and to simplify bargaining structure;
- (iv) the rationalisation of tribunal structure to improve the co-operation between federal and State tribunals in Australia, and to minimise their influence in New Zealand;
- (v) the focus on improving workforce skills and flexibility.

The connection between legislative (or quasi-legislative) change and each of these objectives is considered in the next section.

LEGISLATIVE CHANGE AND LABOUR MARKET REFORM

Before commencing discussion in this section, it is necessary to note three points. First, the period under discussion concerns developments in the period since 1986 when moves towards the implementation of the agendas set out above began. Second, it is not possible to deal with every proposal for legislative change in both Australia and New Zealand. It is therefore intended in the Australian context to focus on the federal system, with some additional discussion of other changes introduced in the States of New South Wales and Queensland. Third, for reasons outlined earlier in the chapter, it is necessary to deal with the outcomes of the system, namely, awards and agreements. Awards are particularly important in the Australian context, while in New Zealand they become less important after 1987, and by 1991 have almost completely disappeared.

Enterprise Focus

Australian and New Zealand legislative attempts to shift the location and form of dispute settlement from the tribunal to single enterprises have varied greatly. In Australia, there have been no general legislative measures enacted which restrict

the access to compulsory arbitration either for disputes of interests or rights. The principal development in the federal Industrial Relations Act 1988 was the introduction of section 115, which allowed for the certification of agreements which could be isolated from the general award structure - but even in this instance, it remained a requirement that the agreement be ratified by the federal tribunal before certification. Mounting political and industrial pressure for more flexible enterprise arrangements, however, did bring about substantial change in the 1991-1992 period. First, in the National Wage Case of October 1991, the federal Industrial Relations Commission adopted an enterprise bargaining principle for the settlement of industrial disputes and indicated that its role in relation to such agreements would be restricted to conciliation. Second, legislative change to the Industrial Relations Act was introduced in June 1992 to facilitate enterprise bargaining. As part of these changes the federal tribunal has lost its power to exclude agreements purely on public interest grounds. Whilst there are safeguards for employees, and unions must still be consulted, the parties are subject to much less external control over the content of their agreements than hitherto was the case. The federal Act also introduced an increased emphasis on the insertion of internal dispute settling procedures as a means of reducing stoppages and the necessity of having recourse to the tribunal. The federal Opposition's industrial relations policy goes further than this in proposing legislative reforms, but these reforms cannot be considered in detail at this time (Liberal National Party 1990). Suffice it to say, the Opposition's agenda for reform is likely to draw heavily on the contract-based model introduced in New Zealand in 1991.

In the State of New South Wales the major legislative step towards developing an enterprise focus is the recently enacted Industrial Relations Act 1991. Under this Act an employer may enter into an enterprise agreement in one of three ways -

- (i) with a union representing employees at the enterprise;
- (ii) with the agreement of 65 percent of the employees in a particular trade or occupation; and
- (iii) with a works committee.

The agreement must be restricted to a single enterprise - though it may apply to all or any of the worksites of that enterprise - and it may override all or any of the conditions set out in New South Wales awards. These agreements must still be processed through the New South Wales tribunal system - and agreements may be excluded on several grounds including unfairness.

It is too early to assess the impact of these changes in the move towards enterprise agreements. Although there were some important agreements certified at a federal level, it is apparent that the tribunal kept a tight rein on the use of section 115 (Naughton and Turner 1990). A similar conclusion was drawn from the experiment in Queensland between 1988 - 1990 when voluntary agreements were permitted without any trade union involvement. Use of these provisions during that period was extremely limited (Boulle 1990). It is likely that the recent moves to free up the enterprise bargaining capacities under the federal Act

will produce change, and indications are that agreements are being certified in increasing numbers now that the power of the Australian Industrial Relations Commission to reject their content has been reduced.

Although legislative changes on the location and form of dispute resolution have been limited, there have been substantive changes at the level of secondary regulation; that is, in awards. Although these changes are examined in the next section, their importance here is that the parties were required to take positive action to reform various aspects of work relations at the workplace level, thereby directing the parties to some extent along the path towards dealing with individual enterprise conditions. Although the process is a continuing one, it has already brought about the exchange of restrictive work practices and introduced many other flexibilities into the organisational and scheduling of work in return for wage increases (Department of Industrial Relations 1990; Rimmer and Zappala 1988).

In contrast, in New Zealand there have been two major legislative reforms that have fundamentally shifted the focus away from national awards toward enterprise agreements. This shift was foreshadowed in the Labour Relations Act 1987, which placed an emphasis on the negotiation of industry or composite agreements (Boxall & Deeks 1989; Haworth 1990). It is a matter of dispute, however, as to whether the parties did in fact shift from awards to industry and/or enterprise agreements (Harbridge 1990) or, indeed, whether or not the labour market was inflexible to begin with and, therefore, what level of change was required (NZ Planning Council 1986). It was also a matter of contention as to precisely how much award restructuring was taking place. There were some changes in the terms of awards relating to the hours and reorganisation of work. The truth on the precise amount of change that was taking place under the Labour Relations Act 1987 seems to be that there was some shift, but that it was too slow to satisfy the advocates of enterprise bargaining. It was not unexpected, then, that when the National Party was elected at the end of 1990, it moved quickly to introduce the Employment Contracts Act. It was clear that the new government had little confidence in the parties' ability to wean themselves off the centralised award system. A complete break with past practices was seen as the only way to effect enterprise bargaining (Birch 1991).

The Employment Contracts Act provides a statutory framework that replaces awards and collective agreements with individual and collective contracts. The parties (that is, the individual employer and employee) elect which form of contract they want and whether they want to negotiate either directly with each other or through bargaining agents specifically for that purpose. There is no requirement or provision for any tribunal to certify the contracts, though the parties may appoint private conciliators or arbitrators to assist them if they so chose. Contracts covering more than 20 employees may be registered with the Department of Labour, but these contracts are subject to the provisions of the Official Information Act and not discoverable except for statistical purposes (Wilson 1991). This new framework was designed to make enterprise agreements the norm. The evidence would indicate it has been successful in reaching this objective.

Rationalisation of Award Structure and Content

While there has been restructuring of awards in New Zealand through the Employment Contracts Act, in Australia the process of award restructuring has been brought about through decisions of the federal tribunal. In the National Wage Decision of March 1988, the federal tribunal approved wage increases for Australian workers on the condition that unions complied with certain 'structural efficiency principles'. The aim of those principles was to bring about a radical restructuring of awards, and in particular to address two major perceived problems.

First, it was deemed necessary to reduce the excessive numbers of job classifications in awards, and to make career progression through classification dependent on the attainment of skills. This in turn was designed to have a positive impact on the flexibility and efficiency of enterprises (Mitchell & Rimmer 1990). Second, in its earlier National Wage Decision of March 1987, the federal tribunal introduced the two-tier system which provided for wage increases in return for various improvements in work practices - many of which were concerned with existing award restrictions, or non-award practices, related to the scheduling of work and the organisation of the productive process. Thus, many awards now contain new terms which provide for the flexible use of labour, including the types of contract hire available, and flexibility in starting times, continuous machine operation during shift change-over and so on (Department of Labour 1990).

Rationalisation of Union Structure

There is a close relationship between bargaining structure and trade union organisation (Clegg 1976). It is not surprising therefore that in both Australia and New Zealand the changes in bargaining, whether through legislative amendment or award restructuring, have been accompanied by a restructuring of trade unions. In Australia, the federal government introduced, through the Industrial Relations Act 1988 and the 1990 Amendments, a series of provisions to alter both the size and industrial structure of Australian unions. First, no application for registration of unions will be permitted under the Act by unions with less than 10,000 members, or by unions which are not based on a single industry. As a result of these requirements, it is extremely unlikely that there will be many new registrations under the Act.

Second, the Industrial Relations Act attempts to assist the restructuring of existing registered unions by providing for reorganisation in two ways. Unions may first take advantage of liberalised amalgamation provisions to restructure into large organisations. If they choose this approach, they need not amalgamate into an 'industry' union. These provisions reveal an evident inconsistency between the two policies of trying to reduce numbers of unions, and the industrial reorganisation of those unions (Mitchell 1988). Alternatively, in the course of settling an industrial dispute, the federal tribunal is empowered to order the reorganisation of union coverage over groups of workers. This provision has been used several times to effect a form of industry unionism (Hamilton 1991 and 1992).

Finally, unions which are currently registered but regarded as small (that is, with fewer than 10,000 members) are required to justify their continuing registration. If they cannot do so, their registrations will be cancelled. For many small unions, amalgamation appears to be appropriate. Although all these legislative provisions give the tribunal extensive powers to restructure union organisations, they are not necessarily consistent with the notion of enterprise unions in an enterprise bargaining system. A different approach to union restructuring has been foreshadowed in the Liberal-National Coalition restructuring strategy (Liberal National Party 1990).

A similar but more directive approach to union restructuring had taken place in New Zealand. Under the Labour Relations Act 1987, registered unions had one year in which to achieve a minimum membership of 1,000 members, or have their registration cancelled. The purpose was to encourage the unions to amalgamate quickly. This policy was based on the premise that larger unions were more efficient and delivered a better service to their members (Government Policy Statement on Labour Relations 1986). Before the effect of these changes could be properly assessed, the Act was repealed. The Labour Relations Act also introduced an element of contestability for union members. Under Part IV of the Act a union could compete for the members of another union provided a complex procedure was followed, involving notice to the Registrar of Industrial Unions, unions affected by the proposed coverage and the central organisation of workers. Ballots of the initiating union membership and the proposed union membership to be covered were required before the membership rules were changed. The procedure was opposed by the union movement at the time and the compromises incorporated in the legislation meant that it was difficult to use them in practice. These provisions, however, did foreshadow the even greater change to union organisation that was contained in the Employment Contracts Act 1991.

Under the Employment Contracts Act 1991 there is no reference to trade unions beyond providing in the transition provisions for all registered unions to be deemed to be incorporated under the Incorporated Societies Act and ensuring that no employee is required to join or be privileged by joining an employee organisation. There is no provision preventing a union representing an employee or group of employees in negotiations over employment conditions, but all such representations must be specifically authorised. An employer must recognise the authorised bargaining agent, but there is no obligation to negotiate a contract. There is no restriction on who can be a bargaining agent, except that a person convicted of an offence punishable by a term of five years imprisonment within the last 10 years does not have to be recognised by the employer.

In summary then, all statutory rights, obligations, and privileges accorded to trade unions under the previous legislative framework in New Zealand have been repealed. Trade unions are no longer seen as necessary to the statutory framework, so there is no justification for them being formally recognised under the Act. The effect this change will have on both the structure of trade unions and bargaining has yet to be experienced. The trade union movement was not totally unprepared for such measures, but its impact is still likely to change the

structure and nature of trade unions (Strategies for Change: 1987, 1989). It does not seem likely, however, that all trade unions will disappear.

Rationalisation of Tribunal Structure

A different approach between Australia and New Zealand has also been undertaken on the question of the role of the tribunal in industrial relations. The constitutional and political problems associated with the integration of federal and State industrial relations systems has hindered the progress towards substantial institutional reform in Australia (Mitchell & Rimmer 1990). Steps that have been taken to encourage integration include facilitating joint proceedings of federal and State tribunals; references of disputes by the federal tribunal to the State tribunal; and provision for members of the federal tribunal to deal with particular State disputes on request from a State tribunal. New measures to further this process were made in the Industrial Relations Act 1988 and included dual appointments of persons to both federal and State tribunals, regular meetings between the heads of the State and federal tribunals and the Registrars of those tribunals.

The role of tribunals in New Zealand's industrial relations system has varied over the past ten years. The system has moved from an Arbitration Court under the Industrial Relations Act 1973 dealing with disputes of interest and disputes of rights, to a separation of the arbitral and judicial functions under the Labour Relations Act 1987. Under this Act, the Arbitration Commission dealt with disputes of interest, while the Labour Court dealt with disputes of rights. Both these tribunals retained the concept of tripartite representation. Under the Employment Contracts Act 1991, however, there is no longer any tribunal to handle disputes of interest because they are dealt with directly by the parties themselves, or through private arbitration. Disputes of rights and enforcement proceedings, however, are now dealt with through the Employment Tribunal and the Employment Court.

All employment related matters must be taken before the Tribunal first, and then if necessary on appeal to the Employment Court. The Tribunal has the jurisdiction to undertake both mediation and adjudication functions. Like the Court, the Tribunal is not a tripartite body, but the members of the Tribunal do not have to be legally qualified. The Court not only has jurisdiction to hear appeals but also applications for review of the decisions of the Tribunal. There has been criticism from the legal profession at the exclusive jurisdiction of the Employment Court (Haigh 1991). It also appears to be inevitable that the whole system of employment relationships will become more formal and legalistic (Wilson 1991). Whether the institutions of the Employment Tribunal and Court will produce an efficient and speedy method of enforcement of employment contracts appears unlikely. There is a real fear that the system will become not only legalistic but also expensive because of the need to involve lawyers and the various steps through which a case must go before a decision is finally reached.

Training and Skilling

Much of the rationale behind the restructuring of the industrial relations framework is that it will enable the development of a more flexible workforce with the skills and training to contribute to the productivity and profitability of industry. In Australia, much of the impetus for the restructuring of awards has come from the recognition of the need to improve the skills base of the economy. A greater commitment to a higher level of training within industry and commerce is seen as an essential part of this policy (O.E.C.D. 1990, 75). Legislative expression of this commitment is seen in the federal government's Training Guarantee Act 1990 and the Training Guarantee (Administration) Act 1990. These Acts establish a scheme whereby employers with an annual national payroll of more than \$200,000 must spend at least 1 per cent of the amount of their payroll on training activities. Failure to comply leads to the imposition of a tax on the defaulting employer. Training programmes must be 'structured' and 'employment related', though some periods of on-the-job training are recognised as legitimate.

While there is a similar concern in New Zealand about the need for a skilled and well-trained workforce if there is to be sustained economic growth, the approach to this question has been different (Porter 1991). Training has been seen as the responsibility of the employer alone, and therefore it is a decision for the employer alone on how best to train the workforce. All measures are therefore voluntary, which is consistent with the adherence to a market driven economic policy. Whether or not training is included in an employment contract is a matter solely for the parties to determine. The voluntary approach to training is incorporated into the Industry Training Act 1991.

CONCLUSION

Two obvious conclusions may be drawn from this chapter. The first is that in both countries there is underway a clear agenda for industrial and economic reform, which is consistent with international development in these areas. Second, the methods chosen by both countries to implement these reforms have varied greatly. In Australia there has been little change to the legislative framework, while in New Zealand the previous legislative framework has been totally repealed. Both countries have been involved in the process of change, however, and their economic objectives have been similar (Haworth 1990).

Australia has chosen the path to reform through the process of award restructuring. It is by these means that an attempt has been made to shift the focus to the enterprise. The process has been characterised as 'managed decentralism' (McDonald & Rimmer 1989) and is seen as a legacy of the legal nature of the system, in particular the capacity of the tribunals to make legally enforceable awards and orders. New Zealand, on the other hand, which had a similar legal-industrial system, has chosen a more radical path. It has completely abandoned the centralised system and removed compulsory reference to a

tribunal or any third party. Nothing stands between the individual employer and individual employee.

It is interesting to speculate on what factors influenced such different approaches to the same problem. There are two factors which may be relevant to any analysis of this divergence of approach. The first is the different constitutional systems. The complexity of the relationship between the Australian federal and State systems acts as a brake or deterrent to rapid radical change. There are too many checks and balances in the system. There is no such restraint within the New Zealand system. It is a unicameral system with almost total power lying with the executive. Once the executive makes a decision, there are few obstacles to its implementation (Wilson 1989). This fact is apparent when the changes to the industrial relations system in New Zealand are analysed (Wilson 1989; Haworth 1990).

The second distinguishing factor is the close relationship between the Australian Labor government and the ACTU. There was no similar relationship in New Zealand. The Australian experience has enabled changes to be effected through the existing legislative framework. The trade unions have appeared to be able to deliver the changes the government required because it had the support of the government. In New Zealand, there was never an opportunity to see if a similar approach was possible. The Fourth Labour government had decided from the outset that the trade union movement could not deliver on any commitment to change. It was therefore not interested in dealing with the Federation of Labour, and later the Council of Trade Unions, beyond what was seen as necessary. The inability to reach some agreement on change during the tripartite wage talks in the early 1980s influenced this decision of the Labour government.

It is always dangerous to predict the future. The only confident prediction is that there will continue to be change. The nature of that change is more difficult to predict beyond the fact that it will be different in both countries. In Australia, it would appear that radical change is unlikely under a Labor government. The most likely scenario in the short term is that legislative change will continue in the present mode. The compulsory arbitration system will be maintained by the Labor government as a structural support for weak unions and the unorganised workforce. Flexibilities will be introduced in the form of ancillary modification to the system. The situation in Australia is, however, likely to change radically in the near future. Politically, Labor is in danger of losing office federally and in a number of states. Should such a scenario eventuate, it is likely that we will see a substantial body of legislation aimed at 'freeing up' the labour market. Whether this will go to the extent of the New Zealand experiment is uncertain. However, we may certainly anticipate a greater emphasis upon the enterprise, and the organisational restructuring of the union movement under a Liberal/National coalition government. The central question is whether the conditions of the 1980s, and the loss of independence and autonomy of the federal tribunal under the Labor/ACTU Accord, have created the circumstances in which the compulsory arbitration system could be dismantled (Mitchell 1986). There seems little doubt now that this is going to occur sooner rather than later. However, the Australian federal framework makes such an outcome problematical, because unless the conservative parties control both federal and (at least several) State

jurisdictions, unions might evade the impact of deregulation by switching between federal and State tribunals. Political outcomes will thus determine the Australian approach to deregulation.

The future of New Zealand industrial relations is more likely to lie in the direction of re-regulation. The generality of the provisions of the Employment Contracts Act have made it inevitable that the Employment Court will have in effect to 'legislate' through interpreting the provisions of the Act. The opportunities for employers to abuse the freedom to bargain are also becoming apparent. Whether this will result in a move back to protective legislation will depend on the levels of abuse, and whether there is another change of government. The increasing political instability in New Zealand makes it too difficult to predict the future outcome of what must be the most market driven industrial relations framework in the industrial world.

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4. Government Policy on Restructuring the Labour Market in Australia and New Zealand

Peter Brosnan & John Burgess ¹

INTRODUCTION

The labour markets in Australia and New Zealand in the 1980s have changed fundamentally as a result of the restructuring process in the two countries. In Australia, restructuring of the labour market has occurred under the Prices and Incomes Accord between the Labor government and the trade union movement. In New Zealand, on the other hand, union-Labour Party politics demanded that the labour market be granted a partial exemption from the general market reform process. Nonetheless, the New Zealand labour market was changed fundamentally as a result of product market developments and government policy. In both countries, volatile product market conditions and historically high unemployment rates have been instrumental in shaping recent policies towards the labour market. International influences, technological change, and government monetary, industry and fiscal policies have interacted with the historically determined structure of these labour markets to produce a dynamic restructuring process in both economies. One major discussion point is whether institutional arrangements and government policies have facilitated or impeded this process of structural adjustment; on this, the evidence suggests that the experience of both countries has not been too dissimilar from that of other OECD economies.

The chapter is organised as follows. We begin by setting out the main institutional features of the Australian and New Zealand labour markets in section 2. We then outline the main themes of labour market policy. Policy and outcomes in the periods 1945-1972 and 1973-1983 are discussed briefly in section 3. The main section of the paper, section 4, compares policies in Australia and New Zealand over the period 1983 to 1990. This discussion is organised under five headings: the response to unemployment; wage policy;

immigration; education and training; and equal employment policy. Section 5 provides an overview of the outcomes of that policy under three headings: wages; labour force; and unemployment. Section 6 sets out our conclusions.

LABOUR MARKET INSTITUTIONAL FEATURES

Until 1991, New Zealand and Australian labour markets shared many features in common:

1. There were a relatively large number of trade unions organised on a craft basis.
2. Wages and conditions were regulated through legally enforceable awards.
3. Individual enterprises were often characterised by multiple awards, multiple union presence and clear job demarcation.
4. There was scope for over award payments and enterprise agreements at variance with existing awards.
5. Wage relativities were enshrined through the central wage determination process and were reasonably stable.
6. Immigration was used to augment the supply of labour and overcome shortages of specific skills.
7. A comprehensive system of welfare benefits was available to those outside of employment. This includes the unemployed, the infirm, the retired and solo parents.
8. The government operated a public job placement service.
9. Education at all levels was funded primarily through the State.
10. External events exerted significant effects on aggregate labour demand and its industrial, and therefore occupational, composition.

On the other hand, there were some notable differences. The Australian federal system with its allocation of responsibilities between federal and state governments and its evolution over this century has meant that training programmes, accreditation and educational systems can differ between Australian states. Jurisdiction for industrial relations matters is shared by both the federal and state governments. Constitutionally the federal government cannot directly regulate prices or incomes. The federal system and the Australian Constitution limit the ability of federal governments to implement unilaterally national policies across many areas of the labour market. Confusion over responsibility or disagreement between tiers of government can prevent the implementation of national programmes in such areas as job creation, participation and equity, occupational health and safety, vocational training, and education.

Since New Zealand is a unitary state, there are none of the problems of federalism which afflict Australian industrial relations and labour market policy. Thus the New Zealand government has full control over education and training and has full responsibility for industrial relations legislation. Moreover, unlike the Australian federal government, it has the power to control incomes and prices - a power which was used extensively from 1971 to 1984.

POLICY AND PERFORMANCE 1945-1983

1945 -1972

In broad terms, the Australian and New Zealand governments pursued similar policies in the decades after World War Two. Like many of the Western economies, both countries enjoyed a long period of sustained economic growth (Maddison 1987). These policies produced moderate levels of real wage growth and full employment. Labour market outcomes were the consequence of buoyant product market conditions and a stable international economic environment. Britain was a major trading partner to both countries with imports being paid for through the export of unprocessed commodities. The respective arbitration systems kept wage bargaining orderly. Real wages grew moderately while the share of wages in national income remained relatively stable. Full employment was maintained by a combination of factors. These included; strong international growth spilling over to the demand for commodities, the effects of post-war reconstruction and infrastructure expansion, and particular policies including industrial protection, interest rate controls and active demand management. The major labour market problem was that of providing sufficient skilled and unskilled labour to meet this period of strong growth. Thus, both countries developed an active and ambitious immigration programme.

Given the relatively tranquil conditions prevailing for these three decades, high levels of employment were not hard to achieve. Nonetheless, full employment sat high on the agenda of governments in both countries. In Australia this commitment was formalised through the 1945 White Paper on Full Employment. In New Zealand it was enshrined in the Employment Act 1945, and later, in the Labour Department Act 1954. An idea of the high levels of employment achieved is provided by the estimates for unemployment before 1972, Australia's estimated unemployment was never more than 3.2 percent of the labour force while in New Zealand, the registered unemployment rate never exceeded 0.7 percent.

Despite the high levels of demand, little emphasis was put on the training, education and development of a skilled labour force. Migration policies played both a short term and a long term role in the post war period in filling both labour and skill shortages. However, the composition of migration streams to Australia and New Zealand were different. Whereas both countries recruited skilled labour from Britain, unskilled jobs were filled, in the case of Australia by migrants from Southern Europe, and in the case of New Zealand by migrants from the Pacific Islands.

These high levels of demand eventually saw increased women's participation in both economies. While female participation rates increased dramatically during World War Two, the post-war period saw a shedding of female labour, especially married females, from the labour force to accommodate returning servicemen and the post-war influx of immigrants. Participation rates for married females remained below 30 percent in Australia until the mid 1960s, and in New Zealand did not reach this level until the 1970s. Women were segregated into low paying jobs and were not legally entitled to equal pay until the 1970s.

Continuing immigration, in both countries, created a demand for skilled labour in the construction and manufacturing industries. In New Zealand, the situation was complicated further by the migration of rural Maori to the urban labour markets. Access to opportunities was far from equal, however. Skilled positions were taken by native-born, white males or British migrants. Native-born, white women entered an expanding, but nonetheless severely constrained, set of traditional female occupations in the service sector while Southern European migrants in Australia, and Pacific Island migrants, and Maori, in New Zealand, took the jobs which remained unfilled, in manufacturing, in construction and in the service sector.

1973-1983

The relative economic stability of the first three decades came to an end after the first oil shock in 1973. Inflation increased in both countries. In Australia the unemployment rate increased throughout this decade from 1.8 to 9.9 percent as the government found itself faced with the traditional Phillips curve malaise. As a consequence full employment was accorded less policy priority in comparison with the period of stable growth of previous decades. New Zealand governments had to deal with rising import prices for both energy and capital goods, difficulties in exporting to industrialised and oil importing economies, and the consequent adjustment problems.

The New Zealand government was already trying to cope with the problems caused by Britain's joining the EC and the oil shock made it more difficult to develop new markets. The government attempted initially to forestall the crisis by borrowing (Hawke 1985) but unemployment began to increase from 1975 and continued to increase over the next decade. Registered unemployment in New Zealand grew from an average of 0.8 percent of the labour force in 1975 to an average of 5.5 percent in 1983.

Inflation also became a significant problem in the 1970s. It was fed in both countries by the accelerating rate of world inflation via fixed exchange rates and reinforced by domestic policies including lax monetary policy and expansionary fiscal policy. An additional push to inflation in New Zealand came from the breaking down of the arbitration system in the post war period. This process was almost complete after the Nil General Wage Order in 1968. Because it was believed that much of New Zealand's inflation stemmed from the increasingly unregulated labour market, the solution was sought in the labour market through wage controls.

The New Zealand response was to impose incomes policies (Boston 1984). Such a direct option was not available to the Australian government and income type policy strategies had to be negotiated with the union movements and the state governments, including the establishment of the Prices Justification Tribunal, the application of wage indexation in the period 1975-81 (Plowman 1981) and a wages freeze in 1982. Stagflation confronted both economists and policy makers. Great hopes were placed on incomes policies as a means controlling inflation without the pain of increasing unemployment. Policy in both countries towards incomes was generally ad hoc, experimental and hopeful. Hancock's comment on the Australian experience (1981, 298) could as easily apply to New Zealand's: "I see opportunities for incomes policies as implicit in the relevant economic analysis but ... I have serious doubts about the capacity of institutions to sustain them."

The plethora of incomes policies may have moderated the rate of inflation, but other incomes and consumer prices continued to increase at high rates. The result was therefore a reduction in effective demand and further increases in unemployment. The New Zealand experiments with incomes policies culminated in the wage-price freeze imposed in June 1982 (a wages freeze was imposed in the same year in Australia). The New Zealand freeze was strictly enforced, especially on the wages side, and remained in place until after the Fourth Labour government was elected in 1984.

Few serious attempts were made at comprehensive planning in either country. A National Development Conference was convened in New Zealand over 1968-1969 which made projections and a number of strong recommendations with respect to planning targets. These were monitored for a number of years, but as the economy became increasingly under pressure in the 1970s, and as the targets clearly became unrealistic, planning fell into disrepute and was never seriously resurrected as a legitimate policy option.

Despite the lack of planning, the New Zealand State became involved directly in job provision and training through various temporary job schemes instituted as a response to unemployment's growth from the late 1970s. Department of Labour schemes for the unemployed had historically functioned as both an attempt to maintain the social goal of full employment, as well as attempting to maintain work skills and attitudes of the unemployed. However by the mid 1980s there existed a variety of ad hoc schemes. Most New Zealand schemes provided genuine jobs at award rates of pay and allowed socially worthwhile projects to be completed. However the motive for introducing these was primarily to reduce the numbers on the job seekers' register. Thus considerable scepticism surrounded them. These schemes, such as the fully subsidised Project Employment Scheme and the partially subsidised Private Sector Employment Incentive Scheme (Gill 1989), came to be regarded by the New Zealand Treasury as both providing a windfall gain to employers, as well as partly reallocating jobs between subsidised and unsubsidised workers. Treasury alleged that the displacement effect of one particular scheme was such that 65 percent of jobs would have existed in the absence of a subsidy (New Zealand Treasury 1984, 245). This view, combined with the more general scepticism of the public,

ensured their virtual abandonment once the Rogernomics program was implemented from 1984.

The Australian response to historically high unemployment rates, which was equally remedial and ad hoc, included schemes related to job creation, regional re-location and youth unemployment. Special programmes were developed for identified disadvantaged groups and for regions affected by structural adjustment policies. However, as in New Zealand, many of the schemes were developed in the late 1970s, or 1980s, well after the initial surge in unemployment rates. There appeared to be a view that high unemployment rates were temporary and would be restored through the cyclical recovery of the respective economies. As was mentioned above, (apart from immigration and job placement) neither country had any experience with comprehensive national labour market programs in the post war period. Not surprisingly, many schemes were plagued by administrative and evaluative problems.

The Australian job creation programs (such as the Regional Employment Development Scheme) were also heavily criticised largely because they were short term, did not possess clearly articulated goals, involved little training or skill element, and were seen to generate only incremental increases in real output. The Structural Assistance Program (1973-76) was a response to the 25 percent across the board tariff cut in 1973, the National Apprenticeship Assistance Scheme (1973-77) was a major trade training initiative and the Regional Employment Development Scheme (1974-77) was the major job creation program of the 1970s. Unemployment was particularly high for youth (15-19 years) with the youth unemployment rate increasing over the decade from around 5 percent to over 22 percent. The federal government responded by introducing a number of schemes including the Special Youth Employment Training Program and the Community Youth Support Scheme.

The Australian and New Zealand labour markets became more integrated during the 1970s. As trans-Tasman travel became cheaper, the response of many New Zealanders to the perceived decline in opportunities in New Zealand was to migrate to Australia - despite the simultaneous deterioration in the Australian labour market. The historical trend for New Zealand to have a net gain from external migration (from all sources) was reversed from 1976, and a net gain was not recorded again until 1983. The Australian Census records the number of New Zealand born in Australia as having doubled between 1971 and 1981. By 1981, the New Zealand born in Australia were the equivalent of 5.6 percent of the New Zealand population (Brosnan and Poot 1987). New Zealand consistently rated as either the major or second source of Australian immigration during the 1970s (Collins 1988, 248). The free movement between Australia and New Zealand concerned the Australian government to the extent that, from 1981, Irish and British citizens needed visas to enter from New Zealand, while Australia and New Zealand citizens required passports for trans-Tasman travel. The effect of trans-Tasman migration on the Australian and New Zealand labour markets is not easy to determine. The skill profile of trans-Tasman migrants was similar to the total populations' and it is by no means obvious that the migration added to, or reduced, the number of unemployed in either country.

The New Zealand government reacted to increasing unemployment by attempting to expel Pacific Island workers who had been attracted to New Zealand in the 1960s and early 1970s. While many Pacific Island people were New Zealand citizens, or legal migrants, others had entered on visitors permits and were working illegally. From 1974, the government attempted to track down and expel these overstayers, and stricter immigration controls were introduced in 1978. Similar illegal immigration was considerable in Australia, with estimates suggesting that around 100,000 illegal migrants were present in 1988 (Collins 1988). Amnesties for illegal immigrants were implemented periodically. A more comprehensive Regulation of Status Program was introduced in 1980 as a further attempt to address the problem in Australia.

POLICY SINCE 1983

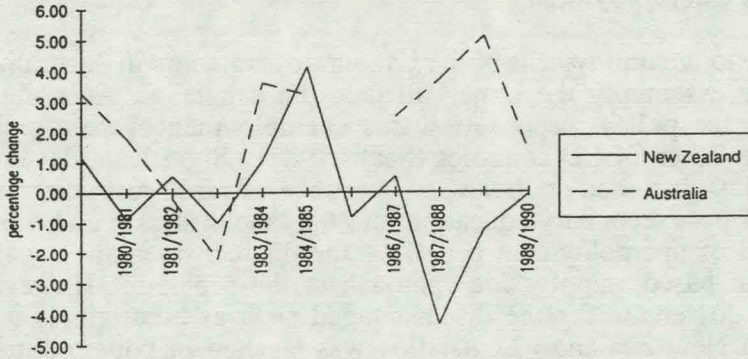
The labour market approaches of the Australia and New Zealand governments, while somewhat different before 1983, became spectacularly so after that time despite both countries having newly elected Labour governments by mid 1984. The Australian Labor government, elected in 1983, implemented an incomes policy through the Prices and Incomes Accord negotiated with the ACTU in 1982. Prior to the election of the Labor Party, the previous Liberal-National Party government had imposed a wages freeze over 1982-83. The Accord was a response to the policy vacuum and uncertainty of the wages freeze and a manifestation of the Labor party's "consensus" approach to policy. Subsequent to its election, the Labor government received broader endorsement of its consensus based incomes policy through the well publicised National Economic Summit of 1983.

The New Zealand Labour government also came into office with a wage-price freeze in place which it continued for some months. In the meantime it implemented the Rogernomics programme which included internationalisation of the economy, deregulation, privatisation, corporatisation of government departments, and substantial reductions in public expenditure. Registered unemployment fell briefly after the Labour government was elected (mainly as a consequence of expansionary policies launched by the outgoing National government in anticipation of an October election). Once the Rogernomics programme took effect, substantial job losses followed and registered unemployment doubled by 1988 (Brosnan and Rea 1991).

The Australian Accord arrangement was modelled on the Scandinavian model of an incomes policy based program of non-inflationary employment growth (ACTU 1987). Subsequent to its introduction the Accord was modified, with details over wage determination criteria being regularly renegotiated by the government and the ACTU. In its subsequent development, the Accord contravened many of its original objectives and became primarily a wage determination framework (Stilwell 1986). The Accord constrained nominal wages growth throughout the 1980s, provided a mechanism for trading off wage increases against social wage improvements and explicitly engineered a redistribution of national income from wages to profits (Singleton 1990). Substantial job generation did occur over the period 1983-89, while at the same

time the unemployment rate declined. By 1990, unemployment had increased in response to a monetary policy induced recession.

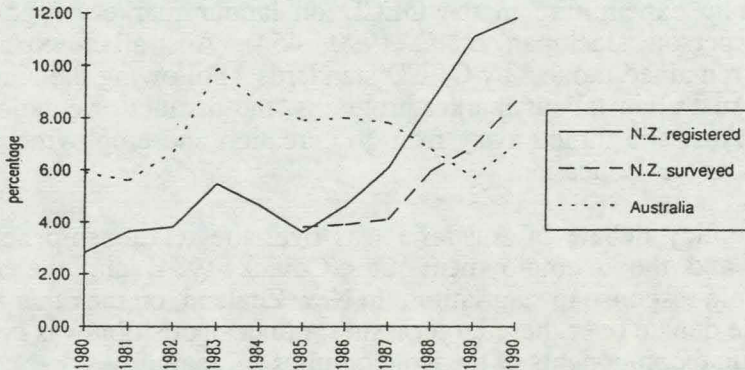
Figure 1: Percentage change in employment



Source: Foster and Stewart 1991
Key Statistics and INFOS

Notes: Australia data uses annual August based yearly average.
New Zealand data pre 1985-1986 is derived from the QES and uses a February based year. From 1985-1986 and after, the data is derived from the HLFS and uses a December based year

Figure 2: Unemployment rates



Source: Foster and Stewart 1991
Key Statistics
Labour and Employment Gazette

Notes: Australia data uses August based year
New Zealand registered unemployment is based on December year monthly averages. New Zealand surveyed unemployment uses December quarters.

The comparative employment and unemployment experiences of Australia and New Zealand are shown in figures 1 and 2. These highlight the superior performance of Australia during the Accord period. It will be readily seen that, until about 1985, employment and unemployment in the two countries moved

more or less together. From 1985, however, New Zealand's performance deteriorated while Australia's improved. From 1989, though, the Australian performance deteriorated following a monetary policy induced recession in response to a growing current account deficit.

Response To Unemployment

The response to unemployment of the Labour governments in Australia and New Zealand were essentially the same. In fact, the debates in Australia and New Zealand over the policy response towards unemployment were a replication of those in many other OECD countries (Sachs 1987). Significant developments in both countries included policies to produce award restructuring, greater integration of post secondary education into the labour market and modifications to the system of unemployment benefits - the distinct orientation was that of a human capital based, supply side approach to the problem. However, special programmes do remain for the disadvantaged such as Aborigines in Australia and Maori in New Zealand. Legislation was enacted in both countries against labour market discrimination and for equal opportunity programmes within enterprises.

Total expenditure on unemployment benefits increased dramatically in both countries, as did expenditure on an array of programmes related to job creation, regional re-location and youth unemployment. The New Zealand government scrapped the temporary employment schemes inherited from the outgoing National Party government and replaced them with training schemes aimed at the young unemployed. However, whereas New Zealand had one of the highest levels of public expenditure in the OECD on labour market programmes per unemployed person (Jackman *et al*, 1990, 454), Australian expenditure on programmes remained modest by OECD standards. Following the Kirby Inquiry (1985) into Australian labour market programs, the distinct orientation of these programs in Australia turned away from job creation and employment subsidies towards training and education.

The central policy debate in Australia was over the relationship between real wage levels and the unemployment rate (Covick 1984) and the appropriate macroeconomic response to stagflation. In New Zealand, on the other hand, there was very little debate over these larger issues, rather opposition was concentrated on the individual components of the Rogernomics campaign.

A major policy push in New Zealand was mounted against welfare programs. The New Zealand Treasury argued in *government Management* (1987), that the benefit system was in need of reform, especially given the perceived constraints of the fiscal deficit. They argued that the level of benefits was too high, citing evidence that benefits were 24 percent higher than the relativity (80 percent of the lowest quartile of male wages) suggested by the Royal Commission on Social Policy in 1972 (New Zealand Treasury 1987). This was presented as having two important consequences. First, that the high replacement ratio was a disincentive to work and consequently produced a poverty trap. This was despite Treasury research in 1986 which showed that only 5 percent of workforce could receive a benefit higher than 70 percent of what they could otherwise earn (New Zealand

Royal Commission 1988). Secondly, Treasury argued that "high" benefits were unfair to low income wage earners. They also argued for a rationalisation, and possible lowering of benefit entitlements for teenagers. They believed that the existing system provided perverse incentives in regards to various types of training, as well as enabling families to escape responsibility for income assistance. Much of this advice began to be implemented by the Fourth Labour government. Increasingly the eligibility criteria for the Unemployment Benefit became stricter, the Unemployment Benefit for teenagers was cut and means tested against parental income, all benefits became taxable and a number of proposals floated to limit the duration of the Unemployment Benefit.

With the change of government in New Zealand at the end of 1990, the Treasury once again suggested that lower benefit levels were necessary to force the unemployed into jobs (New Zealand Treasury 1990). These proposals were quickly enacted by the National government. Most of the rates for benefits were reduced, eligibility criteria across all benefits were tightened, stand down provisions were made stricter, under 18 year olds lost their eligibility for assistance unless they could prove they could not rely on their parents, the Family Benefit was cut and partly incorporated into Family Support, and there were ongoing attempts to reduce government support for the elderly.

Similar changes were implemented in Australia. The Unemployment Benefit programme was modified in a number of ways. First, the level of the Unemployment Benefit and access to the benefit was reduced for youth who were placed into training and education programmes instead. Second, from 1991 the Unemployment Benefit programme was shifted from a welfare to a labour market orientation with the benefit being replaced by a search and training allowance and with an increase in benefit waiting times.

The Kirby Report (1985) was a key catalyst behind the Australian reforms to special labour market programmes over the Accord period. It provided the most comprehensive overview and analysis of labour market programmes since their ad hoc development in the 1970s. The Report was critical of what it saw as an unstructured and uncoordinated development of programmes, especially since the increase in unemployment in the 1970s. Common criticisms were that programme guide-lines were often altered at short notice, that programme objectives were not clearly articulated, that programmes were not effectively evaluated, that administration was complex and expensive (often involving co-ordination between all three tiers of government in the implementation and evaluation of programs), and that clients were often confused over eligibility criteria. However, the criticisms must be placed in the context of a rapid increase in unemployment and a lack of experience with specific labour programmes. As is argued by Jackman *et al.*, "the genesis of labour market policies was essentially pragmatic, an ad hoc response to a clearly perceived social-problem of high unemployment" (1990, 453).

The Kirby Report divided the Australian programmes into 7 categories on the basis of their objectives (1985, 65):

- income support measures for the unemployed;

- post secondary education and special training measures;
- job creation and wage subsidy schemes;
- measures for disadvantaged groups;
- measures for job placement;
- measures to reduce structural and regional imbalances in the labour market;
- measures to improve labour market information and planning.

The Report made over 70 recommendations which covered a range of policy areas including data collection, administration, funding and programme evaluation. The major thrust of the report was to suggest a greater emphasis on training and education needs, greater targeting of programmes for disadvantaged groups and a rationalisation of the multitude of existing programmes.

Wage Policy

The period from 1983 to 1990 saw comprehensive changes to the wage determination systems in both Australia and New Zealand. The nature of these changes were, however, very different in the two countries. In New Zealand, legislation was changed significantly in order to shift the balance of bargaining advantage more strongly in employers' favour. In Australia, on the other hand, reform was implemented from the centre under the system of consensus developed between the federal government and the ACTU.

The Australian Accord was unique in that it used the wage determination system to produce significant changes in a range of areas directly and indirectly related to the labour market. For example, the wage determination arrangements from 1987 onwards were tied to productivity enhancing measures including the restructuring of awards, the establishment of career paths and increased on-the-job training. The consensus framework was also used to moderate wage claims in the face of such external shocks as the collapse of the terms of trade in 1985. The Accord provided for non-wage trade-offs such as income tax cuts and increases in employer contributions to occupational based superannuation schemes. At the industry/enterprise level, the Accord has promoted an examination of work and management practices, a rationalisation of the award system, introduced training/education into the industrial relations agenda, and extended access to occupational superannuation. From 1987, the process of award restructuring through the Accord enabled the government and the ACTU to address directly the problem of internal flexibility. The structural efficiency and award restructuring principle attempted to reduce job demarcation, allow for broad-banding of job classifications, increase job training expenditure and reduce employee turnover. In association with this, there has been a process of trade union rationalisation through amalgamation which aims to reduce the number of

unions from around 300 to less than 40. An industry training levy was introduced in 1990 to reinforce the training/education content of award restructuring.

Despite this progress, and flexibility achievements through the Accord, there remains strong political and public pressure for more extensive labour market reform and deregulation in Australia (Moore 1989; Howard 1990). The Liberal-National party opposition has a policy programme of enterprise based bargaining together with a diminished role for the centralised Industrial Relations Commission. However, it has been the corporatist Accord, using existing institutional arrangements, including the Industrial Relations Commission and award process, that has been used to deliver substantial changes to Australia's wage fixing and industrial relations system.

At the aggregate level, the Accord has been used to constrain real wage growth, to redistribute income from labour to capital, and to generate improvements in the social wage. From the viewpoint of the government, the centralised control of nominal wages growth has allowed it to achieve desired reductions to real unit labour costs and increases in the factor share of profits. The Accord has also allowed the economy to cope with external supply side shocks in the mid 1980s (terms of trade, currency depreciation) without the negative impact on employment experienced from past supply side shocks. Employment growth and the reduction in unemployment over 1983-89 were testimony to the successful macroeconomic consequences of the policy. Chapman (1990) and Lewis and Spiers (1990) claim that the centralised incomes policy was far more successful in terms of wage restraint and job generation than other possible alternatives. Fallick (1990, 105) suggests that the Accord is an unequivocal success according to the conventional criteria used to assess incomes policies. Certainly, the Accord was successful both in job generation and in labour matching - reflected in a sharp decline in the unemployment to vacancies ratio. However, the trend is similar to that experienced in other economies with different institutional arrangements (Jackman *et al.* 1990). Moreover, Chapman (1990, 31) suggests that if the measure of unemployment is expanded to include hidden unemployment, then the labour matching results are not as convincing.

The other effect of the Accord is that it has kept the industrial relations system intact while demonstrating that the criticisms of the systems' inflexibility to adjust or to generate responsible macroeconomic outcomes have not necessarily been valid. Specifically, the Accord process has shown that the system of wage determination in Australia can: (1) deliver real wage restraint and reductions over a prolonged period (2) use social wage offsets to support the above and to move income support out of the industrial relations system and into the social welfare budget (3) through delayed and staggered wage adjustments across industries and occupations, produce wage settlements which have not been uniform and thus not in keeping with the concept of comparative wage justice (4) no longer distribute national productivity increases uniformly across awards and sectors, nor necessarily to labour.

The approach to wage determination in New Zealand was entirely different. Although the New Zealand labour movement had been looking at the possibility of copying the Australian Accord in 1983 and 1984, the suddenness of the snap

election in 1984, and the pre-emptive strike by the Rogernomics clique immediately after the election, ruled out such an arrangement as a practical option. When the new government turned its attention to the wage fixing system, its thinking was oriented towards the problems of inflation, a major concern being the breakout from the wage-price freeze. Consequently, in late 1984, the government amended the Industrial Relations Act to *inter alia* abolish compulsory arbitration of interest disputes. This allowed employers in weakly organised industries to refuse to settle awards and thus caused a significant breach in the national award system. The major change came with the enactment of the Labour Relations Act 1987. This Act outlawed second tier bargaining by requiring that a worker be covered by only one registered instrument. Thus if a union wished to have separate negotiation with a particular employer, that employer had to be cited out of the award. Thus, the separate negotiations were not underpinned by the award. Again, this gave an advantage to employers; nonetheless, many employers were not satisfied and clamoured for the right to cite themselves out of awards. This right was granted in late 1990, but limited to the circumstances where a majority of the labour force affected had approved the citing out. It was not given a chance to work, however, since it was suspended by the Employment Contracts Act 1991.

At first glance, these changes to the bargaining system would appear to have been successful in that bargaining under the Labour Relations Act produced wage movements that were lower than the rate of inflation. On the other hand, the difficulties experienced by weakly organised workers in getting an award were possibly unanticipated, and the Act was amended, in 1990, to provide for limited arbitration where negotiations had been stalled for at least two years. With the loss of award coverage, workers with limited bargaining power had only the Minimum Wage as their only wage guarantee. The Minimum Wage as a proportion of mean earnings had decreased steadily until 1984 when it was equivalent to only 30 percent of average earnings. After its election in 1984 the Labour government reviewed the minimum upwards several times until it equalled 53 percent of average earnings. However the government subsequently allowed it to fall to approximately 48 percent of average earnings in 1990.

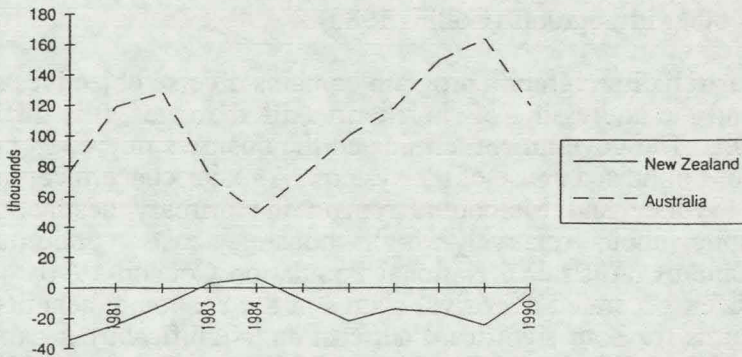
Assessed from the viewpoint of the flexibility debate, the Labour Relations Act 1987 would have to be assessed as a failure. Second tier bargaining, which had been outlawed under the Act, had provided a source of flexibility in both wages and conditions. The pattern of settlements under the 1987 Act showed less variation from the mean than those that had occurred under earlier legislation (Harbridge 1990).

Immigration

The outflow of New Zealand population which had stopped in 1983, began again in 1985 and continued until 1989 (see figure 3). Australia remained a major source and destination for migration from New Zealand. This is testified to by the way that net immigration for Australia and New Zealand, shown in figure 3, mirror each other. In 1985, one third of all permanent and long term arrivals to New Zealand came from Australia (Hurrelle 1988) although most of these were New Zealand citizens returning or Australian born children of New Zealanders

(Brosnan and Poot 1987). Given the revived population loss to Australia, it was inevitable that migration policy should move up the policy agenda. A major review of New Zealand's immigration policy occurred in the mid 1980s. This new policy was heralded in the Review of Immigration Policy August 1986 and brought into fruition as the Immigration Act 1987. The new policy used three criteria, social, humanitarian and economic as the basis for immigration.

Figure 3: Net immigration



Source: Foster and Stewart 1991
Key Statistics

Notes: Australia data uses a June based year
New Zealand data uses a December based year.

Social immigration was largely based upon the reuniting of families. Entry on humanitarian grounds was largely accorded to refugees. Economic immigration comprised two streams. The first was based upon the Occupational Priority List, maintained by the Department of Labour. This list was formed from submissions from employers and attempted to balance training considerations against short run demands of employers. The second component was through the business immigration scheme. This enabled individuals with a significant amount of capital to relocate to New Zealand. For the year ending March 1988, there were 555 approved applications through this scheme, each bringing an average capital of \$620,000 (Hurrelle 1988). In 1990 the number had increased to 1,538.

In the five year period prior to 1988, immigration to New Zealand averaged 8,000-12,000. For the year ending March 1989 this figure was 27,000, and for March 1990, 22,000. The new system became difficult to administer, mainly because it was not regionally based and did not utilise a quota system. Successive ministers reviewed the system in 1990. The recommended changes, principally a simplified points system which ranked potential immigrants, was adopted by the new National government.

Australia's large immigration program continued throughout the 1980s. Only the recessions of 1983-84 and 1990-91 saw the government prune back the immigration intake. From 1985-86 to 1989-90 the annual rate of net immigration

was around 120,000. The nature of the programme has altered significantly as compared to the post-war years. First, there has been a shift in the country of origin away from Europe to the Middle East and Asia. Second, the reasons for immigration have been extended to include family reunion and business migration. The size of the intake, its ethnic composition, and the criteria for immigration selection are regularly debated. New Zealand remains an important source country for Australian immigration averaging around 12,000 per annum in the 1980s. However, immigration from New Zealand remains unregulated - this has given rise to periodic calls for New Zealand immigration to be included in the annual intake quotas and for New Zealand immigrants to be subject to the same vetting criteria as other immigrants (Collins 1988).

Given that the Australia immigration program contains diverse objectives such as family reunion and the addressing of short term skill shortages, it is difficult to evaluate its impact. The government terminated the business migration program in 1991 because of publicised abuse of the system. A major concern continues to be the fact that Sydney and Melbourne remain the primary destinations for immigrants despite their relatively high housing costs, pollution and infrastructure problems (Australian National Population Council 1990). Recent controversy has been generated over rival claims of the economic benefits of the program with claims for both significant net cost and significant net gain being simultaneously publicised (Bureau of Immigration Research Bulletin 1991).

Education and training

Immigration had a deleterious effect on skill formation in both Australia and New Zealand. Both countries took the easy way out and used immigration to fill vacancies for skilled workers. This saved the cost of training and it meant that such vacancies could be filled more quickly. However it meant that fewer resident workers got the chance of training for skilled work. A consequence is that the relative levels of education attainment and post workforce entry training are low by international standards (OECD 1987, 74; EPAC 1983). Both countries began to emphasise skill formation in the 1980s, but using immigration to augment skill shortages still remains an explicit policy.

As mentioned, following the Kirby Report (1985), there was a re-orientation in the content and direction of special programmes in Australia from job creation towards training and education. Virtually all labour market programs now contain an education and training content, even unemployment benefits are to be tied to job search and training in 1991. The post-secondary education system was also the subject of a range of reports and inquiries (Marginson 1990). As a result, the system was re-structured with the removal of the division between universities and colleges of advanced education. Participation in post-secondary education has increased, a partial fee (HECS) was introduced, and the system became subject to more direct funding and supervision by the federal government. Special education programs were introduced for the disadvantaged, especially Aboriginals and non-English speaking migrants. The federal government extended its program of AUSTUDY allowances to promote increased high school retention and increased participation in higher education.

Australia Reconstructed (ACTU 1987) voiced concern over what it identified as the low levels of expenditure for training by Australian companies as compared to comparable overseas countries. The ACTU argued that low levels of training encouraged high labour turnover rates, strict job demarcation and retarded labour productivity growth. The system of award restructuring which came into prominence from 1987 emphasised the need for increased expenditure for on the job training in the context of extending workforce skills formation and generating career paths for all occupations. Subsequently, the federal government introduced the Training Guarantee Levy in 1990 which required employers to spend at least 1 percent of workforce payroll on approved training programs. The levy is to be extended to 1.5 percent of payroll in 1991.

New Zealand government policy began increasingly to emphasise training and skill levels after the Employment Promotion Conference of 1985. Sustained unemployment was attributed to a slowness on the part of labour market participants to gain suitable skills. Policy switched from simply keeping the unemployed in jobs, to providing formal training. Nonetheless, planning was seen as neither practical nor legitimate, and the Department of Labour abandoned even the minuscule level of planning it had attempted during the early 1980s. Thus training was undirected and unrelated to the specific vacancies that existed in the slack labour market.

In 1986, after the completion of a major process of consultation, the government announced a new set of policies (Burke 1986). The major focus of this policy was a system of training for the unemployed. This system, implemented in 1987, and known as the ACCESS programme, was aimed at individuals who were both disadvantaged in the labour market and lacking in skills. Funding was given to locally constituted organisations known as Regional Employment Advisory Committees (REACs) which administered and funded training according to the perceived local needs. Training was provided by a variety of organisations, including polytechnics, employers, community organisations and other approved training providers. Courses varied from 4 to 52 weeks, and included life skills, vocational training and work based training. Trainees received an allowance, which, until 1989, was slightly more than the Unemployment Benefit. A major feature of the programme was that funding was targeted to favour the disadvantaged. Parallel to the ACCESS organisation, was a Maori controlled organisation called MACCESS. Both organisations were open to all potential trainees.

Concern was expressed about a number of aspects of the ACCESS programme. Firstly, it was argued that ACCESS may be inhibiting the success of its graduates because of an adverse labelling effect (Bertram 1988). This uncertainty was compounded by a second problem, the lack of monitoring of the effectiveness of targeting and training of the programme (Working Group on Employment Policy 1989). Lastly and most significantly, attitudes seem to have come full circle since the early 1980s with a realisation that on-the-job training was just as, if not more, important as formal education and training. There was thus a move to encourage REACs to rely less on off-the-job training (Working Group on Employment Policy 1989).

Equal employment policy

The focus of the ACCESS and MACCESS programmes were only one attempt to reduce inequality in New Zealand. Other policies for reducing discrimination against female workers were implemented, one of the most notable being the inclusion of sexual harassment as a grievance in the Labour Relations Act 1987. Equal pay legislation was another aspect, and this was reviewed in 1986 (previous reviews had been held in 1975 and 1979). The review highlighted the continuing difference between male and female rates of pay, and it argued that the continuing inequality in earning between genders was partly caused by the segregation of women into low paid occupations (Hyman and Clark 1987). This review was followed up by a working group which recommended legislation to require large private sector employers to operate EEO programs (Working Group on Equal Employment Opportunities and Equal Pay 1988). The State Sector Act 1988 already required all State employers to implement EEO programs. The working group also recommended the implementation of a procedure to require equal pay for work of equal value. This measure was bitterly opposed by some within the Labour government. Nonetheless, the Employment Equity Act 1990 was passed in the last months before the Labour government lost office. However, the new National government repealed the Act almost as soon as it was elected.

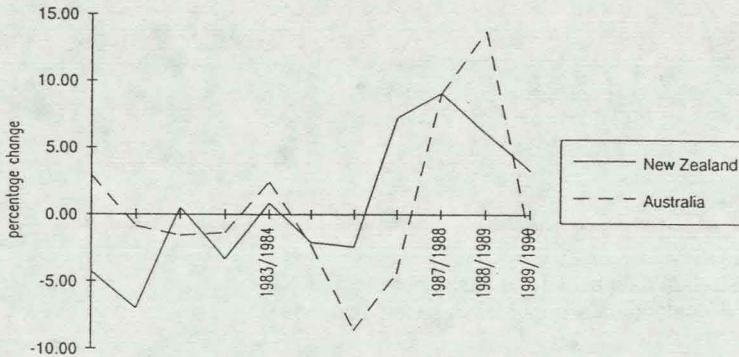
In Australia there was a range of government initiatives introduced during the 1980s to redress the disadvantaged status of many groups including females, immigrants and Aborigines. A range of special employment and training programs have been developed for Aborigines and other disadvantaged groups such as single parents (Jobs, Employment and Training Program). Most states and the federal government extended anti-discrimination legislation as well as introducing equal employment opportunity legislation for public sector employment and for large private enterprises. Several cases were successfully prosecuted for both sexual harassment at the workplace, and sexual discrimination in employment (Australian Affirmative Action Agency 1990). Despite the additional legislation and funding for agencies such as the Affirmative Action Agency, female wages still remain below those for male workers. As in New Zealand, this is largely because of both the segregation of females into lower paying occupations and their concentration into part-time employment (Watts and Rich 1990).

OVERVIEW OF PERFORMANCE

In many respects, the labour market outcomes in Australia and New Zealand were similar. They also bear comparison with the other OECD countries. This is not surprising since they were all subject to comparable international influences. Figures 4 and 5 demonstrate the comparative external debt position of the two countries. Nonetheless, the importance of policy, and of the differences in policy, must be stressed. The different approaches of the Australian Accord and New Zealand's Rogernomics resulted in a divergence of outcomes. This is particularly evident in relation to the comparative growth in real GDP of the two countries (figure 6), the level of unemployment (figure 2), the inflation experiences (figure

7), and the increases in flexibility despite their achieving similar outcomes in terms of average movements in wages. The importance of policy is brought home by noticing how, once Australia was given its dose of Rogernomics at the end of the 1980s, Australian unemployment rates quickly grew until they once again began to resemble the rates in New Zealand.

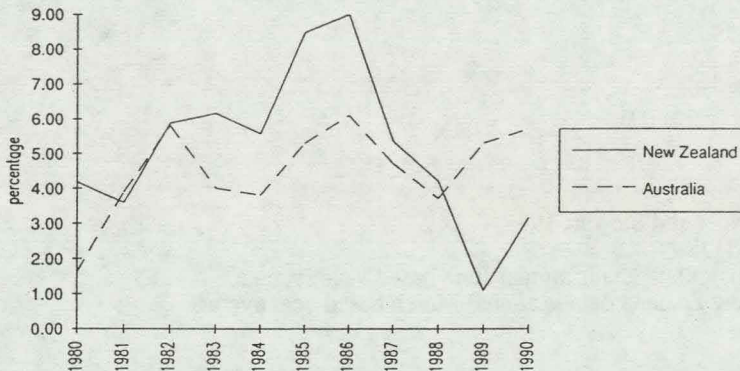
Figure 4: Percentage change in the terms of trade



Source: Foster and Stewart 1991
INFOS

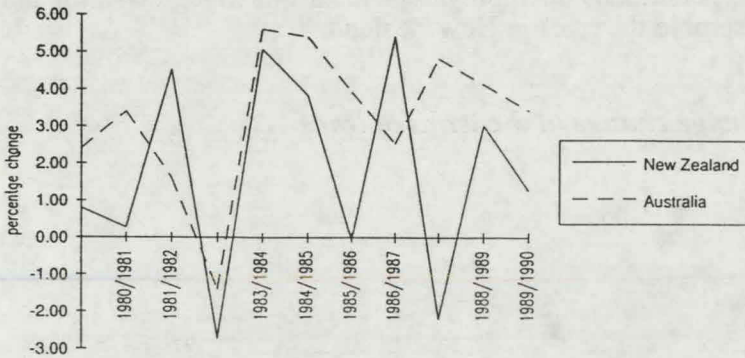
Notes: Australian data is June based year.
New Zealand data is December based year.

Figure 5: Deficit on current account as a percentage of GDP



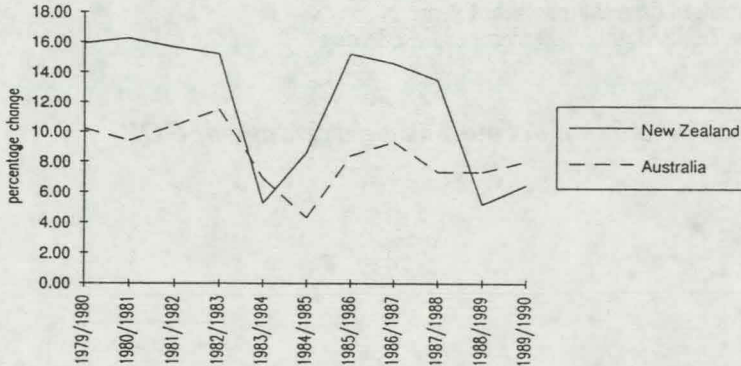
Source: Foster and Stewart 1991
INFOS

Notes: Key Statistics
Australian data uses June based year.
New Zealand data uses March based year

Figure 6: Percentage change in real GDP

Source: Foster and Stewart 1991
INFOS

Notes: Australian data uses June based year.
New Zealand data uses March based year

Figure 7: Percentage change in CPI

Source: Foster and Stewart 1991
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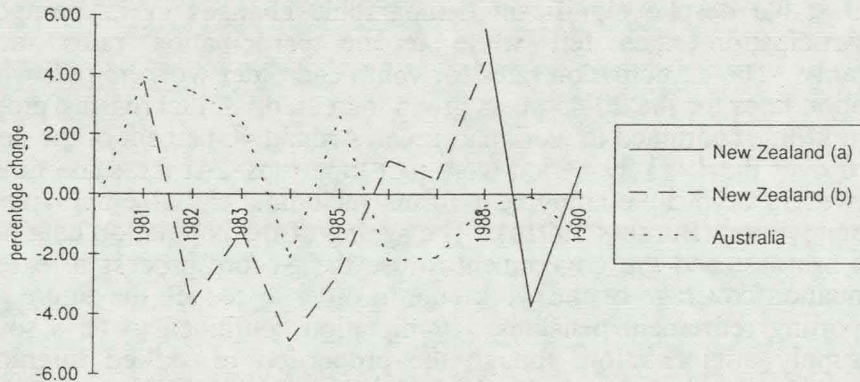
Notes: Australian data is annual June based year average.
New Zealand data is annual March based year average

Wages

The path of real wages is shown in figure 8. Whether wage relativities in Australia and New Zealand are different from those prevailing in other countries with different wage determination arrangements, and whether the wage structures are more rigid, continues to be a source of debate. In terms of aggregate labour market flexibility, the OECD (1987; 1990) reports that Australia has been among the more flexible of the OECD economies over the last decade. A similar conclusion for New Zealand was reached by the New Zealand Planning Council

(1987). The wage/employment experience of the two countries was quite different. While both countries recorded real reductions in award wages, this was associated in Australia with strong growth in employment and reduction in unemployment over 1983-89. New Zealand, on the other hand, experienced increasing unemployment and falling job growth.

Figure 8: Percentage change in real average weekly ordinary time earnings



Source: Foster and Stewart 1991
Department of Labour

Notes: Australian data uses June based year.
New Zealand data uses December based year.

The recorded falls in real wages were accompanied in New Zealand by a redistribution from low income earners to high income earners. Moreover, changes to the taxation system increased inequality further. Higher income earners received substantial cuts in income tax. Further, the introduction of GST (initially at 10 percent and increased to 12.5 percent in 1989) added a further layer of taxation which hurts the lowest income earners more since they spend all of their incomes, and most of it in New Zealand.

In Australia, the Accord period saw a significant redistribution from wages to profits - the share of wages in GDP falling to its lowest level since the mid 1960s. Mitchell (1991) ironically described this as a new form of business subsidisation at a time of tariff reductions. One consequence of this has been that the Accord period has seen fairly sluggish productivity growth in Australia (EPAC 1989) with one suggestion being that business has increased labour/capital ratios in response to the changes in relative factor prices (Hughes, Burgess, Dunlop 1990).

While the Australian Treasury (1990) estimates suggest that real household disposable income increased from 1983-89, the major sources of such growth were non-wage factors: the growth in labour force participation rates and reduction in unemployment, the increase in transfer payments and the reductions in the rates of personal income taxes. The recession of 1990-91 can be expected to reverse this trend. As with New Zealand, the evidence from the Australian

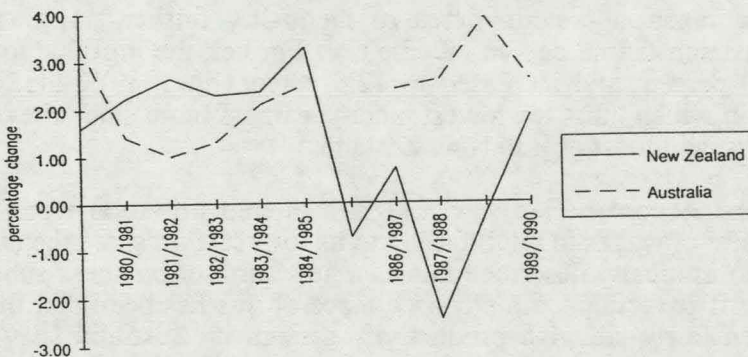
Taxation Office (Burgess 1991a) is that there has been a redistribution of taxable income from the lower end of the income scale to the upper end.

Labour force

The differing policy regimes in Australia and New Zealand produced significantly different effects on the development of the labour force in the two countries. In Australia, labour force growth continued at about 2 percent per annum (Freebairn 1989 174). The average labour force participation rate remained stable despite significant demographic changes in its composition. Male participation rates fell while female participation rates increased considerably. The participation rates for youth and older workers fell, while the participation rates for the 20-45 years group increased. An increasing proportion of the workforce continued to work part time. Around 40 percent of the new jobs generated over the 1983-89 period were part-time jobs. At the same time there was growth in atypical employment forms including casual employment and home employment (Burgess 1991b). The ageing of the population continued; in turn this has hastened the government to use the Accord process to extend the superannuation coverage of the workforce in order to reduce the future welfare bill supporting retirement pensions. Immigration continued to be a source of labour supply augmentation, though the proportion of skilled migrants fell relative to other entry categories such as family reunions. Without immigration the ageing of the Australian population would probably had accelerated.

Figure 9 compares the labour force growth of Australia and New Zealand. Figure 10 shows the comparative labour force participation rates of the two countries.

Figure 9: Labour Force Growth

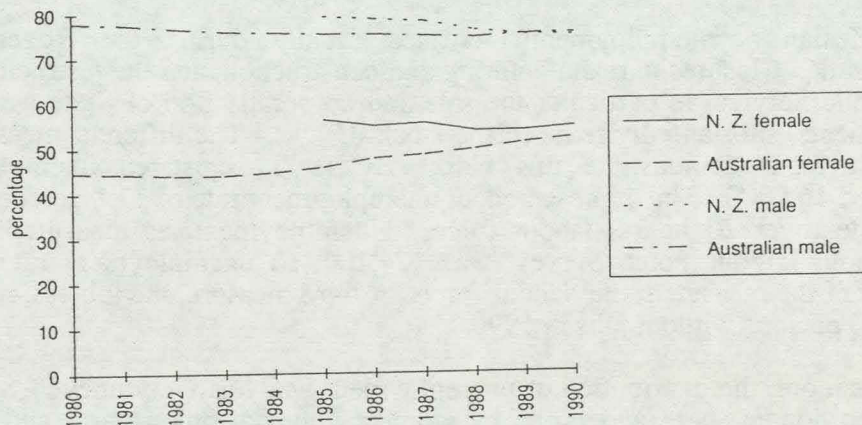


Source: Foster and Stewart 1991
Labour and Employment Gazette
Key Statistics

Notes: Australian data uses August based year.
New Zealand data pre 1985/86 is based on the QES. This measures full time workers and is a December year average. From 1985/1986, the New Zealand data is based on December quarters from the HLFS. This includes both part time and full time workers.

The New Zealand experience reflected the steadily increasing rate of unemployment. The proportion of the labour force working part time increased. However, net migration losses continued until 1990 (figure 3) when there was a small net inflow - probably return migration due to the deteriorating economic conditions in Australia. In contrast to Australia, the total labour force fell by about 0.7 percent per annum, although there was a slight increase in 1990. The fall in the labour force occurred despite a substantial increase in the size of the working age population. The male participation rate fell 4 percentage points between 1986 and 1990. The female rate also declined against the historical trend, from 36.7 percent to 35.0 percent (figure 10). The pattern of decline differed across age groups. The decline in male participation occurred for all age groups but was most marked for the 15-24 group. Female participation declined for that age group too, but also for the 30-44 and over 60 groups. The other age groups, 25-29 and 45-59 increased their participation rates. These declines in participation were accompanied by a 25 percent increase in the official number of discouraged workers (Brosnan and Rea 1991). A further, and significant effect of the decline, was a reduction in industry training. There was substantial reduction in the number of apprentices (Brosnan and Rea 1991), and this trend has worsened considerably since 1990.

Figure 10: Male and female participation rates



Source: Foster and Stewart 1991
Key Statistics

Notes: Australian data uses August based year.
New Zealand data uses December based year

A structural change in the composition of labour demand away from manufacturing and towards services was a common feature of all OECD economies and the Australian and New Zealand experiences were no different (figure 11). Australia saw a relative shift towards service sector employment and occupations since 1983. There was a relative decline in manufacturing sector and trade occupational employment shares, while public sector employment declined relative to the private sector in the 1980s in the face of a gradual pick-up in private activity combined with public expenditure restraint. Many of the jobs created post-1983 were located in the service sector, were less than full time and were filled by females. The shift in the structural composition of employment had two important implications. First, average labour productivity growth rates suffered as employment shifted from relatively high to relatively low productivity sectors. Second, trade union densities and award coverage declined in the face of this shift away from traditional blue collar, male filled, unionised occupations.

A similar pattern occurred in New Zealand, although the decimation of manufacturing was a striking feature of the New Zealand experience. Manufacturing accounted for more than two-thirds of the jobs lost in the economy between 1985 and 1990. As we discuss below, the savagery of the job loss had particularly significant effects on the employment of particular population groups.

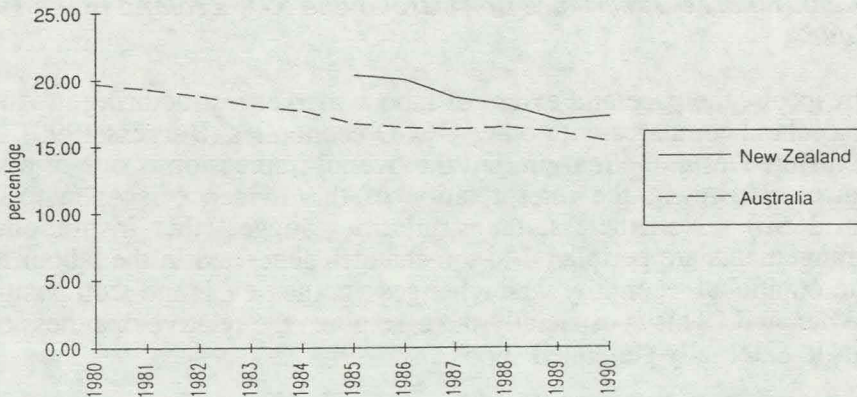
Unemployment

New Zealand's unemployment increased rapidly during the Rogernomics programme. Closures in manufacturing and construction, and the restructuring of the Public Service, in particular the sale and corporatisation of State assets and departments, substantially reduced the stock of jobs. The different measures of unemployment demonstrate this fact. By 1990, registered unemployment averaged 164,000. This represented an unemployment rate of 11.8 percent of the full time (over 20 hours) labour force. Unemployment, as measured by the Household Labour Force Survey, was 124,100, an unemployment rate of 7.8 percent of the measured total labour force. A third measure, the jobless, recorded 196,950 persons without jobs in 1990.

What is more, the distribution of unemployment was relatively uneven, so that a disproportionate share was borne by women, young people, Maori and Pacific Island workers (Brosnan and Wilson 1989). Employment growth, where it occurred in Finance, Insurance and Real Estate, had relatively little impact on the employment of Maori and Pacific Island workers who are underrepresented in those sectors. On the other hand, the rate of job loss in Manufacturing had a dramatic effect. It affected Pacific Island people severely since three out of five Pacific Island men, and almost half the Pacific Island women, were employed in Manufacturing at the 1986 Census. The increase in Pacific Island unemployment has been the most rapid. Maori were also vulnerable to job loss in Manufacturing, although less so since they were employed in a wider range of industries. The reduction in male employment was greater than the reduction in female employment because, although most industry sectors experienced declines, employment increased in the Finance and Services sectors which

together employ about half the female labour force. The male unemployment rate overtook the female rate by 1988.

Figure 11: Manufacturing employment as a percentage of total employment



Source: Foster and Stewart 1991
Key Statistics

Notes: Australian data uses August based year.
New Zealand data uses December based year

Australia's unemployment remained at historically high rates but did decline between 1984 and 1989 (Chapman 1990, 14). Despite significant job growth in this later period, the growth in the labour force meant that the unemployment rate was only marginally affected by higher rates of economic growth (Gregory 1991). Many of the new jobs, especially part-time jobs were being filled by persons, predominantly females, who were previously outside the labour force. The distribution of unemployment was uneven across occupations, regions and demographic groups, being especially high for youth, migrants from non-English speaking backgrounds (e.g. Vietnam, Lebanon), Aboriginals and unskilled workers. By 1990, unemployment had increased dramatically in the face of a monetary policy induced recession. Australia once again returned to double digit unemployment rates despite having had more than seven years of real wage reductions.

CONCLUSION

Whitfield (1987, 204) stated that Australian labour market programmes were short term and few in number when compared to other countries. This lack of a long term comprehensive approach to the labour market was also a feature of the New Zealand experience. In the last few years, the governments in both countries have adopted a human capital/supply side approach to labour market policy with the incorporation of unemployment welfare benefits into a labour market training context. At the same time, the Accord in Australia and the Labour Relations Act in New Zealand reinforced wage centralisation, despite the

process of award restructuring which was calculated to achieve greater flexibility and decentralisation in labour market negotiations.

The comparative analysis of the Australian and New Zealand labour markets is summarised by addressing three questions.

Has the labour market experience in Australia and New Zealand in the 1980s been unique?

In many respects, the pace and extent of labour market restructuring in Australia and New Zealand compares with other OECD economies (Burgess 1990). There are some differences at the margin, but the overall impression is one of a similar performance. However, the interpretation of this evidence is open to debate (Chapman 1990). Nonetheless, the similarities suggest that institutional and policy arrangements are peripheral to the changes generated in the labour market via the international economy and changes in the level and composition of aggregate demand. This is especially the case given the relative openness of both economies to externally generated shocks.

This is not to say that the two governments had no control over the outcomes in their domestic labour markets. The policy choice they faced was whether to accept the international environment, and allow its effects to flow into the domestic economy and labour market, or to use their powers to minimise the effects of the worsening international economy. In the event they both chose to accept the international environment. In Australia, this was achieved through the Accord process, and the effects on the labour market were lessened as a result. The New Zealand government chose to go with the New Right's approach and to welcome the international influence as a way to "flush out" the labour market.

How has the Government approached labour market restructuring?

The restructuring of the Australian and New Zealand labour markets has proceeded along similar lines to those in other OECD economies. Structural change on both the supply and demand sides of the market has proceeded largely independently of government policy. The problems of restructuring have been accentuated by a slow down in the rate of economic growth - in part attributed to the restrictive approach to aggregate demand management.

The policy approaches have been centralist with a stress on supply side measures. Demand stimulus and industry assistance are no longer viewed as effective policies for generating permanent employment. Labour market programmes, unemployment relief and post secondary education have all been subject to a major overhaul. Programmes have been developed to address the problems faced by disadvantaged groups in the labour market.

The major difference between the two countries has been the methods used to constrain wage growth. In Australia, the system of centralised wage determination has been used to constrain nominal wages growth and to introduce a range of measures to promote internal flexibility in the labour market via the process of award restructuring under the Accord umbrella.

In New Zealand, the changes introduced by the Labour Relations Act 1987 have had the effect of constraining wage growth but of reducing the degree of flexibility. Some flexibilities have been achieved by employers, such as more flexible starting and finishing times, but these have been due to the general economic decline and the bargaining environment which is more favourable to employers. In any case, these have been the result of the low levels of inflation, rather than any institutional changes. When inflation was at higher levels, employers could force real wage reductions by negotiating a rate of wage increase which was below the rate of inflation. When inflation fell to low figures - partly as a result of these very concessions - it was no longer possible to get real wage cuts without a cut in nominal wages. Therefore, employers sought concessions in other areas.

How successful have policies been?

On a range of external criteria the Australian Accord arrangements have been judged as a success (Chapman 1990; Lewis and Spiers 1990). The wage determination system has been used to deliver improvements in the social wage. Similarly with respect to labour force participation rates, secondary education retention rates and post secondary participation rates, the indications are of recent improvement. Job generation was high and the unemployment rate fell until 1989. To some extent these gains have been wiped out by the recession of 1990-91.

It is difficult, however, to score the New Zealand result as a success. It would not be understating things to describe them as disastrous. The massive rise in unemployment, the differential impact of unemployment on Maori and Pacific Island people, the decline in average real wages, the increasing inequity in wages and after-tax incomes, the decline in women's participation, the transformation of full time jobs into part time jobs, when combined with the reductions in welfare benefits, and the consequent growth in deprivation, are indicators of dramatic policy failures. When we add to this the reductions in apprenticeship numbers, we cannot doubt that we are witnessing the result of serious economic mismanagement at the hands of the New Right. The panacea offered, the Employment Contract Act 1991, is an extension of the same logic and is unlikely to improve the situation in any respect.

While the Australian evidence is subject to rival interpretations (Moore 1989), it is similar in many respects to that for New Zealand. Many of the new jobs were part-time, were filled from outside of the labour force (Gregory 1991), and contributed to an increasing occupational sex segregation of the workforce (Watts and Rich 1990). More persons are located in marginal forms of employment and outside of the award system (Bray and Taylor 1991). Real wages have declined and in turn placed pressure on living standards. Reduction in levels of tariff and other forms of industry assistance has seen the nexus broken between protection and wage determination in the manufacturing sector. Labour productivity growth has been low by historical and international standards (EPAC 1989).

Unemployment, which has grown continuously in New Zealand, recently increased dramatically in Australia in the face of a government engineered recession (Nevile and Stegman 1990). Unless there are drastic changes in policy in both countries, it is almost certain that high unemployment rates, and further decline will be a feature of both economies in the 1990s.

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5. Industrial Relations and Economic Restructuring in Australia and New Zealand: Employers' Agendas

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INTRODUCTION

Debate within Australian and New Zealand employer circles during the 1980s and 1990s has covered many of the same issues despite the countries' different institutional frameworks. In both countries, employers have expressed a need for change in union organisation and behaviour, bargaining structures and broader industrial relations practices. The debate in Australia, however, has been more fragmented than in New Zealand. In the latter case, such distance as existed between the two main employer groupings - the Employers' Federation and the Business Roundtable - evaporated over the 1980s in the face of a 'one best way' view of the future of labour relations. Institutional separation may well continue, but the employer voice is to all intents identical on all key labour relation issues. Not so in Australia, where the debate around labour relations reform has been tempered by contending positions within employer circles and the very different environment provided by the 1983 Labor government.

This chapter focusses upon these similarities and contrasts by, first, exploring the historical contexts to employer policy. It then identifies the respective patterns of employer organisation which mediated the policy debate among employers. Subsequent sections examine in more detail the development of employer agendas for change in New Zealand and Australia separately before some comparative conclusions are drawn in the final section.

1 Maryan Street wishes to acknowledge the assistance of Peter Carroll of the Auckland Employers' Association and Bruce Goldworthy of the Auckland Manufacturers' Association in giving of their time and written information in interviews in December, 1990.

ON SOFT BARGAINING AND ECONOMIC GROWTH

Employer agendas for restructuring and industrial relations reform in the 1980s and 1990s must be understood against their respective historical backgrounds. There are important similarities between the two countries here, especially in the links between contemporary pressures for change and the peculiar patterns of economic growth and institutional development. In Australia, the move away from tariff protection begun by the Whitlam government in 1974, has had a major impact upon industrial relations and, in particular, wage determination (Plowman, 1992). Historically there was a nexus between the degree of protection offered employers through the deliberations of the Tariff Board and the wage levels and policies of federal industrial tribunals. 'New Protection' wages resulted. It was possible to index wages, or significant components of them, because little consideration was given to external competition. Forms of indexation operated on a formalised basis between 1921 and 1953, 1974 to 1981 and 1983 to 1987. During the intervening periods less formal systems of indexation operated; for example, annual reviews between 1956 and 1974. Indexation ensured real wages were maintained, while tariffs ensured real levels of protection were maintained.

The system of indexation, based on a common foundation 'needs' or 'basic' wage, lead to the centralisation of basic wage determination. This centralisation was augmented by the way in which margins for skill (or more appropriately, secondary wages) were determined. Increasingly, the major criterion for secondary wage determination came to be comparability. In a system of occupationally-based unions, and thus of employers being confronted with multi-unionism and multi-awards, comparability became the shunter's law of wage transmission throughout the economy (*ibid.*).

In the national wage cases, as in industry award cases, increases generated by the Commission were to a great extent based on 'capacity to pay'; this was largely determined by the amount which the manufacturing industries, and more especially the metal-trades employers, could pay without adversely affecting their overall operations. The metal trades were regarded as a reliable barometer of industry as a whole because they manufactured both capital and consumer goods. The fact that these industries were capable of absorbing, without loss of profitability, an increased wages bill greater than the increase in productivity thus created the precedent, and the conditions, for increased wages through the economy a way which was likely to increase inflation (Rattigan, 1986, 178).

The high protection regime gave rise to a 'soft bargaining' environment. In the situation of high protection employers were confronted with a choice. On the one hand, companies could agree to union demands, however unreasonable; ensure that other employers also acquiesced to similar demands; in concert with these other employers increase wages; and then collectively seek added tariff protection. The alternative was to hold out against demands with the potential of a loss of market share. The system of soft bargaining induced by high protection led to wage outcomes which paid scant attention to productivity. Other aspects of employment, such as bargaining arrangements, award structures and manning requirements, were the product of an accommodative process concerned more

with ensuring continuity of production rather than efficiency. Concern with continuity of production, it could be argued, meant that unions placed a premium on conflictual relations rather than cooperative arrangements. The soft bargaining environment also led to inefficient management and organisational structures. Further, it led to most industries becoming cost-plus industries, rather than industries having to be concerned with competitive viability. It also led to the schizophrenic division between industrial relations and personnel management within the individual organisation. The latter was a system of externally imposed wages and other conditions of employment which the personnel function had to administer within firms.

Thus, the evolution during the 1980s of a new order of deprotection, an order in which Australian enterprises must be internationally competitive (see Chapter 2), has necessarily meant a revolution in employer thinking with respect to a number of important industrial relations variables - in particular bargaining arrangements, bargaining structures, wage outcomes, cooperative arrangements and human resource development. Not surprisingly, given the differing sets of relationships which have to be reshaped, employers in different industries have adopted differing, competing, and contradictory strategies. In the process of industrial relations reform, both at the macro and micro levels, it is unrealistic to expect that employers could speak with one voice beyond common rhetoric. Employers and their organisations have differed not only with respect to their own strategies and agendas for reformation, but have also in their responses to union and government policies.

In New Zealand, the award system based on the 1894 Industrial Conciliation and Arbitration Act reproduced many of the effects of the 'soft bargaining' regime found in Australia. Despite the range of views amongst employers which had become apparent by the end of the 1980s, it is true to say that for most of the decade it appeared that employers were largely united in their opposition to the existing industrial relations regime and largely agreed on the nature of the reforms which they considered essential. The majority of these desired reforms derived from an interpretation of the consequences of highly-centralised bargaining in a protected economy.

A common starting point was a recognition that New Zealand's economic performance was abysmal compared with that of her key trading partners such as Australia, Japan, United States and Great Britain. This poor performance was in part due to protections which caused the poor allocation of New Zealand's productive resources and in part to high labour costs. In the 1980s, New Zealand's productivity growth rate ran 50 per cent lower and the inflation rate 50 per cent higher than her trading partners (NZBR, 1987). Of course, New Zealand had in place similar interventionist mechanisms to those found in Australia, designed to maintain import substitution industries on the back of primary exports. In the contemporary code of today's reformers, this too resulted in a 'cost plus' mentality within employer circles, inevitably destined to promote inefficient resource allocation and the inevitable inflationary consequences. In the employer view, high labour costs were perpetuated by outmoded wage fixing systems which lead to high levels of inflation and reduced external competitiveness. Horizontal relativities in the wage fixing process took no

account of industries' ability to bear wage increases as settlements were applied across industries through the blanket coverage provision.

Union monopolies were sustained by the twin pillars of compulsory unionism and blanket coverage. These, it was claimed, were responsible for the rigidities in the labour market which prevented industries from being more creative, innovative and expandable. Employers could not arrive at accommodations with workers which reflected the state of their business and which allowed for growth. In effect, employers became convinced the whole apparatus of economic protection, accompanied by bargaining accommodation patrolled by the state, had become anachronistic.

Thus, in both Australia and New Zealand these long-term economic and institutional trends combined in the 1980s with the more short-term pressures of recession and balance of payments problems (described in Chapter 2) to convince many employers of a need for change. There was, however, considerable potential for disagreement amongst employers over the type of change required and over the most appropriate strategies by which change should be pursued. The degree to which this potential for disunity was realised depended at least partly on the organisational structures through which employers expressed their policy preferences.

ORGANISATIONAL COALITIONS

Employer organisation has developed differently in the two countries over recent years. In New Zealand the logic of employer demands brought New Zealand's dominant employers' organisations into a close alliance round a shared deregulatory programme, while fragmentation of employer organisation marked the 1980s and early 1990s in Australia. The contemporary differences also reflect contrasting historical patterns of employer unity.

Regional and sectoral conflicts have generally characterised employer organisation in Australia since the 19th century, preventing the establishment of a strong central association and defeating unified action at national level (Dufty, 1984; Plowman, 1988). An end to such disunity seemed to arrive in the mid to late 1970s. Under the pressure of increasingly centralised wage determination systems and in response to perceived political weaknesses during the Whitlam Labor government, the two major employer groupings - the Chambers of Manufactures and the Employers' Federations - joined forces to form a single organisation to which most national industry associations subsequently affiliated. The Confederation of Australian Industry (CAI) was thus born in 1978, representing the culmination of decades of attempts to improve co-ordination amongst Australian employers (Plowman, 1988).

This new found unity, however, did not last long. The pressures of recession in the early 1980s, the conflicting sectoral experiences of structural change and competing ideas about how to respond to the Hawke Labor government led to renewed fragmentation (Plowman, 1987; Frenkel, 1988). The authority of the CAI was repeatedly undermined. Major groups (like the National Farmers'

Federation) disaffiliated from the CAI, while remaining members often went public with policy proposals which differed from those of the CAI. New organisations were established, the most significant being the powerful Business Council of Australia (BCA), formed in 1983 to represent the country's largest corporations, and the Australian Federation of Employers, formed in 1986 to represent mainly non-mainstream groups and small employers opposed to the arbitration system. One large and long-established organisation, the Australian Chamber of Commerce, re-entered industrial relations - a field it had vacated in the 1950s. Finally, the founding members of the CAI reconstituted their own national bodies under the banners of the Australian Chamber of Manufactures and the Employers' Federation of Australia. This fragmentation clearly indicates the pressures confronting employers and the urgency with which they sought to address their sectoral problems.

In contrast, New Zealand employers had a long history of employer organisational unity. Because New Zealand was being settled by the British at the same time as employer organisations were developing in Britain, it is not surprising that employer groups formed quickly in the colony. One early association, the Chamber of Commerce in Auckland, was active by 1856. The developing employer groups were primarily concerned with trade and the promotion of their industries rather than industrial relations, but it was often impossible to separate the two functions. By the late 1880s, as trade unionism developed into stronger coalitions of workers, the employers responded by forming larger sectoral organisations, such as the Canterbury Manufacturers' Association (formed in 1879) and the Auckland Manufacturers' Association (formed in 1886). These groups were increasingly disturbed by the gathering trade union forces. It was in 1890 that the first groups specialising in industrial relations were formed as Otago and Canterbury employers established regional organisations (Brosnan et al, 1990, Chapter 7). At the earliest meeting of the Wellington Employers' Association in 1899, there was a call for a New Zealand Federation of Employers' Associations to be formed and this was accomplished in 1902.

The passage of the Industrial Conciliation and Arbitration Act in 1894 meant that employers were forced to deal with trade unions and the new central organisations of employers, the regional Employers' Associations and the New Zealand Employers' Federation, worked at implementing employer strategies at both regional and national levels. Subsequent decades saw growing numbers of employers joining associations and the activities of these associations expanded (Brosnan et al, 1990, 131-2). During the 1950s and 1960s, the New Zealand Employers' Federation took on industrial advocacy functions for employers in the General Wage Order hearings and, in the 1970s, the central employer organisation increasingly deal with government and the Federation of Labour in developing jointly agreed policies. The 1970s also saw the Employers' Federation restructured from eleven regional divisions down to just four in order to streamline and better co-ordinate their efforts. These moves confirmed the key role of the Employers' Federation in representing employers in industrial relations and demonstrated a unity amongst New Zealand employers which went beyond that in most other countries, including Australia. Brosnan et al (1990, 132)

attribute this unity to two factors: the small scale activities of New Zealand employers and the effect of the arbitration system.

This organisational history equipped New Zealand employers to address the labour market and industrial relations issues of the 1980s with unity, at least until the end of the decade when sharp policy and ideological differences emerged. These common views were most frequently expressed by the Employers' Federation in the first half of the 1980s, but in the latter part of the decade, as economic reforms bit unevenly into industry, different views were being expressed by the manufacturers and their representatives. Manufacturers sought only those changes to the labour market and industrial relations which would enhance their survival, given that they had experienced radical and rapid change in their industries, changes which endangered not only their profitability but also their very existence.

A new factor in employer organisation and policy in the 1980s was the Business Roundtable. This general business association developed after the Nil Wage Order of 1968 as a loose grouping of major firms whose chief executives thought they needed to better co-ordinate their political representation. It was based in Auckland initially, but moved to Wellington when it was restructured more formally in 1985. Its membership was open to the chief executives of the largest 50 companies in New Zealand, with 30-35 of these being active members by the early 1990s. These companies were broadly based, although most commonly from the private sector, and they came from both New Zealand-based and transnational organisations. Because it represented key economic interests, the Roundtable became a powerful lobbying group to which politicians felt compelled to listen. In its role as student opinion shaper, the Roundtable was wedded to a free market ideology, often advancing these goals over the heads of Employers' Federation spokespersons. It thus promoted the same kinds of substantial and far-reaching reform which the Employers' Federation supported, but proceeded to extend the logic of those arguments well beyond the Federation's agenda. As well, the Roundtable offered policy statements on issues beyond industrial relations, including state pay-fixing mechanisms, social policy and the economy in general, representing more and more only the interests of the largest businesses and moving away from the productive sector. It has most recently become an articulate conveyor of extreme right-wing views and has lost some of its members as a result.

THE EVOLUTION OF THE EMPLOYER AGENDA IN NEW ZEALAND

In New Zealand, the dominant employer critique of the bargaining process produced over time a well-aired agenda for the reform of bargaining procedures, essentially simple in formulation but dramatic in operation. However, as will be shown below, this agenda took some time to emerge. In the early 1980s, the free market essentialism which later came to dominate employer policy was qualified by a remnant of corporatist thought. Thus, in early submissions on bargaining reform, the Employers' Federation accepted the idea of a tripartite consultative forum, to be established to address the state of the economy of the country as a

whole and to assess the levels of wage adjustment which could be withstood nationwide. Government, employers and unions were to have a common understanding and shared information about the prognosis for the economy. By the end of the 1980s, this anachronistic tripartism was dead in policy terms, particularly after the 1990 election of the National government. Before examining the evolution of this employer agenda in more detail, it is worth a summarising the main features of the employer policy position.

A fundamental element of the employer agenda for reform was the argument that bargaining needed to be moved away from national, occupation-based awards to industry or workplace agreements or contracts. Where workplace agreements were either unnecessary or unworkable because of the size or nature of the enterprise, then individual employment contracts were argued to be the appropriate form of relationship. As part of this reform, external horizontal relativities were also to be dismantled. They were deemed to be inconsistent with industry or workplace bargaining arrangements and were seen as inhibiting the flexibility of bargaining outcomes. Wage settlements were to be arrived at on the basis of the industry's ability to pay and not on the basis of external relativities. Similarly, employers argued, they must not have an inflationary effect on the economy at large. In the early 1980s, when parameters set by tripartite consultation were still acceptable to employers, it was to be these parameters which would guide bargaining towards a non-inflationary outcome. By the end of the decade, the free market was given this task.

As might be expected, the nature of union activity was held up to close scrutiny. Membership of a union must be the voluntary choice of the individual and must not confer on a union the automatic right to bargain on behalf of its members or an automatic right of representation. Such matters as advocacy in bargaining and representation were to be determined by the workers' choice manifested through transparent procedures. Strikes and lockouts should be regulated so that they are the last, not first, resort in a dispute of interest. Industrial action should not be permissible during the currency of an agreement, thus maintaining the sanctity of contract.

Mediation and conciliation services, since 1894 the backbone of the New Zealand dispute resolution process, were to be merged. Parties to agreements should be able to choose and pay for any mediator or conciliator they wish, and not necessarily use a government appointed one. Obviously, any requirement that the parties must resort to third party involvement was unacceptable to employer bodies. Freedom to choose procedure became paramount.

Not surprisingly, therefore, it was argued that the Arbitration Court should be abolished or at least reshaped to deal only with legal points and opinions in appeal cases, disputes of rights, enforcement actions under the minimum code of employment and matters of that sort. Any legal remedies should be sought through a civil court. The Business Roundtable was particularly active in promoting the abolition of specialist legal processes for labour relations, producing numerous highly theorised statements about the advantages of civil law contract-based procedures over specialist institutions and practice.

The role of the government or state in industrial relations, especially in wage fixing, should be non-existent or very minimal. The government's function should be to provide a legal framework in which flexible bargaining arrangements may be arrived at on an industry or workplace basis. The only role for an agent of the government should be the functions of the Department of Labour in enforcing the provisions of a minimum code of employment and monitoring health and safety practices (and even this was extensively challenged by Roundtable supporters who saw no virtue in legislation on employment issues beyond established contract law). All agreements should be enforced by the parties themselves who should be accountable only to each other for the maintenance of an agreement. One might describe the model emerging from this perspective as contract driven voluntarism.

Having outlined the main features of the eventual employer agenda, the process by which it evolved can now be examined. In 1981, the New Zealand Employers' Federation view on industrial relations in the 1980s was expressed succinctly by Max Bradford, then the Federation's Director of Advocacy, at a seminar held by the Industrial Relations Centre of Victoria University in Wellington. Bradford (1981) identified four areas in need of reform if New Zealand was going to develop and compete adequately in new and growing markets, particularly in the Pacific-Asian basin:

- (a) the workplace;
- (b) the particular industry;
- (c) wage fixing institutions;
- (d) the economy at large and government involvement.

He described the existing award or collective agreement structure as inadequate and inappropriate to meet the needs of different companies or industries because of its blanket application to all workers and therefore industries covered. His remedy was not through legislation but through workplace agreements which reflected the conditions applying in individual workplaces. Those agreements would be arrived at through consensus within the particular company or industry. He saw that process as 'a variation on collective bargaining' (Bradford, 1981, 18). Local unions or employer organisations would be involved in an advisory capacity only and such involvement might be preceded by general agreements reached by the central organisations of employers and unions.

In considering particular industries, Bradford stressed the idea that change in industry would occur at different rates, with some industries growing or restructuring faster than others. The existing award system presented a 'straitjacket' (Bradford, 1981, 18) with its accompanying set of relativities which generated wage increases across unrelated industries because of the occupational nature of the awards. It had in fact been agreed between the Federation of Labour and the Employers' Federation in 1980 that all parties would move towards industry-based bargaining. That initiative was rejected by the National government of the time. Such a move would have allowed the economic

situation of companies in a particular industry to have been taken into account during wage talks and for agreements to have reflected the characteristics of those companies and that industry. Legislative changes would have been required to permit such a development.

The wage fixing system was seen by Bradford as having had its day. The Arbitration Court's function of reinforcing the relativities which applied in the system and which created the rigidities to which employers objected was questioned. Again, the employers' remedies, as stated by Bradford, were to move to tailor-made industry-specific agreements as quickly as possible. The function of the Arbitration Court would then be to judge arguments on the basis of merit and not on the basis of the 'restoration of relativity', and to explain why it has arrived at its decisions. In this projected system, the need for conciliation would decrease while the need for mediation would probably increase. In an industry bargaining framework, Bradford suggested that wage fixing would begin with employer/union collective negotiations, mediation where agreement could not be reached and arbitration before an industry arbitrator where both parties agreed to arbitration.

The wider economy and the role of the government were the final key elements of the employers' reforms. Bradford stated:

To argue that Government has no role at all in wage fixing is unrealistic. To argue that Governments should determine the size of wage settlements and intervene in the collective bargaining process to achieve it is not. (Bradford, 1981)

Bradford saw government's role as being the scene setter, given that it had a responsibility to the people for sound economic management which included goals of full employment, minimal inflation and economic growth amongst others. In exercising this responsibility, it was legitimate, in Bradford's view, for government to intervene in the collective bargaining process to try to achieve settlements which were consistent with those goals. This was not a theme to be repeated by employer groups later in the decade, particularly the Business Roundtable, but at the time that Bradford was speaking, the economic and productive environments in New Zealand were very much more heavily regulated than they came to be later under the fourth Labour government. Bradford saw that a balance needed to be struck in the shape of a broad consensus about the general direction of the economy between unions, employers and the government. Then it would be incumbent upon all players in the wage fixing process to arrive at rational settlements which reflected not only the ability of particular companies or industries to pay, but also the wage movements which could be sustained by the economy at large and which would contribute to growth. The details of how this process would work were not itemised by Bradford, but this idea of a consensus was to become a dominant theme which was developed in later years.

Almost a year later, at a similar seminar run by the Industrial Relations Centre at Victoria University, Bradford was again speaking on behalf of the Employers' Federation. Bradford (1982a) enunciated the same themes in that address,

sometimes using whole blocks of his paper from the year before, and sometimes developing previous ideas in more detail and with greater clarity. In this address, he wedded much more indissolubly and emphatically the outcome of wage negotiations and the state of the economy. He blamed the wage fixing institutions for 'producing wage and salary growth which perpetuates high levels of inflation and reduces external competitiveness' (Bradford, 1982a, 10). In setting this evil in its context, Bradford spent some time looking at New Zealand's economic performance in comparison with her major trading partners, Australia, Japan, the USA and Britain.

In his assessment of inflation, real growth, and wage costs, he identified labour costs as 'the largest contributory factor to determining how inflation behaves in any economy' (Bradford, 1982a, 13). This summarised the employers' major concern with the wage fixing process and was the rationale behind their vigorous pursuit of reform in this area. The aspects which needed immediate attention in their view were the conciliation and arbitration process, the handling of disputes, the role of government in 'free' wage bargaining, the organisation of employers and workers, the rigidity of wage relativities in industry and the role of the Arbitration Court. The connection was also made, in Bradford's address, between high wage settlements and labour costs on the one hand and escalating unemployment on the other. The connection was made in this way:

So, somehow the wage negotiation system has to accommodate the unpleasant fact that: (a) if real wages grow faster than the rate of growth of productivity; and (b) if overall wage costs in industry grow faster than those of New Zealand's overseas competitors and trading partners; and (c) the present rigidity in wage relativities persists then by and large [unemployment] will rise or if it does not rise, it becomes increasingly difficult to create enough jobs for a growing labour force. (Bradford, 1982a, 15)

The Tripartite Consultative Forum was a development of the consensus idea of the year before. This body would meet before each wage round in September/October each year. It would consider the general state and direction of the economy and agree on parameters within which wage settlements would be expected to fall. Central organisations (the FOL and the Employers' Federation) would be responsible for ensuring that their advocates had all the information required to make sensible assessments in the wage fixing process. Thereafter, unions and employers would be free to bargain on an industry basis without regard to any existing wage relativities.

On the issue of the role of the Arbitration Court, it appeared that the FOL and the Employers' Federation were agreed. Occupational and industry relativities had to be broken because of the degree of change occurring in the structure of industry and of jobs themselves. The role of the Arbitration Court in all of this was to bring down decisions allowing for changing wage relativities. Legislation was required to bring about this change in the Court's terms of reference.

The suggestions for improving the mediation and disputes handling procedures included the development of industry specific mediation and arbitration services

built around tribunals with industry expertise. As well, the employers wanted the process of disputes handling to be regularised in a way which provided for mediation and agreed arbitration when bargaining broke down. Strikes and lockouts were then seen to be weapons of last, not first, resort.

It is important to note at this point that 1982 represented the culmination of regulatory influence by government on the industrial relations process in New Zealand. The National Party Prime Minister of the day, Sir Robert Muldoon, imposed a wage freeze across the country on both private and state sectors in an attempt to suppress runaway inflation figures. This developed into a period of enormous tension amongst all three partners in the industrial relations world.

In a later seminar, Bradford (1982b) continued his argument. The need for a comparative advantage in exports was stressed and the crippling effect of persistent double-digit inflation was highlighted. Bradford conceded that the oil shocks of 1973 and 1979 played some part in New Zealand's poor performance, but insisted that the key elements for economic recovery were well within New Zealand's control; namely efficiency, productivity, wage growth, government activity in the economy and the availability of finance for growth and investment. He also stressed the importance of the government's economic direction as the overarching framework within which the dynamic of industrial relations was played out.

Here we see the development of a much more aggressive position with respect to the government's handling of the economy and its role in the development of an appropriate industrial relations system. At the conclusion of this particular address, Bradford suggested that the time had come for all parties to drop their traditional agenda and to resume negotiations on wage fixing and industrial relations reform. He spoke of a 'logjam', 'conservatism, suspicion and distrust' between the parties (Bradford, 1982b, 18). It is undoubtedly true that industrial relations sank to an all time low during the period of the wage freeze. Strike action and mass protests were the order of the day and all parties retreated to the customary bunkers, from which they lobbied shots from time to time.

In 1983, the situation had become desperate enough for the establishment of a Long Term Reform Committee: a tripartite body which came together to undertake a review of wage fixing and industrial relations in the private sector. The results of this review were to be reported back to the Plenary Committee of the Tripartite Wage Policy Talks. Those talks were chaired by the Prime Minister and included the Minister of Labour, the Minister of State Services and the Presidents of the FOL, the Combined State Unions and the Employers' Federation. The Long Term Reform Committee released a report of their discussions to date in September 1983. That report was largely a description of the status quo but at least provided an agreed basis for discussing the difficulties with the existing system (Long Term Reform Committee, 1983). Peter Carroll, one of the employers' representatives on the Long Term Reform Committee, and later the Executive Director of the Auckland Employers' Association, recalls the work of the Committee like this:

Every aspect of the wage fixing system was canvassed. The employers were putting the view forward that the system as we had known it, the Industrial Conciliation and Arbitration system, was grossly defective in its practice, probably in its philosophy. The reforms emanated from that series of discussions - it was an incubator for what we are now seeing. (Carroll, Interview, 1990)

Max Bradford was the other Employers' Federation representative on the Long Term Reform Committee. In his brief speech at another Industrial Relations Centre seminar in October 1983, he acknowledged that the relationship between unions and employers was much less cooperative than it had been five years before. Strike action was preferred over negotiation and agendas were rehearsed in the media or, alternatively, on the sixth floor of the Beehive with the Minister of Labour acting as some kind of 'super mediator' (Bradford, 1983, 9). Bradford's explanation for this state of affairs was offered:

- lack of agreement between employers and unions about the degree of flexibility required in collective bargaining;
- a shrinking economic cake;
- weaknesses in the organisation of collective bargaining;
- a willingness on the part of some sections of the union movement to turn industrial issues into political issues and to confront the government over them;
- timidity on the part of many New Zealand managers in talking to their workers and their representatives on a regular basis;
- a political and media system which exacerbates disputes and entrenches parties in their positions.

Bradford referred to the work of the Long Term Reform Committee and proceeded to list the reforms which the employers considered essential. These were the familiar and consistent themes previously enunciated:

- wage settlements recognising the industry or enterprise ability to pay;
- a centralised forum to discuss the state of the economy;
- flexibility in collective bargaining;
- equality of bargaining power and status between employers and workers;
- the bargaining process, including arbitration, should move away from fixed wage relativities;
- only one level of bargaining;

- regulation of industrial action, including the outlawing of strike action during the currency of an agreement;
- effective measures for dealing with breaches of agreements;
- the regularising, if not reduction, of the role of the government and the state.

Bradford (1983) went on to explain, for the first time in these fora, how the flexible bargaining arrangements, heralded by the union movement as the destruction of the national award system, would not strip low paid workers of their protection. The avoidance of a 'poverty trap', the product of the existing wage fixing process in Bradford's view, was seen to be the province of a central process integrating social policy areas with the wider economy. He went on to stress again the need for company and industry specific bargaining arrangements and to raise the issue of voluntary union membership, as he had done on previous occasions.

The political and industrial context in New Zealand was to change dramatically when the Fourth Labour government swept to power in July 1984. The wage freeze was immediately lifted and the dam burst. To compound the inevitable difficulties which were to follow the lifting of the wage freeze, the new government proceeded to embark on a period of radical economic reform and restructuring (see Chapter 2). It was to be expected, then, when the government moved to open discussion on industrial relations reform with the release of its Green Paper called 'Industrial Relations: a Framework for Review' in December 1985, that employers might have had high expectations that the same rigour that had been applied to the economy would be applied to the industrial relations arena.

However, in an address to a seminar held early in 1986, prior to submissions on the Green Paper closing, Steve Marshall, the Employers' Federation advocate at this time, cast doubt on the paper and its likely outcomes because it asked some questions which assumed the continuance of existing structures. He said:

Employers will be calling for change - possibly quite far reaching change. Not change for change's sake, but change to create and nurture an environment of productivity and employment based on common interest. (Marshall, 1986, 35)

These words echoed precisely some of the comments with which Max Bradford used to preface his addresses. Marshall went on to reiterate the employers' long-held position by spelling out their objectives and principles:

The aim as we see it is to create an industrial relations environment which:

- is based on common interest as opposed to conflict;

- protects the rights of both parties;
- is balanced in its ability to recognise both worker and employer needs and circumstances;
- emphasises productivity and encourages employment;
- fosters an attitude of respect for agreements and mutual accountability. (Marshall, 1986, 35)

Although the language is softer, less aggressive and more persuasive than Bradford's, the sentiments are exactly the same. Marshall (1986) then proceeded to outline the principles which must inform any new system:

- the honouring of agreements;
- the application of one agreement only in a workplace;
- respect for agreements and the accountability of the parties to each other;
- bargaining structures which reflected the conditions of enterprises and workplaces.

Again, there was nothing in this statement which varied in any way from statements made earlier in the decade, other than the inclusion of a reference to state pay fixing procedures. While this may not have been a new concept for the employers, it had not been mentioned a great deal in public fora. To quote Marshall:

The relationship between the private and State systems must be looked at. State pay fixing is based on the philosophy of fair comparability with the private sector. A system which applies general adjustments, based on national private sector averaging across the whole State sector, without consideration of regional and specific industry variations, can't meet that criterion. It is imperative that the two systems are compatible. (Marshall, 1986, 37)

Marshall also suggested that the necessary legal framework should provide for a set of minimum protections, an idea canvassed by Bradford previously.

The Business Roundtable wrote a substantial submission on the Green Paper which echoed the concerns and suggestions of the Employers' Federation submission (New Zealand Business Roundtable, 1986). There was no apparent conflict between the analyses and remedies, but the Business Roundtable did go beyond the Employers' Federation in some of its detail. For example, the notion of unions competing for members was raised as a desirable thing for the sake of the union movement itself and its public image, as well as being portrayed as more appropriate for a system of workplace, enterprise or industry bargaining. The Roundtable submission also included a section on equity and low income

issues, saying, among other things that a sure way to further disadvantage the less fortunate was to insist on, and to continue to raise, minimum standards so that they (the less fortunate) continue to be passed over in favour of more skilled workers.

The government proceeded with its response to the submissions on its discussion paper and brought in the Labour Relations Act in 1987. The Employers' Federation was vehement in their opposition to the Bill as it was first presented to the house. Their submission on the Bill is unmistakable in its feeling:

The New Zealand Employers' Federation had entertained great hopes for a significant and beneficial reform of the industrial relations system through the Green Paper exercise. But employers are disappointed and angered at the outcome in this Bill, which has massive imbalances and biases in favour of unions and is hostile to the interests of employers. As a result the Bill presents a wholly union-controlled system which is so patently unfair and inequitable that it cannot be supported by employers. (NZEF, March, 1987, 1)

Employers felt that the Bill did not address the real reform which the labour market needed in order to cope with economic change or industries' needs. It did not, in their view, go any way towards addressing the employers' agenda for bargaining reform and gave unions unprecedented powers and monopoly rights. They also felt that it was bad law because it offended human and civil rights of workers and employers by establishing compulsory unionism as an option for union membership. They further asserted that it would have the effect of driving employers off-shore or discouraging them from employing labour. The next part of their submission detailed what they thought good reform and good law should look like, reiterating the notions of a community of interest, workplace bargaining, equal status between the parties and mutual responsibility and accountability for agreements - exactly what Steve Marshall said would be the substance of their submission.

The employers' proposals in this section were far more detailed than any previous statements or speeches had been. For example, their requirement that union membership be voluntary and that unions compete for members without any preferential legal status or rights of representation being conferred upon them automatically, received much attention. They expanded upon this idea by saying that a minimum size for a union was not necessary and workers should be able to form company unions and elect a bargaining agent, not necessarily their union, by majority vote. Those agents should hold office for at least the term of the agreement and be reviewed every three years. Inevitably, unions would have to develop new services and structures. The submission went on to propose a process for almost each of its requirements, an exercise which was to stand them in good stead when the government changed in 1990.

The Labour Relations Act took effect in 1987 and became another step in the evolutionary development of industrial relations legislation in New Zealand (see Chapter 3). But the arguments did not disappear. On the contrary, the Business Roundtable thought it was necessary to popularise its views and to do this,

published a booklet in plain language which summarised the essence of their lengthy submission (NZBR, 1987). This was released in June 1987, and once again, reiterated the central concerns of employers. Its fundamental assumption was, as always, that labour market deregulation is essential if New Zealand is to compete successfully with overseas competitors. The process of deregulation was the same as before:

- the establishment of enterprise bargaining;
- of wage fixing and the abolition of relativities;
- voluntary unionism;
- the right of the worker to choose their representation;
- the establishment of employment contracts which are subject to common law, rather than Arbitration Commissions and Labour Courts;
- the establishment of a code of practice for employers and workers to help develop harmonious labour relations.

At the end of 1987, the government introduced legislation into the house, bringing the state sector under the same rules of industrial operation as private sector unions. It had been preceded by a 'Buff Paper' which was meant to have been a discussion document, but whatever the status of the paper, the process of consultation with affected parties was nowhere near as exhaustive as the consultation on the Green Paper had been. The legislation proceeded with indecent haste, forcing usually non-militant state sector workers out into the street in their hundreds of thousands.

Under the new legislation, such notions as state sector relativities with the private sector were discarded out of hand and artificial wage fixing devices, such as the Annual General Adjustment, were abolished. The part of the employers' agenda which applied to the state sector had been implemented in full - relativities were broken and government expenditure could be controlled much more effectively, even though the government said it was maintaining a hands-off policy in all industrial matters. The fact of the matter was that the government could not afford to let the State Services Commission, its employing agent, work independently of its economic policy decisions. In that sense, the same framework applied to the state sector as existed in the private sector: in the private sector, the overriding consideration was inflationary effects of wage settlements on the economy; in the state sector, the consideration was potential blow-outs in government expenditure.

Still the employers promulgated their views on industrial relations and the economy. In a speech given to the New Zealand Institute of Public Administration in August 1989 (Myers, 1989), and largely rerun later in Australia (Myers, 1990), Douglas Myers, the Vice Chairman of the Business Roundtable, expounded upon the employers' position once again:

...what I will be discussing is the abandoning of our legacy of statutory attempts to manipulate the outcomes of employment relationships, and a return to common-sensical employment contracts. This means recognising the fundamentally cooperative, not adversarial, nature of employment relationships. It means recognising that it is individual workers that matter, and that the interests of individual workers will be served best where their freedom to make the most of their labour is respected. It means adopting principles similar to those that have guided reform in other areas of economic activity. The great tragedy of the present government's economic policies is that these principles have not been applied to the legislation surrounding employment relationships. The major economic reforms of the 1980s have been based on a recognition that governments function better - serve both public and private interests better - when they focus on providing good basic legal rules, and leave the details of economic relationships to be decided by the people affected by them. But this isn't a notion that has been embraced in the area of labour market reform - compare the 1984-85 reforms in finance markets with the ambivalence of the 1987 Labour Relations Act and with subsequent reversals in the direction of proposals for comparable worth and 'industrial democracy' legislation. Deep down, the Government still seems to be hankering after a New Zealand version of the disastrous Australian Accord. (Myers, 1989, 2)

Here we see the same themes: individual choice applied to employment relationships; cooperation governing the industrial relations dynamic; the common sense law approach to the legal framework of industrial legislation; and the need to apply the same deregulating approach to the labour market as had been applied to other sectors of the economy.

The employers' time was yet to come. The disappearance off the political map of Roger Douglas, the architect of New Zealand's radical economic reforms, dashed any hopes the employers might have had of similar reforms in the labour market coming from the Labour government. But Labour's fortunes were waning anyway, and it was just going to be a matter of time before a National government, having campaigned vigorously on a platform of dramatic industrial relations reform, would usher in revolutionary changes which were much more to the employers' liking. In fact, the government largely imitated not only the substance of the employers' position, but also their language.

National became government with an overwhelming majority of seats in the house, but an unimpressively slim majority of votes cast, on 27 October 1990. Within weeks, they had repealed the fledgling Employment Equity Act, which addressed equal pay for work of comparable worth and equal employment opportunities. As they repealed that Act, they introduced another, the Employment Contracts Bill. When passed into law, the Employment Contracts Act 1991 was founded upon the philosophy of individualism, freedom of association and flexibility in bargaining which had informed the employers' position for over a decade. Its essential elements were:

- the removal of union monopolies by doing away with registration of unions and declaring them all to be Incorporated Societies; removing any right of representation or negotiation for unions and introducing the individual worker's right to choose whomever they wished to represent them, regardless of union membership;
- the abolition of compulsory unionism and the introduction of the worker's right to choose whichever union they wish to belong to;
- the provision for individual employment contracts to be struck between workers and employers, while also providing for collectively bargained contracts where the parties agree and where bargaining agents are properly authorised, can demonstrate their authorisation and are accepted by the employer as legitimate representatives of the workers;
- the ability to arrive at individual, workplace, company or industry arrangements in bargaining, covering any items or conditions including the 40 hour - 5 day week, ordinary rates of pay and statutory holidays;
- the enforcement of any agreement is to be the responsibility of the parties concerned and not subject to third party interference;
- the deeming of strike action to be unlawful during the currency of an agreement or contract;
- the reduction of the functions of the Labour Court to determining points of law in respect to any disputes over agreements or appeals against decisions of chairpersons of disputes or grievance committees;
- the abolition of the Arbitration Commission;
- the Minimum Wage Act 1983 was retained with minor consequential amendments.

The employers' response to the Bill was summarised in their submission to the government:

The Employers' Federation welcomes this Bill and supports the principles of freedom of association, freedom of choice for representation of interests and nature of employment contracts, whether individual or collective.

The Federation believes that this Bill substantially addresses the deficiencies inherent in the present system of labour relations and provides a suitable environment for the economic conditions of this decade. (NZEF, 1990)

The Employers' Federation went on to describe those areas of the Bill which it considered deficient according to its own prescription for reform and was successful in gaining some advantageous changes which were introduced in the second reading of the Bill. One example of this was the objection the employers had to the retention of the Labour Court's ability to determine a 'new matter' for bargaining. They required the ability to amend contracts of employment during their currency by agreement between the parties. This was granted in the final Act. Thus, after pursuing a consistent agenda throughout the decade, employers finally saw a large portion of their agenda implemented in one fell swoop.

EMPLOYER AGENDAS IN AUSTRALIA

In Australia, employer views of reform of bargaining structures and procedures were more variegated than in New Zealand, ranging from demands for the abolition of arbitration tribunals to a desire to make only minor adjustments to the existing arbitration machinery. And again like their New Zealand counterparts, these views evolved over the 1980s and 1990s. The diversity in employer policy will, first, be demonstrated by an examination of submissions made by employers to the Hancock Inquiry into the operation of the federal conciliation and arbitration system, which was established in July 1983 and handed down its report in April 1985 (Hancock, 1985; for more detail about the Hancock Inquiry and other reviews of state labour laws, see Chapter 3). The continuing debate amongst Australian employers will then move to the late 1980s and early 1990s. In this period, the focus was bargaining structures and enterprise bargaining and the theme was one of broad agreement of the need for change, but dispute over the details of objectives and strategy.

Among the mainstream employer positions before the Hancock Inquiry, the scrapping of industry-specific tribunals was argued for by the Australian Retailers' Association. Ironically, this submission was made at a time when one of its affiliates, the New South Wales Retail Traders' Association, was active in the establishment of the Retail Trade Tribunal to regulate employment conditions in that state. This highlights another approach advocated by some employer groups, that of the 'industry island'. The notion of industry islands endeavours to minimise changes to the existing institutional machinery while at the same time reducing wage flow-ons. In practice, the industry island concept was reduced rather than expanded as the result of the Hancock Inquiry. A range of industry tribunals were removed and brought under the authority of the Industrial Relations Commission. In New South Wales, the Retail Industry Tribunal had a short existence and the industry has since reverted back to the Industrial Commission. Employers, however, were successful in having the federal government establish a range of tripartite industry councils which are responsible for recommending policies to government for their respective industries. Further, it could be noted that the 'panel system' adopted by the Industrial Relations Commission did provide an industry perspective.

Another policy variation proposed by several employers and associations was the two-streamed approach. This allowed parties so choosing to opt out of the existing institutional arrangements into some 'collective bargaining' sphere. This

approach built upon the proposals of Niland (1978) and came to underly the Coalition's national industrial relations policy (Howard 1990).

Another variant was the two tiered approach, one in which the bifurcated wages approach would return. In this two tiered approach the Commission would concern itself only with the formulation of award minima. These minima would then be supplemented by over-award collective bargaining. The significance of this approach at this time was that it was enshrined in the Accord VI which is the discussed below.

Yet another approach advocated by the Metal Trades Industry Association (MTIA) was a unitary model of industrial relations in which state industrial tribunals would be scrapped, leaving the federal tribunal as the only major regulatory body. (The contrary model, placing severe limitations of the federal tribunal system, was proposed by the Queensland government.) According to the MTIA, 'the Commonwealth's role in industrial relations has become increasingly dominant and that is a trend which the MTIA supports'. The MTIA claimed that the 'future relevance of the States in the field of industrial relations must be thrown into serious doubt'. The abolition of state systems, the MTIA claimed, 'would allow for a unitary system under federal jurisdiction. It would have the distinct advantage of removing the very real problems of inconsistency, multiple registration, competing jurisdictions and general complexity and uncertainty (MTIA, 1983, 85).

These views reflected the varying approaches of mainstream employer associations who were members of the 'industrial relations club'. The views of other associations were more critical and had as their aim the removal of arbitral tribunals (Plowman, 1987; Dabscheck, 1987). This was particularly true of those associations which formed a part of the New Right, such as the Australian Federation of Employers (AFE). This organisation was formed in 1986 with the view of giving small business a 'powerful national voice'. It was openly critical of the CAI and the BCA, but it was unsuccessful in attracting mainstream employer associations to its own ranks. In common with the CAI it suffered a degree of fragmentation and subsequently lost its two largest and most resourceful affiliates, the National Farmers Federation and the Housing Industry Association. It came to comprise 18 rather small associations and its mouthpiece has been Andrew Hay, the Director of the Melbourne Chamber of Commerce.

The AFE's policy position paralleled the Business Roundtable in New Zealand, not least because of the trans-Tasman links between the groups fostered by organisations such as the H.R. Nicholls Society. It called for the removal of the Industrial Relations Commission and the application of common law to labour relations issues. The key element in its approach was 'the development of a system of negotiated labour contracts which, in the breach, would entitle either party to sue for the recovery of monetary damages incurred'. There was a belief that 'employers will have to engineer change by their actions'. Employers and business organisations 'should press ahead to circumvent the centralised system'. This included the negotiation and signing of labour contracts irrespective of awards and the recourse to common law to solve disputes. According to such a position, there was also a need to reduce union influence and to eliminate

compulsory unionism (Hay, 1986). Other New Right advocates suggested the use of the external powers, corporation powers and incidental powers of the Constitution to facilitate enterprise agreements at common law.

The New Right think tank which emerged to articulate these views was the H. R. Nicholls Society. This Society, in the view of one member:

...signals the beginning of attempts to destroy the arbitration system. It is an attempt to burn down Nauru House (the Commission's headquarters) and everything the Arbitration Commission stands for. (Sydney Morning Herald, 28/8/86)

The common feature of the Society's publications was their attack on existing institutional arrangements and their espousal of a deregulatory approach (Dabscheck, 1987). The majority of New Right organisations had little connection with the formal institutions of industrial relations and were largely prepared to snipe away from the sidelines, though in the case of one association, the Australian Wool Selling Brokers Employers' Federation, the fight for free market reform of the bargaining process was carried into the heart of the bargaining system.

Not unnaturally many mainstream associations were critical of the New Right paradigm. The CAI, for example, ridiculed what it called the New Right 'industrial fantasies'. Its own view was that an essential ingredient in any industrial relations strategy was the need to establish enduring employer-employee relationships. Legal and gung-ho short term remedies would not produce such relationships. The CAI argued that the existing institutions were the result of an evolutionary process and such a process was the appropriate approach to further changes (Industrial Review, 22/11/86).

For its part, the Australian Chamber of Manufactures warned that the New Right's 'crash and smash' strategy and its 'fascist tendencies' may destroy the 'new-found economic rationality amongst the union leadership which could be usefully employed to smooth the transition to a more productive labour market' (Powell, 1986). The BCA also called for gradualism in reforming and decentralising industrial relations. As BCA President, Sir Roderick Carnegie, proposed a ten to fifteen year strategy involving the movement to 'enterprise-by-enterprise industrial contracts that would be legally binding'. This formula was based on the 'adaptation rather than destruction' of existing institutions and involved the Commission acting in a facilitating role (Business Council Bulletin, 26/8/86).

The different approaches were not left to the realms of theory but were also operationalised. While mainstream groups sought to act through the tribunal system and in concert with unions to institute a form of managed decentralism, the New Right was less inhibited in its approach. It successfully resorted to the common law on a number of cases, the most celebrated being the Muginberri, Kitchen Maid and Dollar Sweets (Plowman, 1987; Dabscheck, 1987). In each of these cases unions were prosecuted. New Right associations threatened to undertake work which unions were obstructing, such as the loading of live sheep

on to ships. The New Right also resurrected the notion of employer indemnity funds, with one organisation being reported to have amassed a contingency fund of some \$8 million to fight common law and other cases.

Later in the 1980s, more mainstream employers in Australia started to mount an aggressive campaign to reform bargaining structures. There continued to be significant differences between employer groups here, but their proactive pursuit of such reform was historically unique. Australian employers and their associations had previously paid little attention to shaping bargaining relationships, leaving this to unions and industrial tribunals (Plowman, 1988b).

A legacy of this inattention was an incoherent pattern of award coverage. Unlike most other countries, there has not developed in Australia any notion of single-unit bargaining, be it on an establishment or industry basis. Rather employers have been confronted with a plethora of occupationally-based awards. These awards replicate the occupational basis of unions. As employer associations have organised along parallel lines they too have come to deal with multiple award situations. Umbrella organisations, such as the Chamber of Manufactures, actively negotiate in over 300 awards. Even 'industry' based associations, such as the Metal Trades Industry Association, are involved with negotiating a large number of awards. In the case of the MTIA the number exceeds 200. For employers, the situation is one of multi-unionism, and many awards. It has been estimated that a company employing 1,000 workers can expect its employees to be members of between fifteen and twenty unions and to be covered by a dozen awards (Bennet, 1978). This situation does not conduce to maximising efficiency and competitiveness. Attempts to alter bargaining relationships have become an important part of employers' agenda.

In this regard a number of initiatives were taken. One approach was to seek the re-casting of awards to reflect the industry of the employer rather than the occupation of the employees. Thus, the Australian Chamber of Manufactures submitted to a recent National Wage Case:

We also propose that, consistent with the policy developed by ACM on February, 1988, the time has now come for re-casting of award structures so that they are based on the industry as defined by the activity of employers, rather than on the occupation of employees. Our proposal is that this issue be addressed by a special Review mechanism - which might best be achieved by a specially appointed Full Bench - which could examine the full range of awards to this end. We believe that such a change is a necessary pre-requisite to any further devolution of the industrial relations system towards the enterprise. The existence of multi-industry awards continues to be major impediment to the move, which is generally acceptable as desirable by all the parties, to an industry or enterprise focus. Awards must reflect the activity of an industry and all those within it. (ACM, 1991, pp v-vi)

There had, in fact, been a trend towards such bargaining structures, in the form of single-employer awards, emerging for some years before the 1990s. As Rimmer (1989, 17) noted, single-employer awards provide for flexibility on three fronts:

wage flexibility, functional flexibility and numerical flexibility. Between 1960 and 1989 there was a five-fold increase in the number of private sector federal awards (from 212 to 1010). During that period there were very few first-in-the-industry multi-employer awards. The major reasons for the increase in the number of awards were the fragmentation of multi-employer awards and an increase in single-employer awards. Single-employer awards, which constituted 22 per cent of federal awards in 1960, accounted for 54 per cent of private sector federal awards in 1989. As a general observation it would appear that award fragmentation was occurring, and continues, in industries subject to external competition. (The converse, award consolidation, can be discerned in other industries.) Examples of such fragmentation are in car manufacturing, chemical manufacturing and aluminium smelting. Until recently a single Vehicle Building Award determined the employment conditions of all employees in the vehicle manufacturing industry. That award has been fragmented and each car making firm now has its own company award. A similar progression can be observed in aluminium production. Two decades ago the employment conditions were regulated in the industry through the Metal Industry Award. A separate Aluminium Industry Award was negotiated and this has since been fragmented into company specific awards. Furthermore, the recently promulgated Section 115 of the Industrial Relations Act 1988 has been the vehicle for a number of single company/enterprise awards. To January 1991 117 applications had been made to the Commission resulting in some 80 awards.

One avenue for reducing the incidence of awards is the reduction of the number of unions at each establishment. A range of activities were undertaken to bring this about. Some employers utilised Section 118 of the Act, or actively encouraged certain unions to do so. Others sought ACTU agreement to remove unions (on the basis of attrition) in conformity with the ACTU's blue-print for union restructuring. In some cases companies subcontracted maintenance and other peripheral activities in order to reduce the number of unions they had to deal with directly. In other cases there was organisational restructuring, the elimination of certain lines of product or activity and the associated removal of particular unions. In still other cases employers were successful in having unions negotiate joint claims. Elsewhere, employers sought the roping-in of all employees into the majority award. In some sectors (for example in retailing and banking) closed shop agreements were a vehicle for reducing the number of unions, and hence awards. Green field sites presented employers with opportunities for shaping bargaining structures and relationships which were rarely overlooked.

These developments were but a part of a broader thrust by Australian employers to advance the notion of 'enterprise bargaining'. Few employer bodies did not come to support the notion; and yet, remarkably, even fewer agreed upon what 'enterprise bargaining' meant and the form(s) it should take.

Interest in the notion of enterprise bargaining was the product of two complementary developments. The first was the advent of a system of 'managed decentralism' which resulted from National Wage Cases after 1987 (McDonald & Rimmer, 1989). Wage guide-lines thus became as much concerned with income generation as with income distribution. Further, such guidelines came to require

cost offsets, such as the removal of workplace inefficiencies and the modernisation of awards. A logical development of the decentralising trend was greater concern with enterprise bargaining. The Accord Mark VI, negotiated in February 1990, provided for wage increases at the workplace level on the basis of achieved improvements in productivity and profitability, further sharpening the focus on enterprise bargaining. The second factor has been the publication of the Business Council of Australia's influential report entitled *Enterprise-Based Bargaining Units: A Better Way of Working* (1989). On the basis of a survey of 330 workplaces covering nearly 200,000 employees, the report claimed that:

1. In the future, economic prosperity will depend increasingly on the competitive success of enterprises in global markets. The Business Council's emphasis on a more enterprise-based approach to work was thus fundamentally correct.
2. There are some critical features of the way we work and the way we regulate our relationships at work that make it difficult to build world competitive enterprises in Australia. This requires changes in attitude and in our regulatory structures.
3. To achieve these changes within enterprises, the following are essential:
 - (a) continuing opening of the economy to international competition;
 - (b) further reform of management approaches;
 - (c) closer alignment of union structures with enterprises;
 - (d) further reform of the institutional and legal industrial relations framework. (ibid, 2)

It may be noted that the BCA talked of 'enterprise-based' bargaining, and objected to its approach being called 'enterprise bargaining' (Hilmer and McLaughlin, 1990). Herein lay one of the difficulties with the BCA approach: identifying just what were the appropriate bargaining units. The BCA report was less succinct in its approach: an enterprise was a unit with a set of definable human, technological and financial resources. It used these resources to add value to a product or service that is sold to customers. Value was added:

...by the combination of creating, making, selling, distributing and servicing activities.

Enterprises come in all shapes and sizes. They may be independent units, such as single businesses. They may be in one location or multiple locations. Enterprises can be private or public and may, if public, provide output to the community below cost or without charge.

When an enterprise is within a larger corporate group it may share services, research or other function with other parts of the group. For example, the ANZ Banking Group is clearly more than one enterprise, with businesses in Australia ranging from retail banking to corporate banking, stockbroking and insurance, and with similar sets of businesses

in a number of other countries. At the other end of the scale a single branch of the ANZ network or a single processing centre is less than an 'enterprise'. Similarly, within BHP are a number of enterprises, including upstream and downstream steel businesses, oil and gas businesses and mining.

The key fact, however, is that enterprises are defined by customers and markets. (ibid, 2-3)

Thus, in the BCA view, an enterprise was not a workplace, nor was it a company, nor a branch of a company and, perhaps, not even a separate operation of a company. Though it was easy to define what an enterprise was not, it was less easy to see what it was. Saying that it was defined by customers and markets, and presumably therefore value free, was less than convincing. If one took the BCA example, that of the ANZ, it was conceivable that two different banking groups, providing very similar services, could do so under very different organisational arrangements. It would be the organisational arrangements (ie. management) which determined what the enterprise-based bargaining units would be, rather than impersonal markets or customers.

Other employer groups took a less convoluted but similarly fraught approach. Indeed, at a recent National Wage Case the Commission felt compelled to ask the parties what they understood by the term 'enterprise'. The CAI submitted that the term refers generally to the business, company or other legal entity which constitutes the sum of a particular unit of business organisation. In situations of interlocking ownership the terminology can become blurred; in practice the term is one that is sufficiently clear to be workable'. The Australian Bankers' Association and the National Farmers' Federation concurred with this view. The MTIA claimed that an 'enterprise is generally regarded as a sole trader, partnership, firm, company or corporation carrying on business and employing persons within the industry covered by the award. An enterprise might consist of one or more workplaces'. The view of ACM was that any definition of 'enterprise' should be in similar terms to that recently specified in the Industrial Arbitration (Enterprise Agreements) Act 1990 enacted in New South Wales, which defines 'enterprise' as meaning a 'business undertaking or project'. The Commonwealth defined an enterprise according to the definition used by the Australian Bureau of Statistics, that is: 'an enterprise is a unit covering all of the activities of a single operating entity. Enterprises can cover one or a number of locations and can form groups'. The Australian Woollselling Brokers' Federation's explanation did little to help. It claimed that 'clear understanding of anything is not a feature of industrial relations for which the responsibility lies with the parties, the tribunals and at base our education system. In a non regulated environment terminological exactitude will increase in direct proportion to the cost to the parties of not employing it'.

Differences existed not only in relation to what constituted an enterprise, but also to the form which enterprise bargaining should take. Four variants or approaches can be identified.

The first was that which supported the ACTU claim for minimum wage adjustments and enterprise-based over-award payments. The second was that which sought the retention of the 'managed decentralism'. This approach envisaged that the Commission should continue to provide a ceiling for second tier enterprise bargaining (or that it should approve agreements providing a ceiling for such bargaining). The third approach, the 'award appendix' approach, was one in which industry-based awards would continue to provide the major terms and conditions of employment. These awards would be supplemented by enterprise agreements relating to matters arising out of the framework award. The fourth approach, that of a small number of occupationally-based associations who administered derivative awards, was to eschew any debate or involvement.

The first of these groups was instanced by the Confederation of Australian Industry, the Australian Bankers' Association, and the National Farmers' Federation. These contended that for minimum awards, over-award payments provided a viable form of enterprise bargaining. Over-award payments were seen to give greater flexibility to the wages system. Further, on the assumption that the over-award payments would be the result of achieved productivity, they saw these payments as cost neutral. The MTIA and ACM illustrated divergent views about 'managed decentralism'. Both organisations opposed enterprise over-award payment. The ACM submitted:

While we accept that over-award payments occur under Minimum Rates Awards and cannot and should not be prohibited, we do not support an Enterprise Bargaining regime based on over-award arrangements. Industrial action in support of claims without such an outcome would expose employers to possibly having effective redress to the Commission.

The MTIA strongly opposed enterprise-based over-award payments because of fears that enterprise over-award bargaining would merely lead to flow-ons with scant regard to the proposed trade offs. The MTIA spokesperson, Bert Evans, noted:

My own observations indicate that the widespread response of members of MTIA is of strong opposition to a return to a system of enterprise over-award payments. I am aware from my discussions with senior officers of many members of MTIA, that there is widespread concern that the prerequisite conditions entailing productivity increases and improvements in efficiency, would be either ignored, or treated as a cosmetic requirement only, in claims made at individual establishments and that claims would be pressed by direct action.

The MTIA's suggested method of dealing with flow-ons problem was the continuation of the Structural Efficiency Principle approach. This approach provided a ceiling for enterprise-based wage increases based on achieved productivity.

The ACM disagreed with this MTIA approach. It argued that the imposition of maximum increases or ceilings under enterprise bargaining would inhibit the potential to achieve enterprise change. The ACM also considered that the

imposition of a ceiling would create unrealistic expectations of 'a wage increase being available to all employees in the industry regardless of achievement of productivity and efficiency gains with heightened potential for industrial disputation'. The ACM's proposal 'to avoid a situation which encouraged over-award arrangements but which minimised flow-on as a result of sequential changes to award rates' was the creation of a new form of supplementary payment - Enterprise Supplementary Payments - which 'would be the vehicle by which the Commission gives effect to its arbitrated decisions in the enterprise bargaining framework. These Enterprise Supplementary Payments would be included in awards by way of an Appendix which would 'specify the amount of the payment and of any other relevant aspects of the agreement considered necessary by the Commission and indicate the enterprise or workplace to which it applied'.

The Appendix approach was also illustrated by developments in the waterfront awards. These prescribed common wage rates. There was also provision for an appendix to the award for each port (or 'enterprise'). These appendices allowed for variations in certain employment conditions and made the award more relevant to that port. This approach took account of the Waterside Workers' Federation's premium on wage equalisation.

The last of these approaches was instanced by the Master Painters, Decorators and Signwriters' Association. Its awards were, for all practical purposes, extensions of the National Trades Construction Award. The Association catered for independent operators and did not see enterprise awards as either relevant to its members or amenable to its influence.

CONCLUSION: EMPLOYERS ACROSS THE TASMAN

On the face of things, employers' agendas on both sides of the Tasman have shared many characteristics. They have sought flexibility and greater employer freedom of action, yet have simultaneously reflected sectoral differences about the rate and scope of change needed to achieve these ends. Both agendas have particularly recognised the difficulties for employers associated with a move towards a more market-driven economy.

More interestingly, perhaps have been the differences between employer experience during the 1980s. The crucial differences derive from the different paths chosen by the two labour parties. The commitment to a free market shown by the 1984 Labour government in New Zealand substantially determined the gradual creation of a unitary employer position in which the Employers' Federation and the Business Roundtable came to share policy perspectives. In the context of a relatively small economy and society, this unitary model, when symmetrical with government policy, came to be monolithic, with the occasional misgivings of the manufacturing sector losing any purchase on policy making. In Australia, the continuing divisions within the employer camp, when coupled with restructuring under a corporatist umbrella, led to a far less homogeneous and therefore far less effective employer influence.

Translated into industrial relations terms, the 'there is no alternative' view of labour relations reform was able to win out in New Zealand, weakly at first in the context of the 1987 Labour Relations Act, but more successfully in the form of the 1991 Employment Contracts Act. In Australia, despite the changes embodied in legislation such as the 1988 Industrial Relations Act, the deregulation of the labour market is still substantially constrained by the existence of a federally-patrolled award system. To this extent, therefore, the unitary stance of New Zealand's employers has been effective in achieving its sectional ends. Equally, success of this order has evaded the Australian employers. The cobbling together of a more coherent employer perspective and an electoral defeat for the Labour Party may well provide Australian employers with opportunities similar to those enjoyed by their counterparts in New Zealand.

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6. Unions and Economic Restructuring in Australia and New Zealand

Mark Bray
Pat Walsh

INTRODUCTION

For most trade unions in Australia and New Zealand economic restructuring was historically something which happened around them and something to which they responded rather than shaped. In the 1980s, in the face of the economic imperatives described in chapter one, these two union movements attempted, in very similar ways, to move away from this traditional position by advancing a more strategic and proactive approach. They thus expanded their policy horizons, attempting to positively influence the direction and pace of economic restructuring rather than simply reacting in a narrow and relatively negative manner to events apparently beyond their control.

Australian unions were more successful than their New Zealand counterparts in realising their new ambitions with respect to economic restructuring. The Accord between the unions and the governing Australian Labor Party (ALP) provided them with historically unique opportunities to participate at all levels of the policy-making process. These successes are easily exaggerated, because Australian unions also suffered significant defeats during the Accord period, but they generally exercised greater influence than their New Zealand counterparts, who were unable to consummate a similar understanding with the Labour Party government in their country and were consequently excluded from many economic restructuring decisions.

This chapter seeks to describe and compare the changing roles of Australian and New Zealand unions in economic restructuring, examining union objectives and their achievements both before and after the 1980s. In each period, analysis will proceed at three levels: national economic policy, industry planning and workplace change.

UNIONS AND ECONOMIC RESTRUCTURING BEFORE 1983

In both Australia and New Zealand, the trade union movement was widely perceived as a powerful force in economic, political and social affairs in the pre-1983 period. Union membership as a proportion of the total workforce was high in international terms. Unions were linked to large and relatively successful political parties. Above all, unions benefitted from significant institutional support from a compulsory arbitration system. These strengths allowed unions to influence a range of industrial issues, such as minimum wages, hours of work and other employment standards, and to have some impact upon government policies, especially in the immediate industrial area, in social policy and to a much lesser extent, economic policy.

But this strength was deceptive, and was not of the unions' own making. It derived from the protections offered them by the arbitration system and offered their employers by economic protectionism. Industrially, unions were predominantly arbitrationist in character in both countries, created by the system and dependent upon the security it offered (Hagan, 1981; Holt, 1986). Not all unions fitted this model, but the rebels were in the minority, and although they periodically sought to escape the constraints of arbitration, they were not supported in this objective by the arbitrationist majority. Unions in Australia and New Zealand also gained from economic protectionism, which sheltered domestic firms from international competition, and allowed the easy pass-on of increased labour costs to consumers. The picture sketched by Crean and Rimmer (1990, 50) of Australian unions applies equally well to their New Zealand counterparts:

In the past Australian unions have enjoyed a relatively benign environment. Workers accepted unionism readily; governments were often willing to bargain with unions and pass supportive legislation; many employers, cushioned by tariffs or catering for non-competitive markets, struck up close relations with unions; industrial tribunals provided union recognition and award regulation of employment conditions; these institutions tended to support centralised industrial relations policies; and union policies and methods tended to be sustained by an egalitarian culture.

In this section, we argue that prior to the 1980s, trade union influence in Australia and New Zealand over economic restructuring at macro and micro levels of public and private policy was at best weak. Historically, the two union movements generally pursued a narrow range of objectives and rarely even sought to influence matters of economic restructuring. In those instances where unions did seek such influence, their impact tended to be ad hoc, uncoordinated and defensive. Responsibility for this limited influence lay in the hands of unions themselves, but also in the broader environment within which they operated.

National Economic Issues

Union input into debates on national economic issues was channelled mainly through the major peak organisations, the Australian Council of Trade Unions (ACTU) and the New Zealand Federation of Labour (FOL). Both organisations regularly debated a wide range of economic and social issues at their national conferences and in other forums, and both acquired a long list of policies on almost every matter of social and economic consequence. However, neither the ACTU nor the FOL were consistently able to persuade governments to implement such policies. Both union movements were hampered by the political dominance, especially after the second world war, of conservative governments who were unsympathetic to the policies recommended by unions. Even during periods of Labor Government, such as those in Australia led by Chifley (1945-49) and Whitlam (1972-75), a lack of cooperation between the two wings of the labour movement reduced union influence (Hagan, 1981; Sheridan, 1989; Singleton, 1990).

The principal exception was the first Labour Government in New Zealand from 1935 to 1949, described by Castles as 'by all possible measures...the strongest [Labour government] that has ever existed in the English-speaking world' (1985, 25). In this instance, Labour governed in close association with the FOL, whose officials exercised great influence over Labour's comprehensive programme of economic and social restructuring. Union influence rested in part on the electoral implications of high levels of union membership (about 67 per cent) and on personal links between politicians and union officials, based on shared experiences in the political and industrial wings of the labour movement. However, this period proved to be the high-point of union influence on national economic policy in New Zealand. Subsequent - and infrequent - Labour Governments, with Ministers drawn from more diverse backgrounds and as union density declined, proved less receptive to policies favoured by unions.

Institutional deficiencies compounded these unfavourable political circumstances. Despite the breadth of issues ostensibly of concern to them, the ACTU and FOL's main focus was on a narrower industrial agenda concerned mainly with wages and hours of work. Both federations focussed almost exclusively upon the distribution of income rather than seeking to influence the manner by which that income was created (Campbell and Kirk 1983; Ewer et al, 1987). This approach allowed the central organisations to concentrate on defending or improving wages and working hours, while at the same time assuming little responsibility for the efficiency of the economic system which produced these improvements. Donn (1983, 172) described the ACTU's economic policy from the 1920s to the 1970s as based upon the argument:

...that wages ought to be viewed primarily as incomes of workers, and only secondarily, if at all, as costs of production. This approach is a logical extension of thinking of workers primarily as people whose welfare is of the upmost concern, rather than as inputs in the production process. In economic jargon, when unions are talking about wages, they are thinking of workers as consumers.

In both countries, the wage determination process forced the peak organisations to couch their arguments to arbitration tribunals for national wage increases in terms of national economic welfare. However, both were more interested in the wage increases required to protect the 'needs of workers' rather than wage levels which reflected the 'capacity of the economy to pay'. When, in 1968, New Zealand's Court of Arbitration rejected an application by the FOL for a General Wage Order on the grounds that the economy could not sustain any increase, the outraged union response wrecked the Court as an effective arbitral tribunal. On previous occasions, the Court had paid lip service to national economic criteria, but had in fact based its decision on cost-of-living grounds (Walsh, 1984a). Similarly, in Australia 'unions objected strongly to judgments [by tribunals] which have subordinated equity and the settlement of industrial disputes to the pursuit of national economic policy' (Dufty, 1968, 43). As late as the mid-1970s, the ACTU denied any adverse impact of wage increases on the national economy and remained unsympathetic towards appeals from the Labor Government for wage restraint (Hagan, 1981, 421-3, 436-7).

Further institutional deficiencies limited the ability of either central organisation to influence national decisions about economic restructuring and, for example, reduced the likelihood of governments of any ideological hue looking to either the ACTU or the FOL as partners in corporatist policy-making. Both 'presided' uneasily over a union movement divided according to political, occupational and regional allegiances. Small unions dominated the decision-making structures of the ACTU (directly and indirectly through the state labour councils) until the late 1950s. In New Zealand, the principal division within the FOL was between the arbitrationist occupational unions and industry-based unions opposed to arbitration.

The capacity of the ACTU to speak with authority to governments as the voice of the union movement was also impaired by a lack of representativeness: the country's largest union (the AWU) failed to affiliate with the ACTU until 1967 and rival peak organisations among white collar unions (CAGEO and ACSPA) continued to operate until the late 1970s (Griffin & Giuca, 1986). In New Zealand, most major private sector unions were affiliated to the FOL, but public sector unions remained in their own central organisation, the CSU. The resources allocated by affiliated unions to the central organisations were in both cases inadequate to sustain a substantial research or policy development capacity, and therefore to influence economic policy (Rawson, 1982; Walsh, 1984a). In addition, the collective bargaining process in both countries did not enhance the capacity of the central union organisation to bind affiliated unions to particular bargaining positions. As a result, in neither country was a successful voluntary incomes policy achieved.

Industry Planning

Both Australian and New Zealand unions have long histories, dating from the nineteenth century, of support for tariffs and other forms of protection to encourage the development of manufacturing industry (Hagan, 1981, Sutch, 1966). Uncritical acceptance of these policies, which continued until the 1970s, was motivated by employment concerns and by the need to maintain fair wages

and working conditions against the threat posed by the import of cheap manufactured goods from low wage countries. Beyond this general support for protection, unions made little attempt to mould the form that industry took behind the tariff barrier or to influence the 'non-industrial' decisions made by manufacturing employers (Ewer et al, 1987; Campbell and Kirk, 1983). More extensive input into these broader issues (either through debates over government policy or through industry-level collective bargaining) was hampered in both countries by the occupational structure of unionism, their limited resources and by opposition from employers and conservative governments.

The public sector was often a more fruitful area for union involvement in industry planning. There, relatively better resourced unions, which organised a much higher proportion of the potential membership than private sector unions, and faced a more accommodating employer, were able to exercise significant influence over industry-level decision-making (Roth, 1987;1990), although it was not always thought of in this sense. But, whether it was decisions in the public service about the machinery of government or the appointment system for senior officials, or in the education sector about teacher qualifications, school zoning or the curriculum, or professional training in the health sector, the relevant unions or 'professional associations' were consulted and were influential. Similarly at the workplace level, the thick jointly negotiated manuals which governed the details of workplace relations in both countries were testimony to the relatively greater influence of public sector unions. Clearly this reflected the professional orientation of those unions and different managerial approaches in the public sector compared with the private sector. It also reflected the political sensitivity of the activities undertaken. Unions in both countries were similarly influential within the state trading sector. They supported public ownership in a wide range of industries, and governments showed no inclination to discard it. In some state trading enterprises, such as the Post Office, the electricity sector and public transportation, unions exercised significant influence over industry planning.

Company and Workplace Issues

The capacity of unions to exert influence over the management decisions at company and workplace level was considerably reduced in Australia and New Zealand by the weakness of union organisation. In both countries, the arbitration system placed a premium on central level activity, and union organisation reflected that imperative (Walsh and Fougere, 1987; Patmore, 1988). Workplace union representatives rarely attained much power, except in a small number of industry sectors, and union resources were not sufficient for full-time officials to effectively service most workplaces. This meant that management was mostly able to implement economic restructuring unilaterally.

There were, however, significant exceptions to this general picture in both countries. In Australia, early examples of strong workplace union organisation were mainly in large public sector workplaces, like the power stations and railway workshops, as well as in the mines, large printing shops and the waterfront. Later, these were joined by larger establishments in the metals/engineering and building industries (Rimmer, 1989). In New Zealand, a similar pattern emerged (Bollinger, 1968), with a workplace presence being

evident among groups like the waterside workers, miners, seamen, drivers, freezing workers and rail workers, and less certainly and less uniformly among engineers, electricians and boilermakers. Although a lack of empirical research makes judgment difficult, it seems that in both countries it was these exceptional situations, rather than the weak majority, that earned unions their reputations for power and obstructionism. Here the predominant union strategy appeared to be the protection of jobs through defensive tactics like restrictive work practices (Cruise, 1957; McLennan and Liew, 1980), the policing of strict demarcation lines (Wright, 1983, Hill, 1984) and opposition to technological change (Inkson and Cammock, 1984; Markey, 1987; Deery, 1989). Thus, where unions held significant workplace power, they tended to exercise a negative veto over change, or use it to extract monetary compensation as the price of change (Walsh, 1984b), rather than to make a more positive contribution to the development of the organisation.

This predicament was partly the result of unions' narrow perceptions of their own role at this level and their tendency to focus their limited resources on centralised wage cases within the arbitration system. It also reflected the small size of most workplaces in Australia and New Zealand. However, most important in both countries were the roles of employers and of arbitration. Employers did not readily accept that unions have a legitimate role in many workplace decisions and often fought doggedly to protect what they saw as their managerial prerogatives (Lansbury and Ford, 1987, 291-4; Frenkel and Coolican, 1984; Plowman, 1988, 389-91). The compulsory arbitration systems have given considerable support to employers in this quest. The arbitration tribunals were restricted by law to resolving 'industrial disputes' over 'industrial matters', and these terms were narrowly construed to exclude many decisions at workplace level which were regarded instead as matters of management discretion (De Vyver, 1958; Brooks, 1978; Fisher, 1983; Brosnan, Smith and Walsh, 1990).

UNIONS AND ECONOMIC RESTRUCTURING AFTER 1983/1984

Both the Australian and New Zealand trade union movements adopted a distinctively new approach to economic restructuring during the 1980s. In both countries, unions were responding to similar concerns - continuing high levels of unemployment, a worrying lack of economic growth (worse in the New Zealand case), penetration of the domestic economy by transnationals, the drive to reduce the role of the state in the society and economy, the rise to prominence of anti-union new right ideologies and a decline in overall levels of union membership. These concerns led unions to reassess their traditional structure and methods of operation (ACTU, 1987; Berry & Kitchener, 1989; NZCTU, 1988a, 1989). There was a considerable degree of personal contact and intellectual cross-fertilisation between the two union movements throughout this period. It is then not surprising that this process of analysis and soul-searching led them towards very similar models of strategic unionism, particularly since much of the analysis was driven by concern over the role of open dependent economies in a competitive global economy.

This model was set out most clearly in the ACTU's 1987 publication *Australia Reconstructed*, which was highly influential in New Zealand as well (Harvey, 1988). It represented a conscious effort to debate and propagate more clearly the union movement's goals and methods. The key features of the strategic unionism model were:

- union concerns going wider than wages and conditions;
- the pursuit of centrally coordinated economic strategies;
- demands for full employment, labour market programmes, trade and industry policy, productivity, industrial democracy, and social welfare and taxation policies which promote equity and social cohesion;
- union participation in tripartite bodies;
- a commitment to growth and wealth creation and equitable distribution;
- an emphasis upon stronger local and workplace organisation;
- the extensive delivery of education and research services by unions themselves.

The leadership of the ACTU and the NZCTU promoted strategic unionism vigorously as the only viable approach yet proposed which would secure a continuing role for unions in social and economic development and allow them to continue to protect the interests of their members and of other vulnerable social groups. In Australia, the ACTU Secretary, Bill Kelty argued that:

For unions, the decade coming to a close [ie. the 1980s] has been characterised by acceptance, firstly, of the need to broaden objectives to encompass a concept of the social wage rather than simply chasing money wage rises; secondly, of the need for a strategic approach to achieving objectives; thirdly, of the need to bargain directly with governments and fourthly - following from the above - of the need to act in a centrally coordinated, collective way in pursuit of major central objectives. (Kelty, 1989,176)

In New Zealand, Ken Douglas, President of the NZCTU, argued that unions had to face up to their intrinsic economic weakness:

The hard fact of life is that unions have very little economic power....No matter how well those workers are organised, there are basic things that they cannot do. They cannot decide what sort of product or service is to be produced, where and for what price it is to be sold, what machines are going to be used to make it, who the working capital needed is to be borrowed from, and so on. In short, they do not design or control the process of production, distribution and exchange. Equally, those workers cannot set the rates of tax on labour and capital, or determine what sort of broader protection their industry should have, or adjust the money supply

to influence interest rates. They do not design or control the economic environment within which the process of production takes place (Douglas, 1988, 4-5)

The answer, suggested Douglas, was for unions to insert themselves into the decision-making process which shaped the wider economic environment and try to ensure that their views influenced that process.

Thus, apart from being more strategic in their approach, the policy agendas of the two union movements after 1983/84 were significantly different from previous decades. Union objectives widened beyond distributional issues to focus on the processes by which income was produced. Unions sought more responsibility in that process. They became more positive and constructive in their attitudes towards economic restructuring.

Australian unions had more success in implementing the strategic unionism agenda than their New Zealand counterparts, who continued to be excluded from most economic and political decision-making, despite the existence of a Labour government between 1984 and 1990. The advances of the Australian unions largely resulted from the Prices and Incomes Accord between the ACTU and the ALP which was finalised in February 1983, just before the March federal election that brought the Hawke Labor government to power (Stilwell, 1986; Carney, 1988; Singleton, 1990). The Accord brought the unions greater influence over a wider range of economic, political and social decisions than previously thought possible. And yet, despite the comparative success that the Accord brought the Australian unions, they also experienced significant failures which served to demonstrate the limits of their power.

National Economic Issues

The Australian Accord

The foundation of the Accord was a voluntary prices and incomes policy in which unions accepted wage restraint in return for government sponsorship of union-preferred economic and social goals. The wage bargaining process followed similar lines throughout the 1983-91 period. The ACTU and the Government first negotiated the terms of the Accord amongst themselves and then made similar submissions to National Wage Cases convened by the Industrial Relations Commission. Employers were rarely part of these proceedings: they were not sufficiently united to present a common front and, for both industrial and political reasons, few employer groups were prepared to be part of these incomes policy negotiations anyway (Plowman, 1987; Frenkel, 1988). The Commission consistently felt compelled (at least until April 1991) to accept the major terms of each new Accord, which were then implemented through the Commission's wage determination principles. The ACTU undertook to ensure that all unions abided by the rules of the new wage system, thus acting as both author and administrator of the incomes policy.

Under the terms of the first Accord (1983-1985), the ACTU and the Labor Party agreed to pursue full employment, the maintenance of real wages via wage

indexation and improvements in the 'social wage'. Additional wage increases were strictly regulated by 'principles' issued by the Commission (Teicher, 1989). The aim of this early version of the Accord was to allow the Labor government to pull the economy out of deep recession with expansionary fiscal and monetary policies without the fear of a concomitant wage explosion (Singleton, 1990).

In response to the rapidly declining value of the Australian dollar and the country's growing balance of payments problems, the policy emphasis shifted after 1985 towards greater wage restraint and improved 'microeconomic efficiency'. At first (ie. Accord Mark II, announced in September 1985), this produced an agreement to continue the centralised wage indexation system (Teicher, 1989). However, subsequent revisions of the Accord moved towards a combination of centralised wage controls and decentralised collective bargaining over productivity at industry and workplace levels (Willis, 1988; Kyloh, 1989). This strategy, which was later referred to as 'managed decentralism' (McDonald & Rimmer, 1989), found expression in the 'two-tiered' (1987-1988) and 'award restructuring' wage systems introduced by the Commission. These made available to workers and unions specified maximum wage increases provided unions could demonstrate to the Commission that they had negotiated award or workplace restructuring designed to achieve greater efficiency and productivity. Detailed wage determination principles issued by the Commission set out its perceptions of proper bargaining procedures and outcomes.

Throughout the 1983-1991 period, the union movement maintained a remarkable cohesion and discipline. Collective objectives were determined and final agreements with the government ratified through the ACTU Wages Committee and special ACTU congresses (for example, Davis, 1987; Davis, 1991). Union compliance with the principles of national wage principles was strict and the incidence of strikes declined dramatically (Chapman & Gruen, 1990). This compliance emerged not only because of effective mechanisms administered by the Commission, but also of the policing role performed by the ACTU (Teicher, 1989). In fact, the ACTU demonstrated an authority within the union movement far beyond its position in earlier decades.

There were several reasons for the ACTU's new authority. The depth of the economic crisis generated a new sense of urgency among union leaders and a collective commitment to remedy the problems. This economic imperative was reinforced by the political threat posed by the rise of the New Right ideologies and policies internationally and in Australia in the mid-1980s. The ACTU was more representative, due to mergers with ACSPA and CAGEO, and it developed better organisational structures which more effectively bound large federal unions to ACTU policy. The ACTU Secretariat received better funding from its affiliated unions, allowing it to expand its research capacities. Finally, there was the role of individuals: the ACTU was led during the 1980s by a new and especially effective group who had close personal ties with senior Ministers in the federal Labor government.

The union movement's internal discipline was all the more remarkable in the light of a decline in real wages of around 6 per cent between 1983 and 1988 (Budget Statement as cited in Singleton, 1990, 155). This meant that there was an average

annual decline in real wages of 0.9 per cent over the years 1983 to 1989 compared to an average annual increase of 1.2 per cent over the years 1977 to 1983 (Chapman & Gruen, 1990, 17). Unlike previous decades, the ACTU and the union movement generally were prepared to accept such declines.

Thus, the 1980s saw the union movement as the driving force behind wage determination in Australia as it directly bargained with federal governments over national wages, exercised a new collective discipline in order to give effect to the agreed outcomes of these negotiations and thereby demonstrated a new responsibility for the overall stability of the national economy.

The union movement's discipline however, was closely bound up with its broader social and political ambitions. As part of their new more strategic approach, unions were prepared to accept some decline in real wages if they saw advances in other areas of economic and social policy. The early Accords, for example, contained detailed policy statements on employment, taxation, migration, social security, education, health, industry policy as well as wages and prices (see Stilwell 1986, Appendix 1). Later strategic documents like *Australia Reconstructed, Future Strategies for the Trade Union Movement* and *Can Unions Survive?* advanced similarly broad economic and social policies which together sought to restructure the Australian economy through regulatory mechanisms bargained between the main social and economic groups (ACTU/TDC, 1987; ACTU, 1987; Berry & Kitchener, 1989).

The unions could point to some success in these broader areas of economic and social policy, gained largely because of the importance of the Accord's incomes policy to the Government's economic and electoral strategy. For example, ACTU representatives became influential members of a range of tripartite consultative bodies and union leaders were regularly consulted in more informal ways by senior government ministers. In fact, the ACTU President claimed that the Accord had given the ACTU 'legitimacy as a genuine partner in social and economic reform at all levels of the economy', allowing it to shape a range of policy areas, including employment, disposable household income, labour market initiatives, education and training, superannuation, Medicare, taxation reform, housing assistance, improvements to pensions, increases in assistance to youth and Aboriginal and Torres Strait Islanders, national occupational health and safety legislation, and sex discrimination and affirmative action legislation (Crean 1989, as cited in Singleton, 1990, 183).

However, many of these claims deserve closer examination than is possible in this paper. The union movement did not always achieve either the influence or the policy outcomes it desired. Perhaps the biggest problem for the unions was the strong support for economic rationalist ideas among business, the bureaucracy and significant sections of the Labor government, which led to the rejection of (or only unenthusiastic support for) union policy proposals. This was especially evident in the rejection of the proposals in *Australia Reconstructed* for systematic planning, welfare expansion and industrial democracy (Head, 1988, 476; see also Ewer et al., 1987, 120-6) and in the implementation of many deregulationist policies (Keating and Dixon, 1989).

Thus, the Accord brought the Australian union movement a far greater role in formulation and implementation of national economic and social policy than it had achieved in earlier decades. Its new role was especially powerful in the area of wages/incomes policy, where it in many ways dominated proceedings. This new influence, however, came at a cost, especially in terms of its often uneasy acceptance of the necessity for wage restraint. Furthermore, the unions' successes beyond wages were far less impressive.

The New Zealand Compact

Influenced by the Australian example, unions in New Zealand began to explore an accord with the Labour Party prior to the 1984 election. The failure of those discussions was in part due to the belief by leading Labour politicians that the central union organisations - the FOL and CSU - would be unable to deliver their side of an accord (Oliver, 1989). The historical legacy of weak central union organisation continued to frustrate any hopes of significant union influence over national economic policy-making. As well, the inability of unions to overcome the free market faction within the party reflected their historical neglect of the union/party relationship and the degree to which union energies had been focussed on the world of conciliation and arbitration. Equally, this traditional industrial orientation set limits to the capacity of unions to commit themselves to an accord. Finally, the intention of key Labour politicians to follow an economic programme quite at variance with what the unions wanted set limits to their willingness to contemplate an accord.

During the Labour Party's first four years in office, unions were excluded from significant involvement in most aspects of the policy-making process. The major exception was the development of the Labour Relations Act 1987, where unions achieved some measure of influence. However, they were unable to shift the Labour Party from its radical programme of economic and social deregulation, discussed in chapter one. The formation in 1988 of a new union confederation, the New Zealand Council of Trades Unions (NZCTU), created opportunities for change. The NZCTU was more than a merger of the FOL and CSU. Those organisations were dissolved and a new organisation formed so as to encourage affiliation by unions which had not joined either the FOL or the CSU. Its formation helped remedy the institutional deficiencies which had always reduced the prospects of an accord with the government.

The NZCTU leadership was able to sketch out a different approach to economic management, to industrial strategy and to union organisation, which combined traditional Keynesianism with post-Fordism (Harvey, 1991). It argued that the Labour government's fixation with monetary policy and the reduction of government expenditure as the key to lowering inflation was permanently depriving New Zealand of its productive base, as firms and almost whole industries collapsed under the weight of record interest and exchange rates. The NZCTU's view was that the precondition for growth was a centrally negotiated incomes policy, which would prevent inflation, allow a slide in interest rates, an increase in investment, ensure a managed increase in demand and stimulate economic and employment growth. In 1988, growing political divisions within

the Labour government raised the possibility of a negotiated accord between the government and the NZCTU (NZCTU, 1988a).

The original proposal had been for a union/government compact, but Mike Moore, the Minister in charge of the compact, had then raised the idea of participation by 'enterprise' (employers). In December 1989, the government and the NZCTU produced a joint statement, proposing a tripartite Compact Council which would be an arena for facilitating input into the formation of social and economic policy, industry and enterprise restructuring. The document was cautiously worded and made it clear that the Compact Council would have no decision-making authority. Despite this, the Compact Council proposal was aborted. Employers were unwilling to participate, and the government was not totally united on the proposal. In its place, the Minister of Labour, Helen Clark, proposed to confine the compact to bipartite consultation between the NZCTU and the government, with the possibility of specific working parties being set up. In the event, the compact was short-lived, if not still born, and, so far as one can judge, ineffective (Harvey, 1991).

The compact proposal ran too strongly counter to the thrust of economic policy-making under Labour. The unions had too little to offer in terms of wage restraint, inasmuch as real wages were falling anyway. Other areas of economic and social policy were too heavily imbued with a free market philosophy. The unions were themselves divided over the wisdom of entering into a compact with a government that had consistently betrayed unions and workers in its period in office. Some interpreted the Australian experience more pessimistically than did the NZCTU (NZ Clerical Workers Association, 1989). In any event, the government was too heavily divided to deliver on a compact. The refusal of employers to participate was fatal to the compact. Given their industrial and political predominance, it was unrealistic to expect a compact to work without their support.

The corporatist idea would not die, however. It surfaced again in the 1990 Growth Agreement, negotiated between the NZCTU, the Labour government and the Reserve Bank (Harvey, 1991). The agreement involved the NZCTU's acceptance of a 2 per cent wage round, with the possibility of a further increase based on productivity in return for the Reserve Bank's commitment to facilitating a drop in interest rates. The government also agreed to negotiate economic policy with the NZCTU and, in particular, to involve unions in discussions about projected public expenditure cuts, with the intention of protecting lower income groups as much as possible. The agreement also included a commitment to a strategy for economic development at the industry and sectoral level.

The agreement was naturally controversial within the union movement. Many of those who had opposed the compact were again critical of the NZCTU. Some critics saw the agreement as a last ditch effort to ensure the re-election of the Labour government. If so, it failed in this ambition, because Labour lost the election of October 1990. The Growth Agreement was, however, far more successful in its primary objective of bringing down interest rates which fell substantially, influenced to a considerable degree by the low level of wage increases. Needless to say, the Labour government's promise of consultation over

policy, especially spending cuts, has not been adhered to by the National government. After the election in October 1990, unions were almost completely excluded from involvement in the policy-making process. The National government continued the broad thrust of policy established by Labour, but went further in a number of areas, notably labour market regulation and social welfare and health policy (Boston and Dalziel, 1992)

Industry Restructuring

During the 1980s, unions in Australia and New Zealand were more receptive than in the past to arguments in favour of industry restructuring, based upon a measured and managed process of economic liberalisation. In both countries, unions tried to pursue this agenda by influencing government policy and by collective bargaining with employers.

Government Policy

In both Australia and New Zealand, the attitudes of many unions to industry planning slowly changed during the 1980s as they recognised the failure of previous policies. The new approach which emerged accepted the need to reduce tariff protection and restructure industry in order to encourage greater efficiency. A new concern for production as well as distributional issues informed much of their new approach:

There is an urgent need to develop in Australia a production consciousness and culture, both in industry and in the community... *The creation of wealth is a prerequisite of its distribution.* Without in any way diminishing the importance of equitable distribution, the current situation brings into sharp focus the need to develop widespread awareness of the fundamental importance of *creating* wealth and income. In essence the two are inseparable. (ACTU/TDC, 1987, 154, emphasis in original)

Undoubtedly, an important incentive behind the unions' new approach was the need for industry to be internationally competitive and export oriented. The position advocated by the general secretary of the engineers' union in New Zealand was not dissimilar to that of corporate chief executives:

...New Zealand can no longer hide behind the barriers of protection and subsidy....The international marketplace is an aggressive one. Our success in it will depend on our ability to adapt, to be innovative and to develop new markets for our industries and services, to know our marketplace well and the needs of our clients. (Jones, 1989, 4)

The leaders in expounding this new approach were the chief manufacturing unions and the central union organisations, but they were not without their critics. Many unions had developed under the twin protections offered by the arbitration system and by broader economic policies, and they were inevitably sceptical about proposals for economic liberalisation.

The critics were less vocal and the opposition less important in Australia because the protections of the arbitration system were more intact and because the Accord at least gave unions the opportunity to influence the direction and process of industry restructuring. The metalworkers' union, for example, was able to persuade the ACTU and the ALP to include extensive provisions on industry policy in the first Accord statement (Stilwell, 1986, 96-102; Ewer et.al., 1987, 97-9). The main features of this were recognition that industry policy should be integrated with general macroeconomic policy; rejection of market forces as the main instrument of change in favour of industry planning; insistence that unions play a prominent part in industry planning at national, industry and company levels; and emphasis on the need for retraining and other adjustment mechanisms when industry restructuring occurred (see Stilwell, 1986, Appendix A).

The dramatic decline of the Australian dollar and the urgent balance of payments problems in 1984-85 thrust industry policy into the political spotlight. Unions gave a prominent place to industry restructuring in the renegotiation of the Accord in September 1985 (Ewer et. al., 1987, 102-3). The unions' position was further developed in *Australia Reconstructed*, where the experiences of Sweden, Norway, Austria and Germany were used to justify an integrated and interventionist policy backed by investment through a National Development Fund and expanded superannuation funds (ACTU/TDC, 1987, Chapter 3). The ACTU again expanded on its policy preferences in 1990 by supporting the main thrust of a report commissioned by the Australian Manufacturing Council (Pappas et.al., 1990; ACTU, 1990).

Despite the new sophistication of their policies on industry planning, the Australian unions had only limited success. Certainly, the government was persuaded to establish a range of tripartite committees and councils to advise it on industry policy and union representatives occupied important positions on these committees. As well, innovative and quite effective 'industry plans' were introduced in the early years of the Accord to restructure the vehicle, steel, textile, clothing and footwear, and heavy engineering industries (Ewer et.al., 1987; Kelly, 1988). But these were exceptions rather than the rule. One problem was that many employers rejected the interference in managerial prerogatives inherent in such policies and preferred to emphasise deregulation and market forces as mechanisms for reform (Ewer et.al., 1987, 109-11). Even more importantly, policy disputes within the ranks of the federal government were largely won by economic rationalists, who favoured across-the-board reductions in protection and reliance on market forces. This trend was evident early in the Accord period (*ibid.*, 105-8; Stilwell, 1986, Chapters 6 and 7), but it became even more obvious in later years (ACTU, 1990, 4-5).

In New Zealand, key unions (Easton, 1991) and the NZCTU advocated similar positions to their Australian counterparts, but with almost no success in a hostile political environment. In contrast to the Australian situation, where the pace of restructuring was measured and its direction susceptible to change, New Zealand unions faced a deregulatory juggernaut. The OECD has described the Labour government's policies as 'the most comprehensive economic reform programme undertaken by any OECD country in recent decades' (OECD, 1991, 35). As chapter 1 shows, the extent of deregulation, including the removal of tariffs and

other forms of economic assistance, was remarkable (Syntec Economic Services, 1988; Rudd, 1991). Unions could not stop this juggernaut. Instead, they focussed their efforts on trying to ensure that the process of change was managed, that economic and social dislocation was minimised and that policy had regard to the need for overall industry-wide coordination and longer-term development. They failed to achieve these objectives. Unions lacked political support within the government, and encountered stern opposition from within the bureaucracy, especially from the key agencies of Treasury and the Ministry of Commerce whose position remained consistent throughout this period (Treasury, 1984, 1987, 1990).

In the later years of the Labour period, manufacturing unions joined an informal alliance with manufacturing employers to press the government towards industry planning. Their main opportunity to lever industry policy onto the policy agenda came with the publication of a report by a tripartite Taskforce on International Competitiveness (1989). The report recommended a more balanced approach to economic restructuring, and - partly reflecting its tripartite composition - advocated many of the policies being promoted by unions, especially the need for a lower exchange rate, a relaxation in monetary policy and in the official inflation target of 0-2 per cent, a reliance on a mix of policy instruments to control inflation, a negotiated incomes policy and an emphasis on skill formation and technology development. The Taskforce's report was, however, sidelined by government officials and failed to influence government policy. In the public sector, Labour's massive state restructuring programme proceeded with little effective union input.

Thus the policy positions by both Australian and New Zealand unions demonstrated a new commitment to planning the development of manufacturing industry, especially in the face of the external problems confronting the Australian economy, and a heightened desire to be part of the planning process. The substance of the new policies was also different. The approach of the 1980s and 1990s emphasised positive efforts to revitalise manufacturing industries and create a 'production consciousness' through selective, targeted and conditional protection rather than the blank cheque, across-the-board protection of the past. And yet, despite this new and often innovative approach, the unions were largely unsuccessful in both countries. Certainly, the Australian unions did better than in the past and better than their New Zealand counterparts, but ultimately the outcomes of debates on government policy towards industry restructuring were unfavourable on both sides of the Tasman.

Industry Bargaining: Australia

Their general failure to influence government policy towards industry policy forced unions in both countries to pursue their objectives through industrial channels. For the Australian case, Keating and Dixon (1989, 48) observe:

As the new approach has evolved, the emphasis on government assistance has lessened and the emphasis on improving the competitiveness of Australian industries through changed work practices and greater training has increased. In contrast to the government's previous role in providing

protection, its involvement in the improvement of work practices and levels of training has been limited to sympathetic support, with many of the initiatives and associated detailed negotiations being the responsibility of representatives of employers and employees. The manner in which improvements in industry competitiveness are now achieved reverses a long standing philosophy of government assistance for industries in trouble and replaces it to a significant degree with one of employer-employee self-help, with the role of government being catalytic rather than providing all-pervading support.

However, this 'self-help' approach was not always effective because it required a co-operative relationship between employers and unions. Furthermore, there was considerable disagreement between the parties over the type and level of bargaining most appropriate for this restructuring exercise. The ACTU and the ALP federal government favoured a link between restructuring and the wage determination system such that wage increases were only available to unions and workers who had engaged in productivity bargaining with employers. They also favoured a decentralisation of bargaining towards the enterprise level provided this occurred within a strong centralised framework (at national and industry levels), which was negotiated through the Accord and administered by the Industrial Relations Commission. Some employers accepted this approach, albeit contesting the terms of the centralised framework (for example, Evans, 1989), but others rejected any notion of centralised control, arguing instead for enterprise bargaining either between union representatives and management or, excluding unions, between employees and management (Business Council of Australia, 1990; Howard, 1990).

The ACTU/ALP broadly won this debate and industry restructuring was encouraged through the two-tiered and award restructuring wage systems between 1987 and 1991. This approach to industry planning and restructuring, however, had mixed results. One of the more successful cases was the metal/engineering industry, where the major employer association (ie. the Metal Trades Industry Association) enthusiastically embraced the opportunities presented by the new union policies and emerging wage systems (Evans, 1989). Although the parties in this industry continued to disagree over some issues, they generally worked together in a remarkably co-operative manner to negotiate significant reforms (Frenkel, 1987; Plowman, 1990). Award restructuring failed to achieve major reforms in other industries, as will be discussed below. Furthermore, there were significant limitations to the types of reforms which were possible under the two-tiered and award restructuring wage systems. Changes to job design, work practices, training practices and payment systems could be encouraged, but union ambitions with respect to broader issues like company structures, investment patterns and marketing arrangements could not realistically be pursued through such mechanisms.

Industry Bargaining: New Zealand

Given their exclusion from government policy-making, many New Zealand unions sought to regulate industry restructuring through collective bargaining with employers at an industry level. This strategy (NZCTU, 1988b, 1989)

recognised the impact of product market deregulation and the increasingly competitive nature of those markets, the greater concentration and mobility of capital and the accelerated pace of change in technology and work methods. It sought to make awards and agreements more relevant to the needs of those industries by eliminating the old fragmentation of occupationally-based awards and agreements and introducing new substantive provisions which encouraged workplace efficiency. But perhaps most important to unions, the strategy also sought to promote sector-wide coordination of economic change.

The unions' preference for industry bargaining represented a defensive stance, a reaction to increasingly strident calls from the Business Roundtable and the Employers Federation for an end to national awards and their replacement by enterprise bargaining (New Zealand Business Roundtable, 1987; Brook, 1989). Unions feared enterprise bargaining for its potentially negative impact on union organisation and conditions of employment. Industry bargaining was also seen as a way of promoting equity concerns, especially comparable worth policies. This campaign achieved short-lived success with the passage of the Employment Equity Act 1990 by the Labour government, which has subsequently been repealed by the National government (Du Plessis Novitz and Jaber, 1990).

As in Australia where the metalworkers' union led the way, the union most strongly identified with the shift to industry bargaining, and with a consciously strategic unionism orientation was the engineers union. In 1987, the engineers' union and the Engineering Employers Association agreed to set in motion a bargaining restructuring process (NZ Engineering Union, 1991), the key to which was to be the gradual replacement of the metal trades award by a series of industry awards. This would necessarily draw other unions into the process, as the parties sought to replace the occupational metal trades document and a wide range of other occupational documents by composite industry documents involving all unions in the industry.

The engineers' union tied changes in bargaining structure explicitly to the issue of wealth creation. Its national secretary, Rex Jones, described the union's objectives as being to 'secure and expand job growth through improving job and workplace design, training, utilisation of labour, advancing new technology and the overall efficiency of plants' (Jones, 1990). As with award restructuring in Australia, the achievement of these objectives was to be through the implementation of an integrated programme of skills development and the reclassification of skill categories, linked to coordinated pay structures and consultative management processes. These would facilitate the efficient and productive deployment of labour by employers, and offer workers a portable career path within the industry. Moreover, skills development would promote industry development and therefore the international competitiveness of New Zealand firms. To critics who argued that firms needed enterprise specific skills, the union argued that local industries would be able to choose modules that applied to them from the broad industry matrix of skills or have their own training initiatives included in the 'national skill strategy' (NZEU, 1991, Appendix 8).

From 1987, the engineers' union began to make significant changes to the structure of its awards and agreements. The union calculated that by 1991 more than half of its documents were new since 1987 or had undergone major change since then (NZ Engineering Union, 1991, Appendix 9). The typical development was for the negotiation of a single industry award drawing together anything up to about a dozen unions and more than 20 awards and agreements. The most prominent examples were in the packaging, plastics and dairy industries (Walsh, 1991a). These changes also permitted the introduction of enterprise variations from the national award by the negotiation of enabling or permissive clauses. These applied particularly to hours of work clauses, a principal employer target. These were introduced as a means of demonstrating the potential flexibility in the award system and to deflect some of the pressure for doing away with it.

The issue of bargaining restructuring has also been to the fore in the public sector. The Labour government implemented a radical programme of state restructuring (Boston et al. 1991), accompanied, or more precisely driven, by a determined policy of fiscal restraint, which set real limits to the budgets of all state agencies. No longer could pay increases be met by supplementary allocations; 'excessive' rises would have to be met by cuts in jobs, services or other activities. In this period, the public sector saw huge job losses, constant pressure on budgets, strong employer efforts to claw back established conditions of employment and low levels of wage increases (Walsh, 1991b).

Industry bargaining progressed furthest in the health and education sectors. Fiscal constraint bit first and deepest in the health sector, and in 1988 the major unions there combined to negotiate together on an industry basis. This was not easily achieved, given the diversity of their membership composition, decision-making structures and industrial traditions, as well as the existence of jurisdictional disputes between almost all the major health unions. The active intervention of the NZCTU was vital in nurturing and sustaining the combined negotiating stance, and after the first national strike in the health sector in 1989, a settlement broadly satisfactory to the unions was achieved (Walsh and Fougere, 1989). A key aspect of the settlement was agreement on union participation in the restructuring of the health sector through joint union/management effectiveness studies and review exercises. The combined negotiating stance did not continue during the next two rounds, but was revived again in 1991. In the education sector, a smaller number of more homogenous unions faced a similar situation. Nonetheless, no common negotiating stance emerged until 1991 when the education unions negotiated together and reached a common settlement (Walsh, 1988b; 1990).

Company and Workplace Issues

New Zealand

A union role in economic restructuring at the enterprise level is most likely to be visible through the negotiation of enterprise agreements or other workplace practices that either facilitate or impede the restructuring process. However, in New Zealand a major, albeit unintended, impact of the Labour Relations Act was to greatly reduce the incidence of enterprise bargaining in the private sector

(Harbridge and McCaw, 1991). This necessarily limited the scope of union involvement in restructuring at that level. The picture was quite different in the public service and in the state-owned enterprises, where the union role in state restructuring was driven through union participation in the negotiation of enterprise agreements.

The bulk of enterprise agreements were negotiated for reasons that are largely incidental to the restructuring process. Those which represented contributions to or were a consequence of economic restructuring fell into three categories. The first were those agreements purposely negotiated as part of a wider strategic unionism agenda. These agreements were typically grounded in market deregulation, particularly the reduction of tariffs and the general opening up of the domestic economy to international competition. The unions that negotiated them argued that deregulation made necessary substantial improvements in productivity and product quality if domestic industries were to survive in their local market, still less to export successfully. The union position was that, given the extraordinary rate of plant closures and other sources of job losses, the principal responsibility for unions was to negotiate agreements that reflected the particular conditions at individual enterprises, thus making the preservation of jobs more likely. Thus these agreements - including major examples at Fisher and Paykal, Comalco, Goodman Fielder Wattie, Firestone, Nissan, Mitsubishi and elsewhere - involved the acceptance of multiskilling arrangements, team work, continuous improvement and consultative practices (Chrisp, 1991; Williams et al., 1991). In some cases, they also involved restructured payment systems, with changes to the penal rates system and other 'extra' payments.

The second category of agreements tended to be part of a managerial strategy to integrate industrial relations, and particularly pay and conditions of employment, with wider corporate strategies. Faced with a more difficult and competitive market environment, firms took the initiative to shape employment conditions to commercial imperatives. In some cases, firms with a long tradition of separate enterprise agreements, such as New Zealand Forest Products and Hancocks (a subsidiary of Lion Nathan), took an uncompromising stance for the first time. Unions were reluctant parties to these agreements. However, the threat of plant closure and, in some cases, their awareness of worker support for an enterprise agreement, left them with no choice.

The third category of union involvement in enterprise-based restructuring was in the public service and the state-owned enterprises (SOEs). In both areas of the public sector, major changes to the structure and content of collective agreements were seen by management and unions as vital to the ability of those organisations to adapt to the new fiscal, managerial and commercial pressures they faced (Roper, 1991; Walsh, 1991). The principal change was the shift from service-wide occupational bargaining based on fair relativity with the private sector to departmental or enterprise agreements based on capacity to pay. Centralist tendencies persisted in the public service, however, with the PSA and the State Services Commission still managing to secure the widespread adoption of an informal central deal on wages. There were also important changes in the content of agreements. Ranges of rates and necessarily some element of performance-based pay replaced the stepped scales and annual increments, new and more

extensive systems of performance appraisal and job evaluation were introduced, the scope of collective bargaining coverage was reduced, industrial democracy structures and union recognition and facilities provisions introduced. The latter provisions were regarded as particularly important by the PSA as a lever to ensure union participation in the radical processes of reorganisation within the public sector.

Similar changes took place in the state-owned enterprises (SOEs) which were established by the Labour government's corporatisation programme. Radical organisational reconstruction, aimed at making the SOEs profitable, saw bargaining structures aligned with new organisational structures and managerial philosophies (Walsh, 1988b; Ammon, 1989; Walsh and Wetzel, 1990). Choices ranged from single company documents to a range of agreements reflecting the new divisions within the SOE to heavy reliance on independent contracting making a separate collective agreement unnecessary - and not achievable. Changes in content were similar to those in the public service. The chief contrast with the public sector was the promotion in some SOEs of an aggressively anti-union approach by management.

Against this picture of union involvement in economic restructuring must be set unions' lack of success in protecting many groups of vulnerable workers who lacked effective workplace representation - cleaners and other workers employed on contract (Brosnan and Wilkinson, 1989), homeworkers (Armstrong, 1991), school children (Sultana 1990) and others in weakly organised firms and sectors. In one survey, employers in small firms reported that they conducted their operations largely free of union restraint (McAndrew and Hursthouse, 1991), indicating a continuing absence of union organisation at the workplace level. The number of workers covered by collective bargaining fell at a rate faster than could be attributed purely to increasing unemployment (Harbridge, 1991), and is expected to accelerate under the National government's Employment Contracts Act. Real wages fell under the Labour government, and although this was mitigated to some degree by social welfare policies, the level of distress among union members, especially Maori and Pacific Island people, rose considerably (Brosnan and Rea, 1991). When this is set alongside their lack of success at a national policy level and mixed fortunes at industry level, it must be said that in an overall reckoning, New Zealand unions did not do well under the Labour government.

Australia

The new approach by Australian unions towards national economic issues and industry planning was accompanied by a new acceptance of the need for workplace change in order to improve efficiency and productivity (Burgess and Macdonald, 1990). At the same time, union leaders understandably sought substantive outcomes and reform procedures at workplace level which advantaged unions and union members. This was most clearly demonstrated by the push by the unions for award restructuring. Award restructuring represented an attractive policy response which allowed unions to retain some influence on the types of workplace changes implemented and offered the prospect to workers of more interesting, more skilled, better paid jobs combined with better training

and career paths (Kelty, 1988). This interpretation derived much inspiration from post-Fordist ideas (Campbell, 1990; Curtain & Mathews, 1990; Bray and Taylor, 1991), which emphasised the potential for advanced technologies and more flexible forms of work organisation to be accompanied by expanded skills for the workforce. Unions also promoted procedures which stressed consultation by employers and participation by workers and unions in the planning and implementation of workplace change. Award restructuring helped here because it sought to use the force of the arbitration system to encourage or even compel employers to negotiate with unions over workplace innovations.

The unions' strategy was also evident in a new approach towards industrial democracy, which was portrayed as vital to the success of the company and the economy. *Australia Reconstructed*, for example, suggested that industrial democracy schemes actually provided the opportunity for unions to police the effectiveness of company management: 'the aim should be to ensure independent trade union input so that influence can be exerted on management to perform' (ACTU/TDC, 1987, 154). This is a far cry from the suspicion with which unions viewed industrial democracy and worker participation practices during the 1970s (Deery & Plowman, 1991, Chapter 15).

In an effort to buttress union influence in workplace change, the ACTU also launched several test cases within the arbitration system over the issue of worker and union rights when new technologies were introduced (Deery, 1989) or when workers were made redundant or work reorganised. Victories in some of these cases led to a winding back of the legal protection previously given to managerial prerogatives (Ludeke, 1991) and corresponding new opportunities for unions.

Thus the union movement's policies towards restructuring at company and workplace levels in the 1980s and 1990s were very different to those of earlier decades. They were less defensive and oppositional, they were more proactive and they sought union influence over a wider range of issues than before. However, despite the support provided by the arbitration system, through both test cases on managerial prerogatives and the award restructuring wage cases, the success of this new approach by the union movement was less than complete.

The progress of award restructuring provided some evidence of the failures of the unions' workplace campaigns. Some unions were able to use the award restructuring system to improve their members wages, increase the amount of training to which they have access and improve their opportunities to be promoted up career ladders, while at the same time as contributing to the efficiency of industry (Curtain, 1990; Plowman, 1990). However, such successes were far from universal (Rimmer & Verevis, 1990; Bray, 1991). Some unions simply failed to deliver wage increases to their members. Others were forced by employers to accept changes which simply cut labour costs and increased the numerical flexibility of employers' operations. All too often, negotiations over award restructuring were confined to the level of an industry-wide award without bringing the union representatives into any bargaining relationships at workplace level. Even when bargaining did occur at workplace level, strong shop stewards sometimes opposed the restructuring measures agreed to by union officials, thus retaining their traditionally negative and defensive stance.

Further evidence of the lack of union influence at company and workplace levels was provided by the recently published findings of the Australian Workplace Industrial Relations Survey (AWIRS), which found that regular consultation and bargaining between management and union representatives was relatively rare:

Management was also asked about consultation with unions in relation to the introduction of major organisational changes in the two years prior to the survey. These changes included the introduction of major new technology, change in product or service, restructuring of management, and change in senior personnel and workplace ownership. In nearly three-quarters of workplaces, 73 per cent, unions were not consulted or even informed about organisational changes which would affect employees (Callus et. al., 1991, 135)

The survey's findings did show that the role of unions in organisational change varied between workplaces of different sizes and industry classifications, with unions being either consulted or having 'significant input' in over 50 per cent of the largest, unionised workplaces (*ibid.*, Appendix A72). However, such evidence is hardly consistent with widespread union success in influencing management decisions at the company or workplace level (see also Green, 1991).

Thus, despite a new approach by union leaders, changes to the role of unions at company and workplace levels have not been as great as expected. Part of the unions' problem lay with employers, many of whom remained either unwilling to adopt more consultative management techniques or unable to because they lacked the resources and expertise necessary to successfully implement such techniques. These failures were apparent in the uneven development of participatory practices (Frenkel, 1989; Frenkel & Weakliem, 1989) and the disappointing results of award restructuring (Rimmer & Verevis, 1990). But perhaps the biggest problem was the union's own organisational failures at company and workplace levels. On the one hand, where unions had some organisational strength, shop stewards did not necessarily share union officials' enthusiasm for change. On the other hand, AWIRS found that the majority of workplaces in Australia were not unionised and that 34 per cent of unionised workplaces did not even have union delegates representing union members (Callus et.al., 1991, 48-53, 102). The continued weakness of Australian unions and the lack of management expertise have led some commentators to doubt the capacity of both groups to support any significant extension of collective bargaining at workplace or company levels (Callus, 1991).

CONCLUSION

The comparison in this chapter of the role of Australian and New Zealand unions in economic restructuring reveals a complex mixture of similarities and differences. In many ways the similarities are the most obvious, especially when viewed from a broader international perspective. However, the differences are more interesting because of the insights they provide into developments in the two countries over recent years.

Before the 1980s, the similarities between the two countries were most profound. Unions in both Australia and New Zealand rarely sought to intervene in economic restructuring decisions in a proactive or strategic manner. Rather, in the relatively rare situations where unions were sufficiently powerful to influence such decisions, they tended to pursue defensive positions, reacting to developments in a largely oppositional fashion. Their preoccupation with the distribution of national income, their sectional resistance to technological change and their use of demarcation and restrictive work practices at workplace level were typical examples. However, the more common situation was for unions simply to be excluded from decision-making. Neither country had a history of voluntary incomes policies and unions were rarely consulted (even more rarely heeded) on broader economic and social issues. Both union movements supported tariff protection for manufacturing industries without seeking to shape the types of industries which grew behind the protective barrier, and neither was sufficiently well organised at the workplace to share decision-making with employers.

These historical similarities reflected both internal features of the union movements themselves and characteristics of the broader environment in which they operated. Despite opposition from minority groups, most unions in the two countries adopted 'labourist' ideological positions which circumscribed the range of goals legitimately pursued by unions, while union resources were meagre and union organisation was divided at national level and weak at workplace level, thus preventing effective union action. The economies in which the two union movements operated had prospered, at least until the second half of the 1970s, with their existing structures, thus disguising problems and obscuring the need for change. The two union movements were supported by arbitration systems and sympathetic political parties which protected them, while at the same time confining their activities to relatively narrow, 'industrial' spheres. The unions were also opposed by employers who challenged union agendas at national and industry levels and maintained claims to traditional managerial prerogatives within the workplace, thus discouraging a more cooperative approach by unions.

The similarities between the two union movements continued during the 1980s. Both were confronted with economic trends which challenged their traditional approaches to economic restructuring, both saw the election of labour governments which apparently offered unions greater opportunities for input into policy-making and both sought to make their policies more appropriate to the new circumstances. The union agendas which emerged were novel in their strategic approach and in the scope of their substantive ambitions. In particular, they indicate a more positive approach which accepted the need for restructuring and advocated active union participation in the restructuring process.

And yet, despite these more recent similarities, the experiences of the Australian and New Zealand union movements in the 1980s and 1990s differed. With few exceptions, New Zealand unions continued to be excluded from important economic restructuring decisions at national and industry levels, while their impact at the company/workplace level was at best uneven. In contrast, Australian unions were able to realise at least some of the opportunities presented

by the new economic and political circumstances. They certainly exercised remarkable influence over national wages policy, while they were consulted (if not always to great effect) on a wide range of other national and industry issues. At the workplace, the achievements of Australian unions were less than they would have wanted, but many did make gains with the support of national wage systems which were mostly initiated by their own national leaders.

An important factor in understanding these divergent experiences in the 1980s and 1990s was clearly the relationship between the unions and their respective labour political parties. In Australia, new leaders with close personal and organisational ties combined with a collective desire to learn from the failures of the 1970s to allow unions and party to develop a cooperative relationship which was historically unique. This type of relationship did not emerge in New Zealand, where policy-making within the Labour Party was dominated by a group which came to see unions as opponents who could be easily ignored.

And yet, as with the earlier explanations of the similarities between the two countries, the union-party relationship reflected other factors both internal and external to the union movements. Amongst the former, the most important was the stronger unity within the Australian union movement and the greater authority of the ACTU compared to New Zealand's CTU, or its predecessors in the private and state sectors. These internal factors meant that Australian unions had clearer purpose and greater power, which in turn enabled them to convince their political leaders that cooperation with unions was both desirable and necessary. The key external factors were the comparatively stronger and more supportive role of the arbitration system in Australia, and the faster pace of economic deregulation in New Zealand, which threw up challenges for unions that were not posed across the Tasman. As a result, the 1980s were a period of relatively substantial achievement for Australian unions at national, industry and workplace level. But those achievements were dependent upon a particular political balance, and it remains to be seen whether they provide the basis for further achievement in what appears likely to be a very different political environment in the 1990s. New Zealand unions have been buffeted by further and faster deregulation, including the labour market, since the election of the National government in 1990. If events in Australia were to unfold similarly, then the experiences of the two union movements might converge closely once again.

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