

VIEWPOINT

In this section of the journal we present discussion papers and opinion pieces of a provocative, speculative or informative nature. The views expressed in this section are those of the respective writers and do not necessarily reflect the views either of the editor of the journal or of the Industrial Relations Society of New Zealand.

VIEWPOINT

(1) WORKING TOGETHER FOR NEW ZEALAND'S DEVELOPMENT

* SIR FRANK HOLMES

New Zealand is having serious difficulty in sustaining the living standards, public services and benefits, and opportunities to work which our people have come to expect. A major reason for this is that the outside world is not treating us as kindly as it did in the first 25 years after the war. Each unit of goods we export now buys only about three-quarters of the imports which it would, on average, during that golden period. This adverse movement in our terms of trade has exposed more clearly the consequences of the inefficiencies with which we use many of the resources with which we have been endowed.

We have softened the blow by heavy borrowing overseas to sustain imports at a much higher level than we could otherwise have afforded. It would have been nice if the downturn in the terms of trade had been temporary and, as has often happened in the past, we could achieve salvation by waiting for something to turn up. While acknowledging the difficulties of forecasting export and import prices, the Planning Council has concluded, on the evidence before it, that we would be unwise to bank on more than slight improvement, on average, in the terms of trade which will confront us in the next five years or so. Moreover, it is important, if we are to sustain access to credit overseas to assist our development, that we continue the progress already made to reducing our annual reliance on overseas borrowing to

a level which is sustainable in the long run. We overspent our external income by an amount equivalent to about six and a half per cent of our national product in 1977. The Planning Council suggests that it should be a major aim of policy to reduce that overpending to no more than two and a half per cent of G.N.P. during the next five years.

This suggestion denotes confidence in New Zealand's future prospects overseas. But it would be irresponsible in the eyes of future generations if we were to borrow heavily merely to indulge our desires for more consumer goods and better welfare services now. We must recognise the probability that increasing shortages of oil will make international trade more difficult in the 1980s, so we must use the next five years wisely to make our economy stronger, more adaptable, and less dependent on overseas borrowing.

In the Council's view, it is only through a programme to reshape the economy, and generally make it less wasteful and more efficient and flexible, that we can achieve a moderate growth of our real national product of about three per cent per annum on average during the period. To achieve this goal, enterprise and co-operative effort will be needed to improve performance throughout the economy. The volume of exports, for instance, must grow by almost five per cent per annum, instead of the average so far for the 1970s of about three per cent per annum. The necessary improvements cannot be achieved by exhortation or without discomfort. They will require significant shifts in policy to give people and enterprises adequate incentives to do what is needed in the long-run interests of the country.

If we cannot bank on being bailed out by an upturn in the terms of trade, and must reduce our reliance on overseas borrowing, it becomes even more obvious than usual that the size of the cake which we

* SIR FRANK HOLMES is the Chairman of the New Zealand Planning Council. This is the text of a talk to the Industrial Relations Society, Auckland Branch, in May 1978.

New Zealanders will have to share will depend on the effectiveness of our own efforts as producers and sellers of goods and services that people and governments want. That may be a platitude, but it is a fundamental one to which far too little attention is given by many New Zealanders in their preoccupation with trying to ensure that they or their group get a larger share of the national cake or get elected to public office.

People are the most important factors of production. More than on anything else our living standards depend on their enterprise, skill, responsibility and capacity to work together. That is why I find it worthwhile to come and discuss New Zealand's problems and opportunities with a group of people who are seriously studying how relationships between workers and management, unions and employers might be improved. I hope that my Council can help in the solution of New Zealand problems by illuminating the trends and the issues which are likely to face us and suggesting the directions in which solutions are to be found. But whether those directions will be chosen depends on the decisions which are taken in workplaces, in industrial bargaining, in government and in authorities given powers of decision by government. New Zealand's future will depend on the quality of the decisions which New Zealanders take in their daily lives, and those who are in charge of government, enterprises and unions have a major responsibility for determining what the outcome will be.

One of the disturbing elements of our present situation is the prevalence of self-destructive tendencies towards confrontation in our national life. One must cry for our beloved country when one observes, for example, the state of industrial relationships in an industry as fundamental to our future prospects as the meat industry. One must cry not only for our country, but also for communities like Kawerau and Murapara, for people with whom I had the pleasure of living and working for a period in the late 60's, when one sees such prolonged and destructive stoppages besetting a major New Zealand enterprise already facing daunting challenges to sustain and diversify its markets overseas. As I have indicated, securing export growth of almost five per cent per annum in volume is

fundamental to the strategy needed to preserve full employment and achieve a moderate improvement of living standards in the next few years. But how can we induce farmers to produce what is needed, and how can we establish a reputation as an efficient and reliable seller of processed products if our major processing industries are continually beset by industrial stoppages?

"Planning Perspectives" does not pretend to do more than illuminate some of the issues confronting us in industrial relations, and suggest directions in which solutions might be found. One would have hoped that the mechanisms of the Industrial Relations Council might now be working constructively towards improvements in strategic areas. In the hope that our contribution might act as a catalyst for more constructive planning by the "social partners" themselves, the Planning Council has had a special subgroup looking at the issues and will shortly issue a discussion paper under the title "Working Together Effectively."

It is inevitable that tensions should exist between sections of unions and employers, and that these will be accentuated in a period of economic downturn. The purpose of the paper will be to explore how far New Zealand might be able to develop a better way of handling such tensions; it will suggest that sensible anticipation of workplace friction can reduce the area of conflict.

In "Planning Perspectives" we make special reference to four factors of special significance in improving industrial relationships:

- (a) Improved communication between workers and managers in workplaces and between employers and unions at all levels at which they are associated. This in turn depends on a continuing flow of useful information both ways and the development of habits of constructive discussion about a wide variety of matters of mutual interest, not only pay and conditions.
- (b) The deliberate strengthening of leadership within unions and at the personnel level of management, and greater progress towards implementation of the Federation of Labour's policy of amalgamation of

unions on an industry basis.

- (c) More attention to the nature of jobs which workers are required to perform, especially in large enterprises, and to the development of worker participation in decisions in a manner suited to New Zealand conditions.
- (d) A reappraisal of the role of the law in relation to industrial disputes. The Council suggests that the best legal framework is one that is not used too often because it gives pride of place to the exercise of individual responsibility.

The key question, in a period when all parties seem to wish to develop a system of freer collective bargaining than we have had in the recent past, is how far we can bank on a responsible approach after such a long period of official regulation and intervention? Among other things, responsibility requires recognition of the limits within which it is reasonable to press for pay and price increases. Further, it requires government to adopt and sell monetary and fiscal policies which are conducive to greater stability than in the past — one cannot expect wage and price behaviour to be "responsible" if conditions of excessive demand for goods and services are permitted to develop through lax control of government expenditure, easy credit or failure to deal with the "ups" as well as the "downs" of the fluctuations to which our export prices are subject.

To get and keep inflation under better control is a key element in any strategy to solve New Zealand's problems — for inflation greater than that prevailing in our trading partners' markets quickly undermines the value of incentives given to efficient industries which earn and save overseas exchange. The Council sees control of inflation requiring an interrelated set of monetary, fiscal and income stabilisation policies. These would be designed to keep the growth of money, credit and national spending on a path which is consistent with what the nation is capable of producing in the medium run, plus inflation which cannot be avoided, given the impossibility of insulating ourselves completely from external development.

Like Sir Tom Skinner, we see merit in placing special emphasis on controlling the expansion of money and credit. Such con-

trol depends not only on how effectively the Reserve Bank controls financial institutions, but also on how responsible the government is in controlling its own expenditure and financing it in ways that do not add excessively to the supply of money and the flow of funds available for lending and borrowing. In order to focus attention on what needs to be done to preserve greater stability, we favour the publication and explanation by the authorities, of guidelines on the rate of growth of money and credit which they aim to achieve. The explanation would include discussion of the implication of what they were doing for those engaged in bargaining about pay or in setting prices. It would be important to increase understanding that excessive pay and price increases threaten activity and employment if the authorities persist with the control of money and credit which the F.O.L. wants and which is an indispensable element in any strategy to get us greater stability and a firm basis to earn our way out of our present difficulties.

Acceptance of this kind of policy, plus a responsible approach by most employers and unions, should make it possible for government to exercise less detailed control than in the past over wages and prices and confine its intervention to strategic decisions which seem likely seriously to upset the balance of the programme for economic recovery.

In the Council's view, if the target of five per cent growth in exports is to be achieved, which in turn is a prerequisite for achieving a three per cent growth in output, then the growth of personal expenditure and public services together must not exceed about two and a half per cent per annum on average in real terms, over the next five years. If public expenditure rises faster than this, then real take home pay will have to be curbed to a less rapid increase. But remember that we expect the labour force to continue to grow by 1.6 per cent to 1.8 per cent per annum. There won't be much left to improve each worker's real wage if the public services are allowed to expand more rapidly than two and a half per cent per annum.

Most workers know that what matters is not what money wages they get but what those wages will buy, taking account not only of rising prices, but also of what the taxgatherers extract from the pay packet.

improvement of the real wage of the average worker will depend on improvements in the efficiency with which we use the resources available to us. I think you will all agree that far too little attention is given to what could be done to effect such improvements, not only in workplaces and in bargaining between employers and unions but also in discussion about national policy.

The Planning Council has a great deal to say about what could be done to improve efficiency. Rather than use up all the available time in lecturing to you about what we've said, I'd prefer to assume that some, I hope many of you have read the report and might like to spend the rest of the period in discussing how improvements might be made. Present attitudes and practices by industry and unions set up major obstacles to the sorts of changes which it seems to us New Zealand must make if we are to find a satisfactory solution to present problems. For example — this solution requires more attention to how we might use new and existing capital more efficiently; an improvement in present margins for skill and responsibility, through changes in pay and tax scales; marked improvement in present systems of training of both managers and workers, including a reassessment of our present systems of apprenticeship; more flexible working hours and patterns of work, with special attention to the requirements of women and minority groups if they are to make the contribution to our development of which they are capable. We must also more actively promote a competitive market and seek to break down regulations and private restrictive practices which protect inefficiency and impede improvements of value to New Zealand as a whole.

It is a real challenge to those involved in industrial relations to help in working out means of achieving these sorts of changes, while preserving reasonable security for the individual worker and assisting him, where this is necessary, to move to the areas of work which should expand in the national interest.

May I finish by quoting the last two paragraphs of Planning Perspectives:

"In times of difficulty, it is easy to conjure up a pessimistic view of the future. The Council is basically optimistic that New Zealand can overcome present

difficulties, given its relatively generous endowment of climate and resources and the capacity of its people to develop the necessary skills. The key questions are whether we are willing to make the necessary changes in old institutions and practices and whether we can sink sectional differences sufficiently to work together with some sense of national pride and purpose.

"In our search for security, we may have stifled innovation, flexibility, and the capacity to work together — these are qualities which are badly needed in the next phase of our development. It should now be evident that to lose these is to miss the road to real security. If we wish to preserve the best features of our way of life — social, cultural, and economic — we must be ready to alter institutions, policies, and attitudes which are no longer appropriate to the rapidly changing world in which we live. This must be the central focus of our strategy in the next few years."

VIEWPOINT

(2) BASTION POINT AND THE TRADE UNIONS

* SYD. JACKSON

There is no doubt that Trade Union support was vital to the Ngati Whatua people during their 500 day occupation of Bastion Point.

The involvement of Trade Unions in areas of social concern such as Bastion Point, which are outside the scope of 'bread and butter' issues has been a matter of deep concern to some people.

These critics take a very narrow view of industrial relations. They perceive industrial relations as comprising only of those matters which relate to wages or conditions of employment. On that basis, they see the need to restrict Trade Unions to those areas which are, in their opinion, the proper concern of Unions. The proponents of this narrow viewpoint are in accord with politicians in the National Party who believe that it is possible to separate political and social matters from industrial matters.

* SYD JACKSON is Industrial Officer of the Auckland Clerical Workers' Union, a member of the Auckland Trades Council and of Nga Tamatos.