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Why Collective Bargaining? The Alliance View

Laila Harré *

Introduction

The Alliance aims to win enough seats at the next General Election to govern co-operatively with the Labour party on a programme as close to that promoted by the Alliance as can be achieved.

A key plank of the new government's programme must be the repeal of the Employment Contracts Act (ECA) and its replacement with a legal framework for genuine collective bargaining. Collective bargaining must also be underpinned by a significantly improved minimum code, including a substantially higher minimum wage and improved "needs-based" leave and holidays provisions.

To this end, the debate on what form of wage negotiations should replace the ECA framework is now a very important one. There is a need to develop a consensus between political parties, unions and others with a commitment to collective bargaining before the next election so that new legislation can be introduced quickly afterwards.

This paper seeks to explain both the theory of collective bargaining and what we believe to be the important criteria for an effective collective bargaining system in New Zealand. Because the New Zealand Council of Trade Union has produced a draft bill, which it is advocating as an alternative to the ECA, we have also paid some attention to the details of that. You will see from that section that there remain some important issues of difference, issues we hope this paper will go some way to address.

The Alliance offers this paper as a contribution to a debate in political parties, unions, employer groups and the media around the form of new industrial relations legislation. It is time to go beyond the rhetoric of repealing the ECA and into the detail of the alternatives.

The Alliance also makes some assumptions about the environment in which collective bargaining will lead to a substantial improvement in the incomes and conditions of wage and salary earners. One assumption is that whatever the rules are, as long as Government policy accepts a level of unemployment as an inflation-controlling tool, workers will face

* Member of Parliament, Alliance Spokesperson on Industrial Relations.
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an ongoing disadvantage in negotiations. National income figures show that there has been a significant redistribution from wages and salaries to profits. What this means is that although pay increases and improvements in conditions could have been justified in orthodox terms, they have not been achieved. One explanation is the effect of high unemployment. Another is that the individualisation of wage bargaining has had a real impact on bargaining outcomes. Where the balance lies is unclear. But both need to be addressed before we can declare that we live in a decent society.

This paper focuses on collective bargaining, but will conclude with some general comments on training, economic development, monetary policy and employment to complete the picture.

The status of collective bargaining under the Employment Contracts Act

The passage of the Employment Contracts Act in 1991 involved the abolition of the award system in New Zealand. "Awards" were collective agreements given legal force by statute and applying to all workers within the defined coverage of the award. Awards used to contain an "unqualified preference" clause which required all workers covered by the award to become members of the appropriate union; and they also had a "subsequent parties" clause which bound all employers doing the work covered by the award. The award system was, in effect, a form of compulsory, comprehensive collective bargaining. Each award set minimum wages for the various classes of work covered by the award and a variety of other conditions (such as annual and long service leave, sick leave, domestic leave, bereavement leave, redundancy, supply of protective equipment, hours of work, lunch and tea breaks, and so on). The award was the standard reference document in the New Zealand workplace, and workers and employers each knew that they looked to the award to find out what their basic rights and obligations were.

The award system provided stability in labour relations for a long period of time (1894-1991) and was one of the underpinnings for the successful full-employment period of economic development after World War II. Its role was to regulate the rate of wage increases and keep down the rate of inflation. Gradual increases in real wages were achieved under the award system, but only so as to match (more or less) the improvement in productivity of the economic system.

Although it was the employers who attacked the award system in the late 1980s (as they did during the depression of the 1930s), through most of its life it acted as a restraint on union assertiveness and at one point was given the nick-name, "labour's leg iron". Over the century of its existence the restrictive tendency of the award system was challenged industrially on several occasions, most notably in 1908-1913 (the "Red Federation of Labor" period), 1948-51, and 1968-1981. During this last period there evolved a dual system of awards and "second-tier bargaining", with the government making changes to industrial law to regularise the relationship between the two.

The Employment Contracts Act simultaneously abolished compulsory unionism, comprehensive award coverage, second-tier bargaining and the statutory negotiating mechanisms (conciliation and arbitration). It explicitly favours individual contractual relationships between employers and employees.

Collective bargaining is tolerated under the ECA, but simply as one possible way of reaching employer-employee agreements. It is not favoured or promoted, and in certain respects it is deliberately discouraged. For example, strike action for a multi-employer collective contract is illegal.

The results of the ECA have been widely reported, and include: loss or reduction of overtime and penal payments; extension of the ordinary hours of work; pay rises lagging behind the inflation rate; pay reductions in some cases; a wider dispersal of wage settlements; erosion of statutory holiday rights; de-unionisation. Many employers took advantage of the passage of the ECA to completely re-write their labour contracts in their own favour – in some cases (reported in the press and held in Alliance files) egregiously so.

Collective bargaining should be *promoted*, not just permitted

Starting from first principles, this paper explains why collective bargaining should be encouraged and promoted. It is no answer to say (as the current Government might) that collective bargaining is *permitted* under the ECA. Permission is not enough. If New Zealand wishes to get rid of the negative effects of the ECA and to promote greater equality and fairness in the workplace, then the legal framework must *promote* collective bargaining as the preferred form of employer-employee negotiation.

Why should this be so? Why shouldn't the government just leave it to the parties to sort out what form of bargaining they want?

The answer is that there are fundamental inequalities between employers and employees. Contrary to the fantasy sometimes articulated in support of the ECA, employees and employers do not meet as equals in the labour market, and bargain from positions of equal strength. Nor is the inequality between employers and employees a transient, occasional or superficial thing. It has existed for a long period of time and is deeply rooted in the social and economic fabric of our society.

This paper begins by exploring the socio-economic basis of employer-employee inequality, then looks at the ways in which collective bargaining addresses the problems identified.

The social basis of employee-employer inequality

Inequality between employers and employees reflects wide differences in access to financial and material resources, education, institutional knowledge and acquired skills. These differences, in turn, reflect an interaction between economic structure, social status and the education system. Economic-class differences are further magnified by gender and ethnic inequalities.

New Zealand (like other developed capitalist countries) has two principal modes of ownership of the means of production. Firstly, the private capitalist form, which consists of privately-owned companies, independently buying their inputs from, and selling their outputs to, other economic agents. Secondly, the public enterprise form, which consists of public agencies (for example, government ministries, schools and hospitals) buying their inputs from the wider economy and providing services directly to the population.

These modes of production are underpinned by a hierarchical division of labour, the main feature of which is the separation of manual and mental work. The manual and mental labour specialities are further sub-divided into a finely-graded hierarchy in which the top-most positions are occupied by managers with tertiary qualifications in law, economics, accounting and business administration.

Within the ranks of management there is both horizontal specialisation and vertical separation. For example, beneath the Chief Executive one typically finds a number of managers of equal status but distinct functions, such as Operations, Human Resources and Finance. They in turn are vertically separated from the next level down.

Both types of specialisation (horizontal and vertical) are essential to the operation of the corporation. Vertical separation provides a clear allocation of responsibility, a chain of command, control over information flows, a way of keeping the number of day-to-day working relationships manageable, and (in theory, at least) a means of promoting those with the best strategic abilities to the highest positions. Horizontal specialisation allows managers to specialise in their particular areas of ability and interest and to become as proficient as possible in those areas.

At the same time, employers are simply *big* in relation to the individual employee. A company (or government undertaking) is a collective entity which concentrates large resources of capital, materials and labour under one organisational umbrella. Control over these resources is exercised by the owner or manager.

When a company applies itself to the management of its workforce, or the negotiation of the terms of employment of individual employees, it has all of the above resources at its disposal. It has access to institutional memory, to the skills and knowledge contained in other divisions of the same firm, to outside (purchased) sources of information and to high-level skills in the areas of law, organisational psychology, economics and systems analysis. These skills are acquired through formal tertiary education, company training courses and

day-to-day experience. The latter is extremely important and accounts for a large part of the strength and persistence of the hierarchical division of labour. Skills are not learned in a one-off manner, but continuously through work experience over long periods of time. This tends to cement people into their particular sector of the division of labour. Skills are also cumulative, for those who rise through the ranks. For example, a person may rise to become the chief executive of an organisation after a career involving tertiary education, on-the-job training and promotion through the corporate hierarchy. The acquired bargaining skills of such people are much greater than those of individual employees lower down the hierarchy.

When an individual worker applies for a job with an organisation, they look across the table at an employer or personnel officer, behind who stands the entire acquired knowledge, financial resources and managerial skill of the organisation. This is a situation of inherent socio-economic inequality, and it shows that the ECA's assumption of employer-employee equality is a complete fantasy.

Employer-employee inequality and income determination

One of the roles of management is to determine the allocation of income within the organisation.

In the first instance, managment may be able to influence the total income pool available to the employees of the organisation (including themselves). For example, they may be able to increase the sales of the organisation, increase its profits or persuade the shareholders to accept a lower rate of return out of a given income. In the public sector, it may be possible to persuade the government to appropriate extra funds for the organisation or to reduce their intended cuts.

Management may also adjust the size of the workforce, so that a given pool of income is shared amongst a greater or lesser number of people.

The key point is that because managers (including company directors) have the power to set the remuneration of everyone in the organisation it is impossible to tell where the influence of economic value stops and the influence of organisational power begins. Clearly, there are certain economic parameters within which pay decisions are made. For example, a large corporation will not be able to get a chief executive for as little as $50,000 per annum Neither will it have to pay as much as $50,000 per annum to get a cleaner. But who says whether a cleaner is worth $18,000 per annum or $24,000 per annum? Or whether a chief executive is worth $150,000 per annum or $250,000 per annum (or $1.5 million per year, in the case of Rod Deane). Within broad ranges that reflect economic values, it is managers who decide who is worth what.

Indeed, even the idea of an objective "economic value" is dubious if a person's place in the market has been influenced by the use of social power. For example, if the market

price for a chief executive is influenced by what chief executives have been able to obtain in other corporations by taking advantage of their organisational weight, then a loop is established and cause and effect become indeterminate.

Inequality and individual employment contracts

When a company representative sits down with an employee (or prospective employee) to negotiate an employment contract, or to ask a prospective employee to sign a standard company contract, inequality makes itself felt in a number of specific ways:

The company has the following advantages:

- Access to resources (human, material and knowledge) to find out what pay rates and conditions apply to similar work with other employers, and to write contracts.
- Access to the corporate memory of changes in pay rates and conditions over time, how the law has changed, and how workers have reacted to different stimuli over time.
- A corporate human resources policy which codifies much of the above knowledge.
- Paid time to conduct human resources and labour relations practices.
- Specialist staff in the labour relations and human resources areas.
- Access to tertiary education and training in these areas.
- Knowledge of its own bargaining position (related to demand conditions for the final product and its labour inputs, cost structure and productivity).

Employees (or prospective employees) find themselves in the following position:

- They have few resources to study the labour market or write contracts.
- They usually occupy a "lower" position in the hierarchical division of labour, and bring to bear less knowledge and fewer skills (in the human resource/employment contract area) than their employer.
- They do not have paid time for labour relations/human resources activity.
- They may be unaware of their statutory employment rights (or unaware of the scope for negotiating such rights).

- They have little knowledge of the final market for the product they are making, or the firm's cost structure or productivity, and therefore of the value of their labour to the firm.

In addition, there are several economic factors weakening the employee's bargaining position compared with that of the employer:

- There may be unemployment in the area or skill sector in which the employee is seeking work, making the labour market a "buyer's market".

- Employees face the reality that if they leave a job, or withdraw their labour temporarily from that job, the employer loses only one worker, while the worker loses their whole income.

- When applying for a job, the employee has little leverage and the employer is well-placed to say "if you want the job, these are the terms".

- In some situations the employer has a degree of monopsony (single buyer power) in its sector of the labour market. For example, there may be only one dairy factory in a particular town, so a dairy worker who wants to work for a different employer may have to change towns to do so. Similarly, most nurses are employed in public hospitals and most teachers in state schools.

There are some situations (though relatively rare) in which an employee may find him/herself in a relatively favourable position. For example:

- Where the employee's skill is highly specialised (for example, an oil rig diver, a doctor, a computer software specialist).

- Where there is particularly low unemployment and employers are competing for labour.

In these cases the employer's search behaviour informs the employee that they are in strong demand and the usual inequalities of knowledge and human resources skills cease to have such a potent effect.

The nature of collective bargaining

Collective bargaining is one of the two basic techniques whereby workers attempt to reduce their disadvantage in the labour market and in their social relations with employers. (The other basic technique is political action, and the two are often related). Historically, collective bargaining has started both spontaneously and as a result of consciously planned activity.

In its most elementary form, collective bargaining starts where workers organise a deputation to management, or a strike, to achieve a specific demand, for example, a pay rise.

In its more advanced form collective bargaining arises out of a process of union formation. Specifically, employees meet, decide to set up a union, recruit members, collect membership fees, elect officials, appoint paid staff and then negotiate formal contracts with their employer(s).

The interesting thing about this process is that it does not just involve bringing economic pressure to bear on the employer (for example, by means of a strike) but also involves addressing the social inequalities arising from the hierarchical division of labour. By forming a union, workers create a vehicle for their collective memory, a source of information that can then be drawn on in future rounds of negotiation with their employer. By electing officials and appointing paid staff, workers seek to create a pool of expertise in labour relations that belongs to them, rather than to the employer. By paying staff to work for them, union members fund the time required to carry out research and prepare documents.

In other words, union members are aware of their disadvantageous position in the social hierarchy and how this affects their bargaining power in the labour market, and they seek to do something about it.

A second interesting point is that usually the process of collective bargaining is *preceded* by the processes of union formation. That is, workers have found that they have to address their social (and political) inequality before they can successfully address their economic inequality. There are some counter-examples, but in the great majority of cases, union formation precedes collective bargaining. (For example, New Zealand's Maritime Council c.1890, the London Dockers' Union c.1890, the formation of the CIO unions in the USA in the 1930s, etc.). It is not hard to see why. A successful strike, or other forms of collective action (even a petition), requires a considerable degree of organisation, often in the face of stiff employer resistance. Therefore prior organisational activity is required.

The outcome of collective bargaining is a "collective agreement". It is important to use the term "agreement" rather than "contract" in order to avoid confusion with each individual worker's contract of employment. As soon as a worker agrees to work for a particular employer, a contract is formed, regardless of whether or not the terms of the contract are written down. The terms of the contract comprise the specific things agreed by the worker and the employer (for example, the rate of pay and the hours of work), the statutory rights (for example, the amount of annual leave) and any terms which are imputed as a result of behaviour. For example, if the employer always lets people go home early on a Friday afternoon, this would be considered to be part of the employment contract.

Just as the employment contract is formed individually, so it is terminated individually, either by redundancy, dismissal or resignation.

The effect of a collective agreement is to write into every worker's contract of employment the terms agreed to in the collective agreement. For example, the collective agreement might set a certain amount of sick leave, and this then applies to every worker.

One of the important features of collective agreements is that they become a repository of labour relations experience, and shift the focus of bargaining from purely immediate matters to long-term concerns. Examples of the latter include safety, family leave, bereavement leave, child care, work practices, long service leave, redundancy provisions, promotional practices, disciplinary procedures, casual worker ratios, minimum call-in times, duty periods. Successive collective agreements become a historical record of improvements in workplace conditions, which start to belong to the "workforce" in an inter-generational sense, rather than just to the employees of a firm at a particular time. So, a worker retiring at the age of 65 can say to a younger worker, "We fought for these conditions over the years. Make sure you hang on to them and get further improvements for your children." Collective agreements also preserve conditions that benefit workers at different times in their lives. For example, at the age of twenty a worker might not think about bargaining for domestic leave and other family-related entitlements. But these could be very important by the time they are thirty.

In this way, collective bargaining promotes the long-term interests of employees and makes the labour market fairer than one based only on individual contracting.

Collective bargaining and small and medium-sized businesses

It is sometimes argued that unionisation and collective bargaining are unfair on small and medium-sized businesses which do not have the resources of the large corporations and the government, with which to counter "union power".

This argument reflects a feeling on the part of small and medium sized employers that unionisation and collective bargaining improve the bargaining position of their workforce. But this is, of course, what they are supposed to do, so the criticism doesn't stand up unless it can be proven that unions are able to totally and unfairly dominate such employers.

Historical experience shows that this is not the case. While the position of the union is strengthened by a collective bargaining framework, the power of the union is limited by the scattered nature of the workforce and the close day-to-day relationships between workers and employers in small and medium sized businesses. Such employers retain their natural socio-economic advantages (ownership and management of the business, access to legal and accounting advice, access to employers' associations, education and training, business experience) and can use these advantages in the negotiation of employment contracts. In fact, experience shows that some of the worst employment practices in the country occur in the small business sector (often due to the economic pressure such businesses are under).

In the small and medium-sized business sectors, collective bargaining performs an additional function which is beneficial to workers and employers alike: *it regulates competition.*

It is only in the small and medium-sized business sectors that something approaching true market competition prevails (many sellers, similar products, freedom of entry and exit, widely available information). Unlike big business, small businesses have to comply with the market price for their product and feel the pressure to compete by cutting costs, including pay rates and conditions of work. In the absence of awards or collective agreements employers can get into a downward spiral of pay and condition cutting in order to maintain contracts and market share.

Each employer thinks that "they have no choice" but to make cuts, but the industry position is different from the individual employer position. If there is an award or a collective agreement which sets minimum pay rates and conditions, *every* employer in the industry has to comply and they cannot compete by undercutting each others' workforces.

In addition, awards or industry-wide collective agreements limit the extent to which large employers can play their sub-contractors off against each other (as, for example, in the logging and cleaning industries).

So, a collective bargaining framework protects the workforce in the small and medium-sized business sector vis a vis their employers; and it also protects small and medium-sized employers in their sub-contracting relationships with big business.

These are socially-positive outcomes which should be encouraged by legislation.

The essential rights of collective bargaining

Before looking at elaborations of collective bargaining frameworks, it is helpful to isolate the core elements which must be present to meet the requirement that collective bargaining is being encouraged.

The core elements are that:

- Employers should be required to recognise unions and allow union organising activity on site.

- Where the employees in a particular bargaining unit indicate a desire to be covered by a collective agreement, the employer(s) must recognise that desire, negotiate in good faith and reach a collective agreement.

- It should be possible to have agreements that extend their coverage to all workers employed within the defined bargaining unit, including new employees, regardless of whether they are union members or not (to prevent the agreement being undermined by the use of non-union labour).

- The terms of the collective agreement should continue to apply beyond the expiry date of the agreement.

- The right to strike should be recognised as a civil liberty, alongside the freedoms of speech and political action.

  (Therefore, the right to strike should be stated positively, with exceptions specified, rather than the other way round) .

The CTU workplace relations bill

As part of its opposition to the Employment Contracts Act, the New Zealand Council of Trade Unions has produced a draft "Workplace Relations Bill". While this Bill is an important contribution to the discussion of alternatives to the ECA, in the Alliance's view it falls short of establishing the essential rights of collective bargaining in a number of respects. Its principal faults are that:

1. It carries over too much material from the ECA. For example, the restrictive definition of the right to strike, (ss.67 and 68) and the promotion of individual contracts (s.25).

2. It is based on the "join the union - join the contract" approach, and excludes agreements of more general coverage (ss.12(1) and 19(3)).

3. It is not clear whether employers are *required* to enter a collective agreement after negotiations have been initiated (ss.17-19).

4. It gives the employer the power to determine the scope of the collective agreement(s) in multi-union situations (ss.10(a) and 20(5)).

5. It doesn't legalise the right to strike in protest at government economic and social policies (which is part of the ILO Conventions).

Specific criticisms:

Section 10: ". . . employers have the right, subject to constraints, to determine the number of collective agreements in their workplace". This is a peculiar provision to include in a

Bill promoting collective bargaining. The Bill should require employers to enter collective agreements where a majority of the workforce to be covered by the agreement has indicated a desire for a collective agreement.

Section 12: The coverage of collective agreements is established by the wording ". . . a collective agreement to determine the terms and conditions of employment of any employees who have authorised that union or unions to negotiate a collective agreement . . ." This is too restrictive in that it disallows agreements that automatically extend to cover new employees or non-union employees doing the same work as that of union members.

Sections 17-19: There is no explicit requirement for employers to enter a collective agreement where the majority of their workforce indicates a desire to be covered by a collective agreement. The wording of ss.18 and 19 seems to assume that a collective agreement will be the outcome, but this is not stated in s.17 (obligation to bargain in good faith). An attempt to interpret s.17 as requiring the finalisation of a collective agreement is undermined by s.20(5), which envisages a situation in which the parties can bargain in good faith *without* reaching an agreement.

Section 19: Attempts to address the fraught area of multi-union collective agreements, however, it doesn't achieve a clear result. On the one hand (subsections 1 and 3) it appears to provide a mechanism for compelling recalcitrant unions to become part of a single collective agreement either at the employer's initiative or at the initiative of one of the unions (subsection 1). On the other hand (subsection 4(d)) it envisages the possibility of the "unions who fail to agree on a negotiating arrangement" negotiating with the employer *after* negotiations with the unions who did "agree on a negotiating arrangement" have been concluded. This would presumably lead to a second collective agreement.

A further area of confusion is as to what happens if there are *two groups* of unions, each of which agree on a negotiating arrangement, but the two groups don't agree with each other? Who is the employer required to negotiate with?

If the intention of this section is to provide a mechanism to extend the coverage of a collective agreement to a union that doesn't want to be covered, then it stands in strange contrast with the refusal of the Bill to allow the coverage of agreements to be extended to people who are not union members.

Section 20(5): In multi-employer bargaining, employers are given the explicit right *not* to reach an agreement, even where the majority of their employees have indicated a desire to be covered by a multi-employer collective agreement. In addition to giving employers the power to determine the scope of collective bargaining, this section undermines the good faith bargaining requirements of s.17.

Section 25: "Employees have the right to choose to have their terms and conditions of employment determined by an individual contract of employment". This section is

problematic for two reasons: (1) It provides a mechanism for employees to accept lesser conditions than provided for in the collective agreement which covers their workplace. This undermines the principle of encouraging collective bargaining. (2) It is unnecessary, in the sense that *every* employee (even where there is an applicable collective contract) automatically has an individual contract of employment with their employer. The effect of a collective agreement is to *improve* the terms of those individual employment contracts, not to prevent a worker and an employer agreeing to something better, if they so wish.

Section 29(4): Restricts the coverage of collective agreements to union members.

Sections 64-68: (Strikes and Lockouts) The approach here is carried over from the ECA. It establishes a restrictive definition of the right to strike, which, amongst other things, excludes strikes in protest against government economic and social policies (for example, stopping work to attend a rally).

Alliance workplace relations policy

The Alliance Workplace Relations Policy has two elements. Firstly, an enhanced minimum employment code (covering matters such as paid parental leave, annual and sick leave, hours of work, overtime, casual and part-time worker protections); and secondly, a framework which promotes collective bargaining.

It is intended that the enhanced minimum code will accomplish what the blanket coverage provisions of the old award system used to do, i.e. to extend minimum wages and conditions to all employees, no matter how small or far-flung their employers are.

On top of the minimum code, workers will have the opportunity to bargain collectively for improved wages and conditions. As the productivity of the economy rises over time it is expected that there will be an upward trend (in real terms) in the pay and conditions achieved by collective bargaining. From time to time, the minimum code should be upgraded to retain relativity with the outcomes of collective bargaining.

Collective bargaining will be encouraged and promoted by the following means:

- Providing a union registration system that gives unions access to collective bargaining rights.

- Requiring employers to bargain in good faith and to negotiate collective agreements with the union(s) representing their workforce, where the unions representing their workforce give notice of the desire to negotiate a collective agreement.

- Requiring employers to enter multi-employer collective agreements where the unions concerned give notice, and where a majority of union members employed by each employer support a multi-employer collective agreement.
- Providing for a collective agreement to cover all employees within the defined work coverage (including new employees) whether or not they are members of the union(s).
- Providing for the terms and conditions of a collective agreement to remain in force after its expiry date.
- Providing for rights of access and union meetings.
- Giving the right to strike positive legal recognition, except in certain limited circumstances (for example, during the currency of a collective agreement on a matter covered by that collective agreement).

Beyond collective bargaining to the wider employment environment

There is no doubt that the processes of bargaining brought into force under the Employment Contracts Act are responsible for at least a significant part of the transfer of incomes from wages to profits in recent years. They are not, of course, the full explanation. If we aspire to live in a society where we fairly distribute the output of our productive capacity, then collective bargaining is one tool. If we seek to maximise our productive capacity, then we aspire to full employment.

The Alliance seeks both – the maximisation of our productive capacity and a fairer distribution of its fruits.

Monetary policy

Monetary policy is a key driver of economic prosperity and is particularly important in a trading based economy. Current monetary policy has damaged the tradeable sector through 10 years of an overvalued exchange rate, the result of Reserve Bank policy to stop inflation through increasing interest rates. High Interest rates attracted significant investment from overseas investors pushing up the value of our dollar and decimating exporters.

A full paper on monetary policy is available from the Alliance – setting out both technical changes to the management of exchange and interest rates, as well as more fundamental changes to the Reserve Bank Act, widening the Bank's targets to include growth and jobs.

Training

The present industry training system in New Zealand is running into significant difficulties, with the major restructuring program yet to gain much credibility. As the levels of funding have been cut the present system has gradually broken down.

The idea of a National Qualifications Framework with standardised qualifications has some merit, but is a very expensive system to build and maintain. The NZQA has failed in quality control. The push for private provision has led to a number of business failures leaving students out of pocket.

The Alliance plans a review of the existing system, while endeavouring to use the existing framework as much as possible to avoid further disruption to the education sector.

Industry development funding

The Government has taken a hands-off policy towards the creation of jobs. This has led to a jobless figure of 221,000. The Alliance believes that full employment is absolutely crucial for the economic *and* social well being of the country.

The Alliance will form an Economic Development Fund, in the vicinity of $300 million. The fund will be used to revitalise regional economies through investment in job creation. The sad old refrain from the right that Governments can't pick winners does not apply. There are many both private and public venture capital funds around the world that are both successful and profitable. The Alliance wants a partnership between business and the Government to build new industries and create employment. It will be industry professionals who are working with the Government to decide how the money can best be invested.

Conclusion

It is extraordinary in many ways that New Zealand is still managing to keep its head above water. Our phenomenal debt burden as a nation, evidenced in total debt figures as well as our massive balance of payments deficit will eventually turn around and bite us hard. It is a mystery in many ways that they haven't already. The likelihood is that a new government of the Labour and Alliance parties will be forced to confront a very dangerous economic environment, at the same time as having to take on the rebuilding of communities and essential services.

One myth we must confront is that the way we bargain for wages and conditions is a determinant of overall economic performance. Demonstrably it is not. Even if it was, then labour market deregulation a la the Employment Contracts Act is clearly not the right system for us.

It will be important to lower the blood pressure of employers, and in particular investors, in relation to pledges by both Labour and the Alliance to repeal the ECA and replace it with a collective bargaining law. It is not only these parties or the new government who have a responsibility to do that, either. Emotive hyperbole directed against these policies by organisations such as the Employers' Federation is self-defeating and wrong. New Zealand employers and investors now rely heavily on the confidence of international financial institutions which – as many a country has directly experienced recently at the expense of their whole economy – can extract a big toll in reaction to a small stimulus. The continuing narrow pursuit of marginal profits at the expense of wages and conditions might make sense if the fight were only between managers and workers. But it is not. The challenge we face as a nation is to reduce our dependence on others, before they force the abandonment of our independence altogether.