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CHRONICLE

June 2000

The debate over the Employment Relations Bill continued as employer organisations attacked the various clauses as well as the Bill's underlying philosophy. Chief Executive of Employers and Manufacturers Association (Northern), Alasdair Thompson, criticised the Bill for being at odds with how New Zealand workplaces functioned. However, he also stressed in the *NZ Herald* that "business discontent over the performance of successive Governments has been running deeper and longer than the present legislators have been in office. The changes coming to our employment relations environment are really just the last straw". While Government leaders announced their willingness to work on adjusting particular clauses in the Bill, it was also stressed that the Bill was a key policy pledge by the Labour and Alliance parties and notions of fair dealings and dialogue were inherently important for fostering a new policy direction.

It was revealed that Government had increased the money allocated for dispute resolution from $3.1 million last year to $13 million this year as part of the introduction of a free nationwide mediation service.

The controversial Community Work scheme – also known as the work-for-the-dole scheme – was adjusted as part of job measures announced in the Budget. It would no longer be compulsory for the disabled to participate in the scheme although the unemployed were still required to take jobs in the community. The Budget also allocated over $200 million for industry and regional developments over the next three years. The Minister of Social Services, Steve Maharey, announced that the Community Employment Group would be transferred from the Department of Work and Income to the Department of Labour. This was a reversal of the October 1998 restructuring where the Community Employment Group severed its links with the Department of Labour.

The staff crisis in public hospitals hit front pages as the exodus of doctors and nurses for overseas jobs continued (see April *Chronicle*). At least one in 10 junior doctor positions was vacant nationally, according to the *NZ Herald*. The shortage of staff had already led to the cancellation of operations and some hospitals had started to close certain services. The exodus was blamed on low salaries, the effect of the student loan schemes and work overload. The much higher Australian salaries were a major factor but other English-speaking countries were offering salaries well above the New Zealand level. The Resident Doctors Association was advocating a 20 percent increase in the junior doctors' pay but in negotiations with Auckland hospitals the initial pay offer was 1.5 percent. The Government announced an $11.8 million fund to train overseas doctors so they could work in New Zealand. Many overseas doctors with New Zealand residency were not allowed to work as doctors because they had yet to obtain the general registration examination.

A two-day strike amongst veterinarians working for the Ministry of Agriculture and Forestry (MAF) caused concern amongst meat processors since it would interfere with the processing of meat for export. The strike came after several months of negotiations and around 120 veterinarians working for MAF announced a partial strike in March but subsequently withdrew the strike notice to continue negotiations. According to the *Dominion*, the union – National Union of Public Employees – was seeking a 14.5 percent pay rise while the employer was offering six percent.

Workers at the Glenbrook steel mill staged a two-day strike when their pay negotiations broke down. The BHP-owned steel mill had offered a pay rise of around five percent but this was rejected by 87 percent of the workers. The workers had no pay rise in last year's settlement.

An Employment Court ruling made front page news when it awarded a former probation officer around $1 million in compensation. In 1996, the officer had to retire at the age of 51 on stress related medical grounds after the Department of Corrections had failed to react to complaints about work overload and working conditions from the officer and several of his colleagues.

A former police video producer was awarded $242,000 in damages in a High Court ruling. Besides the level of award, the case set a new precedent since it were the first civil case in which damages for the so-called post-traumatic stress disorder was paid. The disorder was suffered because of long-term work with videotaping of horrific crime and crash scenes with inadequate staffing, equipment and premises adding to stress.

The media also reported that a former press secretary to a National cabinet minister had won an Employment Court appeal for unjustified dismissal and was awarded more than $11,000.

A ministerial inquiry into safety at Tranz Rail was announced. It would focus on both occupational safety and passenger safety and was due to report back before September. The inquiry followed the deaths of five rail workers within a year (see May *Chronicle*).

Veteran trade unionist Jock Barnes died aged 92. Jock Barnes was the leader of the Waterside Workers' Union during the notorious 1951 waterfront dispute.

It was announced that the National Distribution Union intended to re-affiliate with the Council of Trade Unions. The union represents around 18,000 members in retail, transport, clothing and timber industries and it is the fifth largest union in New Zealand.

The *National Business Review* reported that Telecom, the country's biggest company, would be nearly "union-free" in the near future. Telecom had more than 7000 staff but only 300 of them were covered by a collective employment contract. It was rumoured that a planned restructuring of Telecom's service division would reduce the number of employees covered by collective contracts even further.

According to media reports, the Government intended to postpone indefinitely an increase in the statutory minimum wage for young people although a lowering of the adult statutory minimum wage from age 20 to 18 years would proceed (see April *Chronicle*). It was also unlikely that the Alliance's plan for 12 weeks paid parental leave would progress before the end of the Government's first term. The Finance Minister, Michael Cullen, announced that any parental leave scheme would be funded by general taxation, not by an employer levy as proposed by the Alliance. These decisions were a response to the drop in business confidence and economic growth.

A report commissioned by Treasury found that income inequality had grown faster in New Zealand than in other OECD countries during 1986-1996. The report estimated, based on Statistics New Zealand figures, that the median household income fell by around 0.7 percent a year during the 10-year period.

According to figures from the Department of Work and Income, nearly a third of the population received a welfare benefit during the first four months of this year. The figures, published by the *Dominion*, showed that superannuitants constituted nearly half of these people. This still left over 15 percent of the population receiving other types of welfare benefits. The overall figure for welfare benefit recipients did drop by one percent compared to the 1999 year.

Chief executives in the public service received an average salary increase of six to seven percent during the June-to-June 2000 year. State Services Commissioner, Michael Wintringham, said the increases were the end of a three-year programme to bridge the gaps to the salary levels of other chief executives. According to the *NZ Herald* and the *Dominion*, "A link between remuneration of public service heads and private sector chief executives was formally severed in 1997. The Government then agreed to a new link between the core public service of 35 departments and the wider state sector – about 240 organisations including crown entities, public hospitals and state-owned enterprises".

The slow-down of the economy had yet to show up in official employment figures but there were several major job losses announced. Forestry giant CCH made 55 workers redundant at its Tokoroa sawmill as part of re-scheduling work amongst its sawmills. Software maker Geac NZ laid off 40 software developers as the company shifted its software development focus. Internet retailer Flying Pig made half its staff – 20 people – redundant after sales projections failed to materialise. As part of restructuring at Goodman Fielder, the Champion flour mills in Auckland and Palmerston North closed with over 100 employees losing their job.

On a more positive note, Telstra Saturn announced that several hundred people would be employed to build its $200 million Christchurch network. The growth in information technology jobs also impacted on the universities and polytechnics with several institutions employing new teachers in the information technology area over the last year. Interestingly, the ANZ job ads survey for May found that job ads remained close to the peak of November 1999 with the Christchurch region enjoying a significant rise in adverts.

July 2000

The debate over the Employment Relations Bill continued with the Government indicating that it would meet the major concerns expressed by employer organisations and businesses. The key areas mentioned by ministers included issues such as the status of independent contractors, the use of fixed-term contracts, the protection of confidential business information, employer-employee interactions during contract negotiations, access of union officials and the role of non-striking employees during a strike. While it was unclear what measures would be taken regarding each of these issues, it appeared that the Government was moving beyond just technical changes.

The role of unions under the pending Employment Relations Act was further highlighted when the Warehouse announced that an "in-house union" called People First had been formed. The union was reportedly an independent initiative by former staff. It was revealed subsequently that the company had supported the union formation financially. Whether this would be acceptable under the Employment Relations Act would have to be determined by the Registrar of Unions once the Act was implemented.

With the return of accident coverage to the Accident Compensation Corporation (ACC), its Chief Executive, Garry Wilson, was proud to point out that the ACC's average workers compensation premium of $1.11 was nine percent below the average $1.21 charged by the private providers during 1999-2000. Mr Wilson stressed that employers had the choice between three premium options – the standard premium, the partnership discount plan (for short-term self-management) and the full self-cover premium. The last two options were mainly reserved for larger employers with well-developed safety and human resource systems.

On the other hand, the state-owned Work Insurance company announced that 40 redundant staff would receive close to $1 million in redundancy compensation. Work Insurance was set up to be the employers' default insurer if employers failed to take out an accident insurance policy. As Work Insurance made a $5.6 million profit in its first six months and would return another $165 million to the Crown, the redundancy payments would be of little strain on the public purse.

Likewise, a number of private insurance companies revealed plans to lay off staff as they adjusted to the new accident compensation regime. While private insurers could work with large employers that joined ACC's partnership programmes they would process less claims and their management systems had to be altered considerably. Private insurance companies had invested between $70 million and $100 million to enter the workplace insurance market, according to Insurance Council estimates.

Massey University announced that it expected the number of redundant staff to fall from the originally announced 116 to 86 (see May *Chronicle*). Following staff protests in May and June, the university revisited its plans and through discussions with staff it was possible to limit effects by redeployment and voluntary early retirements. Vice-chancellor James McWha blamed the cuts on falling student numbers and cuts in government funding.

A report published by the Association of University Staff (AUS) and the Vice-chancellors' Committee found that government funding for full-time university students had declined by 36 percent since 1980. It was also stressed that the funding per student would decline next year too, if the universities accepted the fee stabilisation proposal unveiled in the Budget.

Minister of Social Services and Employment, Steve Maharey, announced that the government intended to implement a universal welfare benefit by 2002. The universal benefit system would cover all beneficiaries except superannuitants. Mr Maharey gave beneficiaries a "cast-iron guarantee" that their income would not be curtailed under a universal benefit system. The abolishment of the Community Wage scheme – the work-for-the-dole – from 1 July 2001 was also announced (see June *Chronicle*). Instead of the community wage there would be an unemployment benefit option and a non-work tested sickness benefit.

Minister of Social Services and Employment, Steve Maharey, launched the Government's Modern Apprenticeships programme. The programme would initially fund 500 new apprenticeships with the aim of having 3000 apprenticeships in place by 2002. The programme focussed on 16 to 21 year-olds and there would, under the guidance of 12 co-ordinators, be pilot schemes run in 18 industry sectors.

The Government announced a review of the Health and Safety in Employment Act. The review would be conducted by the Department of Labour's Occupational Safety and Health Service and it would consider the recommendations made when a labour select committee conducted a review in 1996. While the media focused on a suggestion that spot fines could be introduced for unsafe workplaces this was clearly a minor and rather controversial part of the labour select committee suggestions.

The shortage of medical staff continued to surface with cancellation of operations, a shortage of experienced nurses and junior doctors (see June *Chronicle*). As Australia also reported a shortage of both nurses and junior doctors but offered considerably higher salaries it was expected that the exodus would continue. Nevertheless, the shortage of staff seemed unevenly spread across the country and some hospitals appeared to have no shortages while others had to rely on overseas recruitment or resort to a reduction of certain services.

A complaint to the Ombudsman by the *NZ Herald* that the Fire Commission's Chairwoman, Dame Margaret Bazley, should disclose the figure paid to former Fire Service Chief Executive, Jean Martin was upheld. It was originally rumoured that Ms Martin received a $50,000 "golden handshake" when she resigned from the Fire Service shortly after the departure of the Commission's Chairman, Roger Estall (see May 1999 *Chronicle*).

However, Dame Margaret Bazley revealed after the Ombudsman's ruling that Ms Martin had been paid between $160,000 and $180,000 on top of her annual salary when Ms Martin left the Fire Service.

Despite some shareholders objecting, transport company Mainfreight continued with its plan of a staff share issue. The shares would be worth around two percent of existing capital, the shares would be issued at a 30 percent discount of current market price and they would be offered to around 1200 employees. These employees had all been with the company for at least one year.

A Victoria University study of workers aged 40 years and older showed that older workers were generally positive about their jobs. Interestingly, respondents did not see their age as a disadvantage and many intended to take up some paid work after retirement. The *NZ Herald* reported: "Despite downsizing, restructuring and instability, most of those over 40 in paid work trusted their employers, felt valued as employees, looked forward to going to work and did not worry much about their jobs".

A strike at the Ports of Auckland was averted when the two parties agreed on a settlement. The waterfront workers had voted in favour of strike action in late June but a six-month collective contract prevented an outbreak of industrial conflict. The contract was reported to include a three percent pay rise to the 300 members of the Waterfront Workers Union.

On the employment front, many New Zealanders were reported to be seeking jobs in Sydney in connection with the Olympic Games. The Auckland hospitality industry and the building industry had already felt the effects of increased activity in Sydney. The Department of Work and Income in Northland had also received numerous recruitment offers and it had training providers on standby to help job seekers.

August 2000

The Employment Relations Bill was passed after nearly 70 hours of debate in Parliament. Proponents and opponents were at loggerheads throughout the debate with the Opposition predicting economic doom and gloom and the Government celebrating the implementation.

When the Employment Relations Bill and the changes recommended by the labour select committee were tabled in Parliament it prompted rather different interpretations of the changes proposed. The Opposition labelled the proposed changes "cosmetic" and the Employers' Federation Chief Executive, Anne Knowles, urged that further changes should be implemented. The Government stressed that there had been several crucial changes although it still thought the Bill's underlying philosophy of co-operation and fairness was intact.

As reported in the June *Chronicle*, there were several important changes to the original Bill: contractors would only become employees if they agreed to this; fixed-term contracts would be allowed where genuine business reasons existed; confidential material provided during contract negotiations could only be disclosed to outsiders if both parties agreed; union access to workplaces had to be "reasonable" and comply with normal business operations; non-striking workers could agree to work during strikes; liability of directors would be limited to situations where they had been directly involved in underpayments of holiday or minimum wage entitlements.

The two union confederations – the Council of Trades Unions and the Trades Union Federation – agreed to amalgamate. The amalgamation was still to be ratified by members. It would create a confederation – The New Zealand Council of Trade Unions - with unions having more than 300,000 members

Finance and Accident Insurance Minister, Michael Cullen, announced that the Cabinet had agreed, in principle, for the ACC to make lump-sum payments of up to $100,000 for impairment. The National Government abolished lump-sum compensation in 1992 and Labour had promised a reversal during the election campaign. However, the low ACC premiums implemented last month meant that the Government had to delay another election promise: lump-sum compensation up to a maximum of $15,000 for loss of enjoyment of life.

The ministerial inquiry into safety and health at Tranz Rail heard several reports of substandard safety practices, unsafe equipment and very long working hours (see June *Chronicle*). The changes to rostering systems and staff shortages had put considerable strain on staff and concerns over the state of equipment – for example handgrips – were frequently raised. The *Dominion* reported that Tranz Rail had a bleak safety record: "Casualties since 1993 include 15 deaths – 14 rail workers and a seaman – about 60 serious injuries and an unknown number of less serious injuries". The inquiry had severe implications for Trans Rail's top management with the departure of several executives being announced during the inquiry.

Minister of Internal Affairs, Mark Burton, intervened in the long-running stand-off between the Fire Service Commission and the Professional Firefighters Union and demanded the settlement of a collective agreement. The demanded agreement was rumoured to included a large pay rise of nearly 30 percent – the first collectively agreed pay rise for nearly 10 years – continuation of the 42-hour week and no changes to fire engine crew numbers.

The shortage of hospital staff was again in the headlines. Several public hospitals were faced with strikes amongst junior doctors at the same time as they had to deal with the effects of staff shortages. There were strikes at Whanganui, Palmerston North, Waikato and Whangarei hospitals but at least 20 hospitals were involved in contract negotiations. Of these, 18 hospitals had offered a nine percent pay rise over two years while the Auckland hospitals – employing nearly half of all junior doctors in New Zealand – were negotiating separately (see July *Chronicle*).

Capital Coast Health offered a seven percent pay rise and a $500 bonus to intensive care nurses as an attempt to counter staff turnover. The intensive care unit had a shortage of 20 experienced nurses and several operations had had to be cancelled during the previous months. The pay offer prompted an angry response from other groups of nurses with demands for a similar pay rise as well as an increase in allowances.

Capital Coast Health paid nearly $1 million and publicly apologised to 181 former cleaners and orderlies. The retribution came subsequent to an Employment Court ruling which found that Capital Coast Health had erred in the process of contracting out catering and cleaning services to a private company in 1993.

The Association of University Staff challenged the Massey University restructuring in the High Court. The final restructuring plan involved 249 teaching staff who had been asked to apply for 191 positions (see July *Chronicle*).

The Child, Youth and Family Services (CYFS) reported a very high level of staff turnover amongst social workers. The Service was currently losing social workers at a rate of three a week as many newly qualified staff left because of overseas opportunities or they suffered from occupational burnout.

Research by the ANZ Bank put the spotlight on over-paid and under-performing executives in large New Zealand companies. The research found, according to the *Dominion*, that "Since 1990, the 40 biggest Stock Exchange-listed companies had eroded an estimated $15 billion of shareholder wealth, not counting the $4 billion of market value lost by Brierley Investments". A contributing factor to this erosion was that generous executive salaries had little relationship to the returns generated for shareholders.

Another public sector scandal appeared likely when Local Government New Zealand's Chief Executive, Carol Stigley, abruptly left her job. Mrs Stigley was reported to have received a large "golden handshake" in connection with her resignation.

There was a surprise fall in the official unemployment rate from 6.4 percent in March to 6.1 percent in June, with a strong fall in Maori unemployment from 18.2 percent a year ago to 13 percent. This was a 12-year low for Maori unemployment. Nevertheless, these reductions were mainly due to a fall in participation rate as there had been fewer jobs created in the first six months of this year.

September 2000

Negotiations between junior doctors and 18 public hospitals ended with a two-year agreement that increased pay by eight percent over the two years (see August *Chronicle*). This was slightly below the original employer offer of nine percent but it included several other improvements such as a new pay scale (involving a faster rise in pay levels) and a greater investment in training. The Auckland hospitals agreed subsequently a similar deal with their junior doctors.

The agreement with junior doctors prompted the Nurses Organisation to seek a similar deal for its members. It caused the Resident Doctors Association to point out that there was little similarity between the employment conditions of the two groups. Nevertheless, pay levels were clearly at the heart of the problem as overseas agencies were running recruitment campaigns which promised higher pay and a number of other benefits to experienced nurses.

According to the *National Business Review*, "At least nine disgruntled employment tribunal staff are pursuing personal grievance claims in the wake of botched restructuring". The staff had yet to be told of their fate following the transition from the Employment Tribunal to the Employment Relations Authority under the new Employment Relations Act. However, the Chief Executive Officer of the Employment Institutions, Matt Gilbert, said that he was unaware of any staff pursuing personal grievances.

A drainage contractor was found guilty of manslaughter by the High Court after a workplace accident in 1998. One of the drainage contractor's employees died when a trench collapsed and crushed him. The contractor was ordered to do 80 hours community service and was fined $20,000 in total - $10,000 to the dead man's widow and $5,000 each to his mother and father. The contractor had already been fined $25,000 under the Health and Safety in Employment Act – with $17,000 allotted to the widow of the employee – but he was charged as an individual under criminal law.

The Employment Court ordered Kapiti Coast District Council to pay $75,000 to a former manager for the loss of his job and for humiliation. The former manager had been made redundant after disagreeing with the Council's General Manager and its Mayor over land development.

In another ruling, the Employment Court ordered Tuckers Wool Processors to pay nine former employees $10,000 each. This case became notorious since the Court found that the firm had behaved "harshly and oppressively" in its dealings with the employees (see October 1998 *Chronicle*)

Qantas New Zealand – formerly Ansett NZ - admitted that it had to cancel several flights because of a shortage of pilots. Following a protracted industrial dispute last year (see September 1999 *Chronicle*), the airline had experienced an exodus of pilots.

A shortage of information technology specialists prompted a recruitment drive in India by the combined force of the Information Technology Association of New Zealand, the Immigration Service and Trade New Zealand. It was hoped that it was possible to recruit 200 information technology specialist by running a services of seminars in various Indian cities.

Wellington was the biggest victim of "brain drain", according to an analysis by the *Dominion*. Wellington had a net migration loss of 3,076 people in the year to 30 June 2000 which was equivalent to 32 percent of the national net migration loss, despite Wellington having just nine percent of the total national population. The migration loss was partly prompted by several large organisations – ANZ Bank, Bank of New Zealand, TransAlta and Trade NZ – relocating parts of their operations.

The *NZ Herald* obtained papers which showed that it cost the Department of Corrections nearly $90,000 to sack two probation officers. The officers had accepted cannabis from offenders in turn for favourable pre-sentence reports. The costs involved legal fees to a law firm, internal investigations and travel costs.

AMP Banking announced that it would close most of its New Zealand operations with the loss of around 150 jobs amongst the bank's 200 staff. A sales force of around 50 people would service New Zealand while back-office operations would be conducted out of AMP's Sydney organisation. AMP Banking was founded five years ago as the telephone bank Ergo and it had more than 35,000 customers. Following a promising start, business had stagnated during the past year and the bank had difficulty in breaking even. The past two years had also witnessed several management changes and high staff turnover.

A High Court ruling found that Otago University had specified an unlawful retirement age in its post-1992 employment contracts. The University had sought to uphold a retirement age of 65 years. Following the Human Rights Act 1993, only contracts signed before April 1992 and remaining in force could contain such a provision.

The latest survey of international competitiveness by Geneva-based World Economic Forum reported a significant downgrading of New Zealand: from place number 13 last year to number 20 this year. One of the main reasons for the fall was much lower labour productivity rates, compared to most other OECD countries.

Compaq New Zealand had invited its 160 contract workers to become permanent staff. This was expected to lift Compaq's number of permanent staff to 380 people. The company admitted that the Employment Relations Bill had had some influence on its decision.

Recruitment drives by British and Australian companies to employ New Zealand social workers and police officers had public sector employers worried. The shortage of social workers was already a worry for the Child, Youth and Family Services (see August *Chronicle*) and Auckland police had problems with high staff turnover. Auckland City Council conducted a survey of police needs and found a shortage of police officers and, unsurprisingly in light of recent turnover, a worrying lack of experienced officers.

The virtues of family friendly workplaces were promoted by the EEO Trust's Executive Director, Trudie McNaughton, in the *NZ Herald* where she pointed to family-friendly policies as good business strategies. For example, the Woolworth (NZ) work-and-life policies had improved staff retention (staff turnover was down by nearly eight percent since 1996) and better team work. Woolworth's recent announcement of a domestic leave provision was also received positively by many customers.

The Engineering, Printing and Manufacturing Union would run a concerted campaign to increase union membership amongst firms which it labelled the "Nasty Nine". During the era of the Employment Contracts Act, these companies had used anti-union tactics to reduce union membership and often refused to negotiate collective employment contracts.

The Department of Labour's Employment Relations Service mailed booklets to around 240,000 employers to prime them for the changes brought in by the Employment Relations Act's implementation in early October.

It was revealed that former Victoria University Vice-chancellor, Michael Irving received a "golden handshake" of over $420,000 when he resigned last year.

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