

The system of wages and conditions of employment bargaining, which bear heavily on the state of industrial relations and affect the standard of employer/employee relationships, are continuing to be untidy, undisciplined and in some cases even unprincipled. These systems have to date remained unmotivated by efforts made and still being made, to reshape and redirect the pressures they cause so that a degree of stability and order may be found.

Wages bargaining takes place within the framework of our industrial laws, within the political, economic and social structure of the country and within the climate or mood so established. We have in New Zealand an unsatisfactory stage setting for wages bargaining. Our economy, export markets, overseas reserves, the energy crisis, inflation, domestic and internal politics, and the stresses and strains in our society, have each and collectively developed a mood of uncertainty, and a deep concern for our future.

As a nation we have developed and are continuing that conflict of interest situation, instead of the necessary commonality of interest approach which is vital to a free enterprise democratic society, if it is to survive.

The present chaos in our wages and conditions of employment bargaining has therefore been predictable. Some of this chaos just happens as an inevitable part of direct bargaining, but a substantial portion is orchestrated.

In looking at the trends in wages and conditions of employment bargaining in New Zealand, the evaluation of where we are today can be traced over the last four decades, each of which has a clearly definable trend.

#### 1940's:

The predominant feature in wages bargaining in the 1940's was the making of Standard Wage Pronouncements by the Court of Arbitration - 1945, 1947, 1949 (and 1952). These pronouncements set down the Court's finding on levels of skill, semi-skilled and unskilled wage levels to be incorporated into awards. This decade covered the war years and postwar period of getting the country back on to a peace-time footing. With a stable economy and low inflation, there were no ripples to speak of.

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1950's:

This is the decade of general wage orders - 1950, 1951, 1952, (standard wage pronouncement in lieu of general wage order application), 1953, 1954, 1956, 1959.

New Zealand was in a period of increased economic activity with the maintenance of a low inflation rate. This was the period of the Korean War, the wool boom, and the country seemed to have everything going for it. We had the development of our secondary industry and although immigration was being stepped up, an acute shortage of labour developed. The phenomena of wages drift began to occur. That is, the drift of paid wages away from the legal minimum award rates.

Workers unions wages pressure developed in the area of whether or not employers were going to "pass on" the award or general wage order movements in wage rates. The union officials activity was to seek a movement in the paid wages of companies, and did not develop any argument on the precise level of the above award wages, that had developed as wages drift in the law of supply and demand for labour. It is true that some unions developed a policy of shop rates as against individual workers holding individual wage rates in a company. Because of the "pass on" argument of unions, employers moved to a review of paid wages concurrent with the various awards to avoid making reviews immediately prior to an award renewal, and then also coming under pressure to "pass on" the award increase. The award renewals were fairly leisurely affairs at two year periods and it was not uncommon for awards to move well past their expiry dates before the union would seek its renewal. Relativity of wage rates at the award level did play a major feature in award negotiations. As often as not it was the Court of Arbitration that established a trend in minimum award wage levels through an arbitration decision.

New Zealand seemed to have the answer to stable industrial relations and bargaining systems, such that other countries with less had practitioners and theorists visit New Zealand to see how our system operated. No one was "rocking the boat", nor did they seek to.

1960's:

Again a decade of general wage orders - 1962, 1964, 1966, 1968, 1970. With the acute shortage of workers especially skilled tradesmen continuing to plague an expanding secondary industry sector, wages drift was accelerating.

Workers' Unions began to opt out of the sanctity of the averaging Award system into paid wage rate bargaining over and above the minimum Award rate. That is, a move away from conciliation and arbitration, into confrontation. No longer were Awards to be negotiated prescribing their lawfully enforceable provisions, with the paid wage rate and actual conditions of employment to be left to the law of supply and demand. Key Unions such as the Engineering, Boilermaking, Electrical, Carpenters, Labourers and Drivers, changed the system and placed strain upon the continued viability of national industry Awards. These Awards and the legal framework under which they were made (the Industrial Conciliation and Arbitration Act) were propped up by the negotiation of ruling rate agreements, house agreements and other forms of paid wage agreements for industries or individual companies.

The first such agreements were negotiated in the Building and Contracting Industries for Auckland and did stabilise the wages pressures which the various Workers' Unions had brought to bear. The purport of the agreements being to achieve "stability of wage rates and general harmony" in the various industries.

This was also the decade for "margins for skill" cases which were argued before the Court in 1965/66. In 1967 New Zealand moved into a recession, devaluation, and a period of uncertainty that left wages bargaining in limbo for upwards of nine months (August 1967 to June 1968). It was the Court of Arbitration itself that started a 2¢ per hour movement in award wage rates in a decision in early 1968 that helped to get wages bargaining under way again. 1968 was of course the year of the nil General Wage Order with its aftermath of a return to the Court with the Judge of the Court being outvoted by the workers and employers nominees as a majority. Actually the employers of New Zealand were in no mood to sustain the nil General Wage Order decision, such that although the then Minister of Finances allegation of unholy alliance may have had a ring of truth, it was an alliance required in practical terms.

1969 was the year of a severe strike action in the electrical contracting industry in Auckland over the renewal of a ruling rate agreement. This dispute highlighted union involvement in paid wages setting. The decision of the

Committee of Inquiry established a rate for registered electricians of \$1.28 per hour as against the award rate of \$1 per hour. With the statement by the then Minister of Labour that New Zealand did indeed have three tiers of wages setting - minimum award rates, general wage orders and paid wages, an assault on paid wages in their industries was mounted by workers unions, generally seeking 28% above award.

#### 1970's:

This is the decade of change and instability in New Zealand systems of wages and conditions of employment bargaining.

With the pressures on paid wages bargaining, major companies in Auckland established house agreements which were introduced to bring about some logic and stability to a constant parade of union(s) claims. Wages drift continued to accelerate until a drift of 20%-40% above award became common. By mid-1970 the New Zealand Employers' Federation had completed sufficient research ranging over the previous six years to enable an effort to be made to restore the authority of awards of the Court of Arbitration which had been effectively destroyed by wages drift.

"Wage-drift" is a well-known phenomenon in all times of inflation and was during the thirties a nuisance to the planning authorities in the suppressed-inflation, full-employment economies of Germany and the U.S.S.R. It might be maintained, too, that the wage-drift is the normal form of wage development in economic systems characterised by absence or small importance of collective bargaining.

It is, however, only when wage-drift crops up as a disturbance in a system where wages in general are regulated through agreements, each agreement having a vast coverage, that the phenomenon can be conceived of and studied specifically as a statistically and logically definable part of the total wage development. It becomes meaningful to speak about wage-drift as a specific part of the total wage development only when the authority of the agreements is shaken but not completely broken down. This has been the case in Sweden during the full employment period since World War II. Needless to say, even in Swedish post-war experience cases are to be found where earnings are effectively regulated through the agreements, the forces tending to break the authority of the agreements being too weak. On the other hand even earlier cases have existed where the market forces have been strong enough for destroying the authority of the agreements. Once this has happened, in a severe depression or an inflationary

boom, the wage development may begin to take its own course, and the eventual recurrence of more 'normal' market conditions will not in itself be sufficient for the re-establishment of the total dominance of the agreements. The process may be non-reversible; the experience of a period of dominance of other forces may have lasting consequences and - at least for some time - create supplementary determinants of the developments of earnings." \*

\* Bent Hansen and Gosta Rehn: "On Wage Drift". A Problem of Money-Wage Dynamics in 25 Economic Essays in Honour of Erik Lindahl (Stockholm 1956) Page 90.

The updating of the many and various awards to a "more realistic and meaningful level" in 1970 was a chancy and costly exercise and did not fail in the manner of the 1967 attempt in the engineering industry in Australia where the above-award wages element written into their Metal Trades Award was not held as an offset against existing levels of paid wages but quickly swept over the industry, and the country, like a general wage increase.

Updating did generally succeed in reshaping the attitudes of the unions and the employers toward the authority and sanctity of the awards and industrial agreements made in the terms of the Act, and it is true to say that the union movement did honour the essential features of the exercise which are recorded in the Memorandums to each of the updated 1970 documents. Wages drift was reduced to 0-7%. Where the exercise did flounder, and finally required the intervention of Government by way of the wages and salary restraint measures of March 1971, was in the leapfrogging relativity carousel that developed, fed by an unfortunately timed wages arbitration in the freezing industry and by the emergence of State Rates as leaders in the wages field.

In the years of wage restraint between 1971 and 1977, New Zealand tried most known forms of wage and salary control. We tried guideline, freezing, cost of living indexation, jawboning, social contract, self-discipline, serious anomaly, exceptional circumstances, and so on, and so on. None of these approaches of course achieved stability. In 1977 the Government decided to allow "free bargaining" again, the sole restraint being the "12 month rule" that the F.O.L. was prepared to accept, that is that once having achieved the wage rates and code of employment to apply in any award or collective agreement, there would be sanctity of that award or collective agreement for 12 months.

Since 1977 we have of course seen the evolution of Government involvement in collective bargaining. The electrical supply authorities electrical workers

negotiations in 1977, the freezing industry intervention in 1978, the Cook Strait ferries, freight forwarders and general drivers interventions in 1979 are each illustrative of the different forms of Government intervention.

In looking back over the last ten years, having tried most known forms of wage and salary restraint; having tried to restore the authority awards and collective agreements; having experienced an emergence of political strikes; having noted the regular orchestrated pattern of pre-F.O.L. Conference activity by the S.U.P. led unions and having experienced the results of the take-over of the Auckland Trades Council by that group; having had guerilla strike 'activities' become the norm; having automatic deductions of union fees now common place in awards - pouring an estimated \$15-\$16 million per annum into union fees; having the resurgence of wages drift again beginning to destroy the authority of the awards and collective agreements upon which it occurs; having a country caught in a rampant inflation situation; having an unemployment situation and yet an extreme shortage of skilled labour continuing; and having the economic, energy and social problems vitally affecting our free enterprise democracy, is it little wonder that we have become a society questioning our future.

#### 1980's:

In this decade New Zealand must overcome all these ills that have been identified in this paper. An acceptable system of wages bargaining will not alone achieve a recovery but will obviously make a substantial contribution to recovery.

In the last few years there has been developed by the Organisation for Economic Cooperation and Development (comprising 24 western industrialised countries), the concept of "social responsibility in collective bargaining". Emphasis has also been given in papers the New Zealand Employers Federation has presented on the need for a 'balance in bargaining' and on 'a need for commonality of interest' and not conflict of interest. It is true that the balance of power in industrial relations in New Zealand today appears to be held by the union movement. Certainly strike actions have become more sophisticated whereby union members no longer act with their feet before adopting strategies from the head, and that in their wages bargaining employers are still motivated by expediency and relativity when the pressure is on.

It has been said that employers have no preparedness for pain, that their bargaining is not based on ability to pay but on preparedness to pay.

Put in another way, it is alleged that employers are not showing social responsibility so long as they are prepared for 'soft' settlements or too easily succumb to demand on the grounds they expect to be able to recover by passing on the cost of their concessions to their product and ultimately the consumer. The finger is certainly pointed to contractors in this regard.

Many ideas to improve industrial relations have been put forward by interested or affected parties. A short list of aspects that require investigation would be

- Attitudes.
- Sanctity and authority of agreement when made
- Improved balance of power
- Social responsibility in collective bargaining
- Communications
- Commonality of interest and not conflict of interest
- Amalgamation of Unions, particularly into industry Unionism
- Indexation of wages; especially as part of an economic package
- Incomes policy
- Tri-partite or even bi-partite / Centralized Bargaining  
(Employers' Federation, F.O.L., with or without Government),  
or the direct opposite:  
decentralized bargaining (that is breaking up of the  
national award system into industry or company bargaining).

Each of these aspects of industrial relations is under review because in no way can New Zealand continue with its current system of wages bargaining where a dozen or so key award negotiations trigger off the relativity flow-on into all industry awards, into second-tier paid wage bargaining, and ultimately through survey/pay research into the wages and salaries of State servants - with each of these procedures for creation of Union and workers expectations leading to final settlement of wages, involving no criteria whatever for the state of the economy, the ability of the country or the industry or the individual employer to pay with resultant feeding of domestic inflation, or causation of retrenchment, redundancies, loss of overtime.

The New Zealand employers' Federation Inc. through its 1979 discussion paper "Balance in Bargaining" and through the exhaustive research undertaken prior to the commencement of 1979 collective bargaining round of just what the export sector of New Zealand could absorb by way of labour cost increases for the year without losing markets, is illustrative of the motivation that is required of and by employers if New Zealand is to survive as a free enterprise democratic society.



We will carry into the 1980's various proposals by the F.O.L. for changes in our systems and wages bargaining such as:

- consumer price indexation for wages movement
- minimum living wage
- restoration of general wage orders
- right to direct bargaining without interference.

Through each of these claims a common thread appears and that is that the union movement wants to preserve the "right" to take the employer through as many bargaining stages in the one bargaining round as it sees fit. In other words, a company's or industry's code of employment is never in fact finally settled. There is bargaining at the award level, bargaining at the paid rate level, recourse to a general wage order application, claims for productivity agreement, travel allowances, redundancy agreements, reopening of various codes by disputes committee, indeed a constant parade of wage cost claims which continually add to an employer's inability to get on with the job so that he can perhaps afford to meet even the cost of the now annual bargaining round.

#### C.P.I. Index:

In defending it as a panacea for inflation in so far as wage rates are concerned, the union movement expects full compensation for consumer price index movement plus as has already been noted the "right" to continue with whatever other forms of bargaining it wishes to demand. Indexation in this form is not the indexation now occurring in Australia wherein the Australian trade union movement has given undertakings to not proceed with paid wage demands upon the employers but to handle any anxiety over wage levels through work value cases submitted to the Conciliation and Arbitration Commission. This centralized system of wage compensation is coming under strain and paid wage claims are beginning to arise and some unions report \$5 - \$7 per week above award wage increases are being "won".

In a recent news release from the Minister for Industrial Relations - 41/79 Government's Initiatives on Wage Indexation 17 August 1979 - the Australian Government has "developed a package of proposals as a basis for re-establishing consensus between the parties involved in wage fixation. Such consensus is necessary if an orderly, centralised system of wage fixation is to be preserved. All parties have already stated their commitment to such a system."

The main features of the Commonwealth's initiative are:

- "A firm and continuing commitment by all parties to refrain from pursuing wage and other labour cost increases outside the wage fixation principles, and a rejection of industrial action in support of such increases. This commitment would be a pre-condition to the other elements of the Commonwealth package.
- Automatic wage indexation every six months for movements in the Consumer Price Index discounted for price increases resulting from Commonwealth Government policies, e.g. import parity petroleum pricing, indirect taxes.
- Claims for wage increases based on work value to be subject to rigorous examination and testing by the Conciliation and Arbitration Commission.
- The Conciliation and Arbitration Commission, when determining a wage increase based on work value, to pay particular regard to skill and responsibility.
- No productivity hearing until at least October 1980; in any such hearing only the movement in productivity which had occurred over the preceeding 12 months could be considered.
- The proposed wage fixation system to operate for a fixed period, of say 2 years, after which it may be reviewed.
- The Conciliation and Arbitration Commission's current principles of wage determination to continue to operate with the necessary amendments to reflect the Commonwealth's proposals.

The Ministers stated, "The proposal is an integrated package; the individual elements do not stand alone and part of it, of course, is an end to the current rash of disputes over wage demands."

It should also be noted that in the New Zealand context it can be shown that the national trend setting awards already settled in the 1979/80 bargaining round have been better off under the different wages systems that have applied during 1970 than if consumer price index had been followed over the same period. In other words, even at the award level let alone the paid level with its accelerating wages drift there is no case to answer on indexation.

Minimum Living Wage:

The concept advanced by the Federation of Labour in its application to the Court of Arbitration for a minimum living wage of \$147 a week had as many pitfalls in it for the trade union movement as it did for the employers and the economy of New Zealand as a whole. The one major deficiency was the impact of such a minimum living wage upon margins for skill and the undoubted interest of those unions with skilled tradesmen as members having to seek a restoration of margin both at the award and paid level. If the Government and the Employers' Federation is still prepared to discuss the concept of a minimum living wage within the context of wage rates - income tax rates - child benefits and other income elements, it is surely beneficial to union members for the F.O.L. to pull back from a concept that had obvious fish hooks for its own constituent unions and look again at the wider proposal.

Restoration of General Wage Orders:

There is obviously a need in New Zealand for a more orderly system of wage setting. It is a "three bites of the cherry" attitude that has obviously brought about necessity to reduce the number of bites and the general wage order system has accordingly fallen. We are now left with the minimum award negotiations and in many cases but not all, the demand and achievement by unions of paid wage and conditions of employment bargaining. Wages drift is again accelerating. In 1970 wages drift of up to 40% was destroying the authority of New Zealand awards. The action taken was to remove wages drift by absorbing it. This action was at substantial cost to New Zealand but at a time that the economy of the country was better suited to absorb such cost.

In 1980 with wages drift again beginning to destroy the authority of awards and collective agreements it would be foolhardy to remove wages drift by absorbing it. Firstly, on the ground that the economy of the country cannot afford it, and secondly, on the ground that absorption would be inevitably followed by rebirth.

It would appear that the action necessary in 1980 is to remove wages drift by recognising it, and not endeavouring to restore the authority of those awards and collective agreements upon which it has again risen. I refer again to the extract of the paper by Bent Hansen and Costa Rehn (1956), and quote again the analysed affect of wages drift. The stated affect of wages drift and its consequential destruction of the authority of agreements:

"Once this has happened, in a severe depression or an inflationary boom, the wage development may begin to take its own course, and the eventual recurrence of more 'normal' market conditions will not in itself be sufficient for the re-establishment of the total dominance of the agreements. The process may be non-reversible; the experience of a period of dominance of other forces may have lasting consequences and - at least for some time - create supplementary determinants of the developments of earnings."

Right to Direct Bargaining without Interference:

Unless the trade union movement and the employers party to wages bargaining can develop and sustain "social responsibility in collective bargaining" then obviously in the interests of the economy, the New Zealand Government (whether National or Labour) will have to continue to play its role as custodian of the economy of New Zealand and our free enterprise democratic society. If this is not done there is indeed no future for New Zealand but a downhill slide into social revolution such as was being predicted for the United Kingdom in 1976.

This of course is what the Socialist Unity Party is about; and this is what the recent displays of employer solidarity are all about. Individual and industry groups of employers have had enough of being kicked around and are prepared to stand up and be counted and take the pain that they have been accused in the past of not being prepared or able to sustain. It is about time New Zealand as a whole decided which way it wants to go if indeed we want to continue the downhill slide so be it. If we do not wish the slide to continue and have not got North Sea oil to prop us up, then it is an urgent requirement upon us all that a consensus be reached.

It is my view and that of my organisation that in the 1980's, out of the pain the private sector is now experiencing in wages and conditions of employment bargaining and in industrial relations generally, in which the public and legal body sectors have and are likely to become similarly more involved, will come a winning consent.

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