5

Restructuring the Relationship

Introduction

In the post-war period Australia and New Zealand faced similar pressures on social protection. They generally also dealt with the pressures in broadly similar ways, though a major difference lay in how each regime coped with the increasing occurrence of decentralised industrial deals between unions and employers. This chapter deals with the follow-up period, when a major policy rethink occurred and there was more thoroughgoing restraint on social protection. The focus period is from the early 1980s to the mid-1990s. In New Zealand, restraint manifested most clearly in the watering down of the arbitration system and the introduction of the *Employment Contracts Act* of 1991. There also were major cuts in the level of many welfare state benefits and services in the early 1990s. All of these measures were part of a radical experiment in economic liberalism, which is understood here in the Polanyian sense of greater reliance on the 'self-regulating' market (Polanyi 1944: 132). The Fourth Labour Government, elected in 1984, began the process. The National government furthered the process from its election in 1990. In Australia, though economic liberalism also took hold, restructuring was

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more cautious. It was more subject to negotiation at the peak national level. The Arbitration Commission[1] maintained its centrality in social protection, being at the heart of a neo-corporatist approach to social protection under a Prices and Incomes Accord (hereafter referred to as the 'Accord') between the ACTU and the Labor government.

Social policy in Australia departed sharply from its New Zealand counterpart. Though both governments imposed a general increase in selectivity and targeting in social security benefits, the Australian system adopted a much greater emphasis on recipients demonstrating active job-search efforts through labour market programs and training schemes. With its emphasis on individual case management and so-called active society measures (OECD 1987, 1988, 1989, 1990), beneficiaries had to fulfil their part of a welfare 'contract'. This implied 'reciprocal obligations' between the state and its welfare client. When viewed alongside key employment relations developments, a more integrated framework of social protection was introduced. That should not be taken to imply that there were necessarily enhancements in protection. Indeed, as will be demonstrated, the Accord was part of a broader strategy of marketisation designed to encourage individuals to be more responsible for their own welfare.

In short, in this period Australia and New Zealand diverged more markedly than they had at any point in their prior policy histories. The primary objective of this chapter is to detail and to account for the main differences while also pointing to some continuing commonalities over the period between the early 1980s and the mid-1990s. The period played a highly important role in the long-historical continuum, because it oversaw a key shift in social protection in the case of both countries. The analysis here has its endpoint in 1996, which saw a new Liberal/National Coalition government elected in Australia, and in New Zealand the implementation of a new Mixed-Member Proportional (MMP) voting system. Regardless of the mixed motivations behind it, MMP acted as an additional and vital check on government policy capacity, which is

[1] From 1993, the Arbitration Commission became the Industrial Relations Commission. As far as is practicable, when referring to the period before 1993, 'Arbitration Commission' is used, and for the period after that, 'Industrial Relations Commission' is used.

significant to the evolving comparative evolution of policy. The chapter finds that most of the factors that were important to explaining overriding similarities in previous periods, were equally responsible in this period for relatively profound differences.

The first section discusses the key Australian developments. The second does the same for New Zealand. The third section provides a detailed comparative analysis.

Australia

Wage Restraint and the 'Social Wage' Trade-off: Accord Marks I and II

The Labor Party was elected to government in 1983 facing a wages pause, a sign of policy caution amid the most severe economic downturn since the Great Depression of the 1930s (Stutchbury 1990: 54). A serious international recession and a drought at home combined with historically high domestic inflation and unemployment rates to spawn a major strategic rethink on economic policy. The package of responses established a 'neo-liberal project', which became entrenched, even if 'built' by Labor governments (Humphrys 2019). For the first time since World War II, in the financial year 1982–83, annual output growth was negative. By June 1983, only three months into the Hawke Labor government's first term of office, unemployment had reached 10.3 percent of the workforce and inflation had risen to an annual rate of 11.3 percent (Davis 1989: 79). Wage indexation had been abandoned in 1981, and more direct collective bargaining prevailed until late 1982 when the (then) Liberal/National Coalition government attempted to curb the wages share of GDP by implementing a wage-freeze (Dabscheck 1989: 37–39, 1994: 153–154).

The Accord, formally titled, a *Statement of Accord by the Australian Labor Party and the Australian Council of Trade Unions Regarding Economic Policy* (ALP/ACTU 1983), represented the major part of the policy framework adopted by the new government to overcome the economic problems besetting the nation. The original Accord document

represented a wide-ranging policy package, but its most relevant dimension was a trade-off between gains in wage-incomes and the 'social wage'. The social wage was defined in terms of 'expenditures by governments that affect the living standards of the people by direct income transfers of provision of services' (ALP/ACTU 1983: 4). In relation to real wage levels, the main recommendation was for their maintenance, though for an unspecified period. On the other hand, '[i]t is recognised that in a period of economic crisis as now applying that this will be an objective over time' (ALP/ACTU 1983: 5). The key lay in the phrase 'over time'. The vagueness of this clause has its roots partly in the desire of the government to avoid a catch-up to the union movement for the wages pause. Clearly, precisely how the relationship between wages and the social wage would be channeled through policy was open to interpretation.

The National Economic Summit (Stilwell 1983), convened in April 1983, was the first major move in clarifying the issue, and indeed the first significant step on the road to the Accord's translation into policy. As well as providing a venue for Prime Minister Hawke's first public speech as prime minister, the summit furnished a tripartite economic policy forum containing representatives from the federal and state governments, trade unions and business, as well as a sole welfare lobby spokesperson in the shape of an Australian Council of Social Service (ACOSS) official.

Wages policy under what subsequently became known as Accord Mark I was to be based on the abandonment of the wages pause implemented by the previous government, and a return to a system of wage indexation (Dabscheck 1989: 56–57, 1994: 154–155). In return for the trade unions' promise to the commission that 'no extra claims' would be made, the four national wage case decisions put into practice the principle of full indexation. That is, wage increases were given to workers which fully compensated them for increases in the cost of living as measured by the consumer price index.

The October 1984 decision, however, did not award full indexation due to what was called the 'Medicare fiddle'. The government argued before the commission that the re-introduction of the universal health care system, under the name Medicare, justified no wage increase. The Whitlam government had introduced a very similar system in the mid 1970s, called Medibank. This system, it was argued, should act as a

trade-off against a wage increase. The commission agreed. Beyond Medicare, a general trend of increased real expenditure on the social wage during the life of Accord Mark I (1983–85) can be identified (Peetz 1985).

At the centre of Accord Mark II was the abandonment of full wage indexation in favour of 'partial indexation', or 'wage discounting'. With a 30 percent devaluation in the Australian dollar in 1985 after it was first 'floated', business relied on the 'j-curve theory' as justification for wage discounting. The j-curve concept posits that currency devaluations could produce an improvement in the balance of payments, after an initial worsening due to the immediate price effects. The government was swayed by the employers' argument, and the ACTU accepted 2 percent discounting in the next wage increase, the trade-off being tax-cuts and improved occupational (award-based) superannuation benefits; though in the same year the assets-test on pensions was re-introduced (Gallery et al. 1996: 101–103). The employers launched major High Court challenges to the new superannuation measures, using the argument that the Arbitration Commission had no constitutional right to regulate superannuation (Kelly 1997: 67). They failed. Regarding the associated tax-cuts, however, given the government's previous pledge of revenue-neutrality, a reduction in social wage expenditure seemed imminent. Clearly the stage was set for another rethink on the welfare state and employment relations, both in relation to wage and non-wage standards.

The Narrowing of the Accord and the Decentralisation of Employment Relations

What emerged from Accord Mark I and Mark II was an uncharacteristically close association between employment relations and the welfare state. On no previous occasion in Australian history had the two spheres been traded-off against each other in such an explicit fashion. And the introduction of compulsory occupational superannuation had to that point seen no equivalent instance of policy integration.

Economic liberalisation measures included financial deregulation, the floating of the Australian dollar, the corporatisation of some public sector organisations and the privatisation of others (Schwartz 1994a, b).

Changes were also made to industry protection, which was historically a part of the social protection package. Following on from the Whitlam government's tariff reductions in the early 1970s, a program of phased cuts to tariffs from the late 1980s represented a more fundamental and historic policy shift. It will be recalled from Chap. 2 that under the policy of New Protection, first formulated in the early 1900s, firms were offered protection in return for their payment of arbitration-sanctioned minimum wages to workers. The direct linkage between industry protection and wage minima subsequently became strongly characteristic of the social protection regime. From 1988, however, protection levels were reduced for both the manufacturing and farming sectors, such that they would be almost negligible by the late 1990s (Bell 1993; Capling and Galligan 1992). Certain industries, though, would still be subject to individual industry plans.

The drift toward economic liberalism is also instanced by the narrowing of the range of policy matters handled within the Accord process. Whereas Accord Marks I and II placed the social wage alongside wages policy at the centre of the policy agenda, the subsequent Accord incarnations became focused almost exclusively upon wages. Employment relations was decentralised, creating a system where more working conditions would be determined through direct bargaining between employees and their unions, with employers at the level of the enterprise. A small but significant step toward decentralisation was taken in 1987 under Accord Mark III, with the abandonment of wage indexation and the adoption of a 'Restructuring and Efficiency Principle'. This involved a two-tiered system of wage-determination. The first tier stipulated an across-the-board increase of $10. Informed by the OECD's (1986a, b) new agenda of 'labour market flexibility', which emphasised the importance of labour markets becoming more adaptable to changing market conditions, the second tier offered a further 4 percent increment, but on the condition that restrictive work practices be eliminated. Bargaining, mainly at the enterprise level, would be the vehicle by which the improvement in work and management practices was negotiated. The types of issues discussed included: performance-based and incremental pay systems; broadbanding, multi-skilling and the removal of demarcations; dispute settlement and consultative procedures; working-time arrangements, including a

greater spread of hours, and new shift and overtime arrangements; and management practices and quality control (Teicher and Grauze 1996: 60; Macklin et al. 1992: 30–32).

Accord Mark IV had the primary objective of 'build[ing] on the steps already taken to encourage greater productivity and efficiency' (Arbitration Commission, quoted in Teicher and Grauze 1996: 61). The process of 'award restructuring', which was designed to create workplace flexibility and enhance employee skills, was now to be used as a tool to achieve desirable modes of workplace change and work reorganisation. A three percent wage increase was initially offered, and then $10 per week six months later, subject to improvements in structural efficiency (Teicher and Grauze 1996: 61–62). Accords Mark V and Mark VI were largely in line with the previous two versions, though the proposed move toward enterprise bargaining, part of Mark VI, was rejected by the commission on the ground that the parties lacked sufficient 'maturity' to handle a decentralised bargaining regime (Dabscheck 1995: 67–75, 1994: 158–159). However, in the face of severe criticism from the government, employers and the ACTU—all of whom by this stage supported enterprise bargaining—the commission reversed its decision later in the same year.

In its October 1991 decision the commission announced its support for the implementation of the enterprise bargaining principle, though it should proceed under principles set out by the commission. In a show of its defiance and of its increasing though still limited jurisdiction over employment relations, the government amended the *Industrial Relations Act* of 1988 to allow unions and employers to conduct enterprise bargaining without reference to the commission's enterprise bargaining principle. Further, following the Australian Labor Party's re-election in 1993, the government reinforced its commitment to enterprise bargaining through the introduction of the *Industrial Relations Reform Act* of 1993 (Stewart 1994; Hawke and Wooden 1997: 28–29). Whereas the *Industrial Relations Act* only made allowance for enterprise deals if they involved a union, by the 1994 act decentralised deals could result from either union or non-union negotiations, the latter category being classed under 'enterprise flexibility agreements'.

In order to protect those who could not benefit from the new mode of bargaining, the Arbitration Commission sought to ensure that the low-paid received a series of $8 'safety-net increases' and kept its regulatory power over award matters. The commission thus now had a two-pronged function, the first dealing with those workers on enterprise negotiations, and the second with those relying on traditional award regulation. This dual function formed the basis for the government's earlier claims that it was shaping an employment relations regime which combined 'flexibility with equity' (Cook 1992). In this sense the Australian approach was significantly more 'measured' than that of New Zealand.

The Restructuring of Social Security in the Late 1980s and Early 1990s

By the late 1980s, social security policy formation began to be conducted at an arm's length from the Accord process, but as will be seen, the social security system was not divorced from the employment relations agenda. To the contrary, the two spheres became increasingly enmeshed.

Just as employment relations arrangements came under pressure to allow the market a freer hand in the formulation of working conditions via bargaining decentralisation, the social security system was also subjected to economic pressures. It also needed to respond to demographic change. Largely in order to address these imperatives, Social Security Minister Brian Howe established the Social Security Review in 1985. The Review's Director, Professor Bettina Cass (1986: 4–9), identified the main changes emerging since the mid-1970s to which the government needed to respond. These included: the increase in the rate of unemployment and change in its distribution; shifts in family composition, particularly the increase in sole-parenthood; a rise in poverty levels and shifts in the composition of people in poverty; and the ageing of the population and changes in the 'public/private mix' of income support for retired people, particularly the rise in the numbers of people covered by occupational superannuation.

The review focused upon income support for families with children, and for the aged. Importantly, it also sought to examine the interface

between social security benefits and the labour market, particularly in relation to assistance for people of workforce age. It also considered issues regarding the transition to work for the unemployed, sole-parents and people with disabilities (Cass 1986: 11). That the review took on the connection between the labour market and the social security system as a major theme is significant, given that the Australian tradition model largely kept them separate.

However, two important changes in the direction of such integration were made before the review. The first occurred in 1983, with the introduction of the family income supplement (FIS), providing income support to low-income families with children. This scheme was subsequently expanded and replaced by the family allowance supplement (FAS) (Saunders 1994: 21; Cass 1990: 201), to which the discussion will return below. The second, occurring in 1985, was the introduction of compulsory award-based superannuation, though the scheme was extended in 1993 due to the slow rate at which the scheme was progressing. Therefore, legislation was introduced in that year which compelled all employers to contribute to a fully vested and portable superannuation scheme for each employee. The Superannuation Guarantee Charge, as it became known, initially involved contributions in the order of 3 percent of the worker's earnings, though this was scheduled to increase to 9 percent by the year 2000, and employees would be made to contribute a further 3 percent from 1997 (Bateman and Piggott 1997: 21–23).

The FIS was a tightly income-tested payment offered to mothers in low-income working families with children. Due to its poor take-up, increasing concern for vertical equity, the perception of a need for tighter targeting in a climate of budgetary rectitude, and partly reflecting the declining real value of the universal family allowance benefit, the government applied the income-test to the family allowance payment. The FAS of 1987 was an initial step acting on Prime Minister Bob Hawke's election promise that by 1990 no child in Australia would be living in poverty. It entailed family benefits being restructured so as to generally increase the payments, but also to more effectively target poor families (Saunders and Whiteford 1987: 21–24, 1991: 182–186).

In assistance to the unemployed, the shift was more definitively towards the encouragement of active job-search. Policy on unemployment

benefits was guided by increased emphasis on 'activity' in return for benefits. In 1987 the unemployment benefit was abolished and replaced by the job-search allowance (JSA). Like the old benefit, the JSA was means-tested, though it treated different categories of unemployed people differently. Whereas the old system did not differentiate between its recipients, the new benefit offered different conditions of eligibility to the young, the long-term unemployed and the medium-term unemployed. Also, whereas the unemployment benefit was not subject to time-limits, in certain limited circumstances the JSA was. For those younger than 18 years of age, the new payment was lower, and was means-tested according to parental income. Even if the beneficiary established independence from their parents, the parents' assets were still assessed in order to establish the level of the benefit and eligibility for it.

The youth homeless allowance was introduced as income support for those youth who could not live in the parental home. To encourage participation in higher education as an alternative to unemployment, the government extended student assistance by introducing Austudy as a replacement for the Tertiary Education Assistance Scheme (TEAS). In all, the tighter eligibility conditions for youth receiving unemployment assistance had their rationale in several factors, all of them relating to the objective of budgetary stringency (Saunders and Whiteford 1991: 161–171). These included: encouraging greater higher education retention rates; encouraging participation in training programmes; transferring greater financial responsibility for unemployed youth from the state to their parents; and more diligent job-search.

For those over 18 and were unemployed for less than 12 months, the unemployment benefit was kept in place, though it was more tightly administered, requiring the documentation of regular work-tests, periodic job applications or enrolment in training programmes. The new arrangements also differed in that periods of non-payment were introduced for those failing the work or activity tests, for those not showing up at interviews or responding to correspondence from the Commonwealth Employment Service (CES) or the Department of Social Security, or for those who quit their jobs voluntarily. From 1989 those who had been unemployed for over 12 months were transferred to the 'Newstart' program. In addition to the activity-tests to which JSA recipients were

subjected, Newstart allowance payments were made subject to the signing of a special contract with the CES. This contract dictated that the beneficiary could be required to undertake activities such as job-search, vocational training, special labour market programmes, paid work experience, job-search training, or training to reduce labour market disadvantage (Saunders and Whiteford 1991: 161–171). In addition, in order to make employment more attractive, the beneficiary was offered a payment of $100 for successful labour market re-entry, and the waiting period for unemployment benefit was waived if the job acquired did not last more than 13 weeks.

Assistance to sole-parents similarly underwent restructuring in line with the greater activity orientation of benefits. Introduced in 1988, the Jobs, Education and Training (JET) programme allowed sole-parents access, on a voluntary basis, to training and job-placement schemes previously reserved for those officially defined as unemployed, rather than as sole-parents. Other benefits to those on the JET scheme included subsidised child-care and labour market and educational programs (Cass 1990: 209). Apart from being a scheme which contributed to the closer alignment of the labour market with the social security system, the JET scheme was also significant in that it offered female sole-parents a greater chance of becoming more financially autonomous, whereas throughout history women's dependence was reinforced by the male basic wage, or in the absence of a male breadwinner, support from the state.

Some social policy scholars argued that the process of change subsequent to the review was relatively comprehensive (Weatherley 1994: 153; Bryson 1994: 291), but the selectivity which characterised the system historically was not compromised. Indeed, in some areas it was strengthened (Saunders 1994: 22). At the same time, there is an important sense in which the changes made to the structure of the Australian social security system in the late 1980s and 1990s are historically highly important. This is discussed in the comparative section of the chapter.

Blurring the Edges: The Industrial Relations Reform Act and 'Working Nation'

After the Labor Party won the 1993 election, its preference for blending social policy with employment relations was strengthened, the process reaching its peak from 1994 with the Working Nation statement, a set of policy strategies geared toward the reduction of unemployment. The *Industrial Relations Reform Act*, introduced in the previous year, had established government-instigated—as opposed to arbitration-instigated—minimum labour standards legislation while at the same time facilitating enterprise bargaining. Taken together, like the Social Security Review, Working Nation and the *Reform Act* were noteworthy for two reasons: first, they combined both marketisation with vertical equity motives; and second, they straddled a range of social protection arrangements, most visibly in the areas of employment relations, training, unemployment assistance, and family policy.

The *Reform Act* set down, for the first time, legislated, nationally applicable minimum labour standards. As will be discussed further in the comparative section of the chapter, the direct involvement of the government had been expanded gradually from the late 1980s, though it remained relatively limited. It will be recalled that previously it was only the Industrial Relations Commission (formerly the Arbitration Commission, and before that, the Arbitration Court) which had the power to directly regulate minimum standards at the federal level. Its second objective, related to the first, was to enhance employment security through stronger regulations regarding termination of employment. Its other stipulations concerned the right to strike and the restructuring of the institutions, the more significant manoeuvres relating to the latter including the redefining of some of the traditional functions of the commission and the creation of the Industrial Relations Court to take over from the Federal Court on some of the judicial functions associated with employment relations (Stewart 1994).

The *Reform Act*'s minimum labour standards fell under five headings: minimum wages; equal remuneration for work of equal value; termination of employment; parental leave; and leave to care for immediate

family. For the most part, however, the standards merely provided workers with a new source of law to refer to in presenting their case before the commission. The commission, rather than the government, was most often still the final adjudicator. In that sense, the act did not represent the sea-change in regulation that it might be thought to represent.

With regard to minimum wages and equal pay, for instance, there is no stipulation as such and the act called on workers to apply for the commission to make orders in relation to a specified group of workers. In addition, no worker who is covered under a Federal award could receive the benefit of a minimum wage order by the commission, so the customary predominance of the federal award remained. With regard to the equal pay provisions, the act drew on the ILO Convention 100, which recommends equal remuneration for work of equal value. Apart from the enforcement of equal wage rates for the same work, however, more indirect forms of discrimination could be contested, such as those resulting from the gender-segmentation of the labour market (Australia, Department of Industrial Relations 1991). In effect, the legislation allowed for workers in female-dominated industries to apply for the equalisation of their wage rates with comparable male-dominated industries. Given that all applications were subject to adjudication by the commission, however, such claims were not likely to be received more favourably than before the act was put in place. The commission's historical record on comparable worth decisions, after all, did not stand in the favour of women (Bennett 1988). Equal pay was therefore still predominantly governed by the commission.

As for leave for workers' family responsibilities, a test-case decision brought down by the commission ruled that award conditions and enterprise agreements should allow workers the right to use leave entitlements for family purposes (Cass 1994: 17). This was achieved primarily through the government's ratification of ILO Convention 156, which states that workers should not be disadvantaged by their family responsibilities (Australia, Department of Industrial Relations 1991: 113–118). The government's pledge to ratify ILO standards was not divorced from its desire to extend the legislature's direct power over employment relations and lessen the reach of the commission. For the introduction of the minimum standards under the *Industrial Relations Reform Act*, this was

achieved through the 'external affairs' power. Section 51 (xxix) of the Federal Constitution provides that the Australian government can use the external affairs power to enact legislation which honours its international commitments, in this case commitments to ILO labour standards (McCallum et al. 1990: 348–349).

The circumstances surrounding enterprise bargaining arrangements also allowed the government to extend its regulatory hand. As was the case with minimum labour standards, this was achieved principally by recourse to the 'taxation power' (Section 51, paragraph II) and the 'corporations power' (Section 51 (xx)), both previously largely untapped constitutional sources (Dabscheck 1995: 45–49). Anti-dismissal regulations, which came into force under the act in March 1994 provided protection to all workers against unfair dismissals (Stewart 1994: 147–152; Way 1994).

The taxation power, which gives the Commonwealth the right to impose taxes on employers and individuals to fulfil desired objectives, was used to institute the superannuation guarantee through the *Superannuation Guarantee Act* and the *Superannuation Guarantee (Administration) Act*, both introduced in 1992. These led to the award-based superannuation system introduced in Accord Mark II. The taxation power was also used to impose a national training levy on employers through the *Training Guarantee Act* and the *Training Guarantee (Administration) Act*, both established in 1990 (Teicher and Grauze 1996: 61–63). Following on from the Restructuring and Efficiency Principle and the Structural Efficiency Principle, which reflected attempts to encourage training as an important means to 'multiskilling' and 'skill-related career-paths', the Training Guarantee imposed a levy on employers with payrolls of more than $200,000 to spend 1 percent of payroll on 'structured training' or pay an equivalent levy in tax (Teicher 1995).

Overall, the government's Training Reform Agenda was designed to forge a linkage between workplace reform, education and training and industry competitiveness, and social security policy. The government's attempts to raise the profile of training as a policy imperative date back at least to 1988 with the Structural Efficiency Principle, but they were given a major boost under the auspices of Working Nation (Australia, Prime Minister 1994a, b). Working Nation placed training firmly within a

broader policy agenda designed to take the Australian economy closer to full employment. Other than a targeted unemployment rate, its major features included a 'jobs compact', which provided subsidies to employers who offered a job for 12 months to a job-seeker who had been unemployed for longer than 18 months. The additional aspect was the provision of individual case management to the unemployed person by NGOs or private organisations (Finn 1997: 26–27).

In effect the policy interplay inherent in Working Nation furthered the process of policy integration in a manner more integrated than did the Social Security Review, yet consistent with it. The person at the centre was simultaneously a client of the welfare state, but also an employee, albeit temporarily, and thus a subject of the employment relations system. Yet the linking mechanism was the principle of 'reciprocal obligations', which raised discussions of the emergence of marketisation through 'quasi-contractualism' in the administration of welfare (Ramia and Carney 2001). This is discussed further in the final section of the chapter.

New Zealand

Social Protection Under 'Rogernomics': The Fourth Labour Government

New Zealand Labour's victory in the 1984 election saw the party caught off guard, and it had entered government with relatively few well-articulated promises. What emerged was a relatively far-reaching and historically significant program of economic liberalisation. This program was dubbed 'Rogernomics' after its primary architect, Finance Minister Roger Douglas. It was felt in many areas of policy, but employment relations and social policy were spared its excesses.

Labour had come to office with two definite strands to its policy thinking (Oliver 1989). One was corporatism, and the other was the liberalisation of the economy. Although New Zealand's unemployment rate was a less serious problem than it was in Australia, inflation was far worse,

standing at 12.9 percent in 1985 (Easton and Gerritsen 1996: 41). The previous, National, government led by Robert Muldoon had attempted to deal with inflation by implementing a wages and prices freeze, which by the end had lasted for two-and-a-half years. In an attempt to emulate the still young corporatist experiment across the Tasman, some within the New Zealand Labour Party who supported a corporatist strategy argued that it would be an effective counter to unemployment and inflation, and an encouragement to form 'a sense of national unity' among the various sections of society (Oliver 1989: 37). The likelihood of corporatism succeeding, however, was limited by the perceived urgency for reform after the policy failures of the Muldoon National government.

An Economic Summit, similar to that which took place in Australia, had been proposed in 1982 by Mike Moore, one of the Labour Party's leading proponents of corporatism. The Summit was eventually held in September 1984. However, it failed to influence policy because the trade union movement was not sufficiently united (Bray and Walsh 1993, 1995) and because the other societal interests represented in the Summit each had different and, in many cases, contradictory ideas on the policy directions (Dalziel 1989; Kelsey 1993: 130–131, 1995: 32–33). There was also a fundamental contradiction between the corporatist approach to policy formation and the plans of some within the Labour Party for economic restructuring through economic liberalisation.

The policy program was given credence initially through the publication of a report written by the New Zealand Treasury, entitled *Economic Management* (New Zealand, Treasury 1984). This report set out the principles which Treasury believed should govern economic policy, including monetary, fiscal, exchange rate, labour market and social policies. Increasingly, aided by employer organisations and like-minded policy makers, the economic-liberal approach became dominant (Kelsey 1993: 13–126, 1995: 1–239). The first major phase of policy change was triggered by a 20 percent devaluation in the New Zealand dollar in 1984, the new government's response being to abandon the price-freeze and most of the controls on interest rates. In the following year the currency was floated (Easton 1989). The overall direction of change in the structure of the tax system made it more regressive than it was in Australia (Easton and Gerritsen 1996). Between 1984 and 1990 several key shifts could be

identified, all reflecting the government's objective of increasing net revenue from tax through base-broadening measures while simultaneously increasing incentives to work, save, consume and invest.

To meet the government's stated objectives in the tax area, a collection of changes took effect from 1986, including the reduction of the top personal tax rate from 66 percent to 48 percent, a reduction in the number of tax-brackets from five to three, and a tax-mix switch involving the abolition of the wholesale sales tax and the introduction of a single rate (10 percent) goods-and-services tax. After a failed bid to introduce a single or 'flat' income tax rate of 24 percent, a second tier was added, set at 33 percent. Soon afterwards, the goods-and-services tax was increased to 12.5 percent, and minor alterations were made to tax rules which would increase government revenues (Stephens 1993; Kelsey 1995: 209–212).

As in Australia, tariffs were subjected to phased reductions in a bid to enhance the competitiveness of domestic industry. This was very significant when it is recalled that industry protection had been one of the main planks of social protection in both the New Zealand and Australian models. Agriculture came first. Between 1984 and 1987, the Labour government withdrew both input subsidies and the guaranteed minimum price for output to the farming sector. As well as making the sector considerably more vulnerable to prices in the international market, it also meant that no longer would farmers have access to cheap finance and farm development incentives. A move was then made to reduce protection in the manufacturing sector. In its report, *Economic Management* (New Zealand Treasury 1984), Treasury criticised trade barriers as stifling industrial efficiency, particularly in the light of international agreements encouraging liberalised trade, such as the Closer Economic Relations (CER) agreement between Australia and New Zealand and the Uruguay round of the General Agreement on Tariffs and Trade (GATT) (Wooding 1987: 97–100). Accordingly, the government announced in 1986 that most import licensing would be abolished within two years and a regime of tariff reductions would be put in place. Also, progress toward a free-trade area under the CER agreement would be hastened.

The Treasury's subsequent major report, *Government Management* (New Zealand Treasury 1987), which was designed to brief the incoming, second-term Labour government of 1987, urged a stepping up of the

pace of reduction in trade protection, arguing that the adjustment costs to industry would not be excessive. The effective rate of assistance for manufacturing was accordingly lowered from approximately 37 percent in 1985/86 to approximately 19 percent in 1989/90. The targets for deregulation in line with the CER agreement were met by 1990, five years ahead of schedule. The tariff reduction programme ending in 1992 reduced levels of protection to 14 percent, with few exceptions. The next round of cuts allowed a maximum of 10 percent by 1996, though higher rates were allowed for the textiles, shoe and car industries. In 1994 a further round of reductions was negotiated which was to begin in 1996 (Kelsey 1995: 94–99; Wooding 1987: 97–100). This established the rule that all tariffs would be reduced to one of three levels by the year 2000: 15 percent, 10 percent, or 5 percent.

Another cornerstone of policy change in New Zealand was the corporatisation of government departments and the sale of government assets and agencies (Boston et al. 1996). Public sector employment relations was part of that agenda. The *State Services Act* of 1962 had prescribed all human resource procedures for the public service, and the *State Services Conditions of Employment Act* of 1977 had set down arrangements for the determination of wages and other working conditions in the sector. Together, these two acts largely continued the traditional commitment to a highly centralised framework of public sector employment regulation (Deeks et al. 1994: 57–62). Human resource matters were resolved by a State Services Commission, which acted as the employer, and employment conditions were set uniformly across government departments, albeit determined on the basis of comparability with conditions in the private sector. Although wage claims by certain groups were occasionally settled individually, state service employees generally gained wage increases through General Wage Adjustments, based upon the average private sector increase as revealed by employment data gathered by the Department of Labour. Non-wage conditions were also formulated in block format, whereby many occupational groupings would be subject to single deals. The employers were generally represented by the State Services Commission, and the unions by the Combined State Unions (the central confederation of public sector unions), though block

negotiations were handled by individual unions (Walsh 1991). These were relatively centralised arrangements.

In keeping with the imperative to become more competitive from 1984 onwards, however, the existing regulations covering public sector organisations were replaced by significantly more decentralised arrangements. New arrangements saw management in most cases able to exercise a significantly greater influence on conditions of public sector employment. Public sector unions were forced to come to terms with diminutions in their control over the conditions facing their members.

The *State Sector Act* of 1988 involved a radical shift, particularly in that it involved the almost complete abolition of the existing public sector employment relations framework (Harbridge and Walsh 1989: 74). It was a slightly changed private sector framework, however, with which the public sector was streamlined. The new program was set by the *Labour Relations Act* of 1987. By the time of the act's passing, New Zealand's employment relations system had undergone two phases of change (Walsh 1989); though change in employment relations was not nearly as marked as in other areas. Rogernomics had left its mark indelibly on most areas of policy under the Fourth Labour Government, but private sector employment relations was not one of them.

The first of the two changes to regulation was more significant than the second. In 1984 the newly elected government introduced amendments to the *Industrial Relations Act* of 1973. In recognition of the arbitration system's waning control over wage outcomes, these amendments centred on the abolition of compulsory arbitration in interest disputes, except in 'essential industries' such as health, electricity, gas, water, sewerage, prisons, fire brigade, water, air transport and dairy production (Peetz et al. 1992: 201). The process of conciliation remained compulsory, but before an interest dispute could be taken to arbitration, both parties were required to agree to doing so. This was significant mainly in the sense that, though compulsory arbitration had not been widely used since the late 1960s, the threat of its use was common (Walsh 1984, 1994). That arbitration was always looming in the background was therefore a significant psychological factor in regulating the conduct of the trade unions and employers.

The *Labour Relations Act* of 1987 saw the second set of changes. It sought to encourage, though not mandate, enterprise bargaining and thereby in theory to facilitate greater workplace change. Enterprise bargaining was made 'inevitable in many situations' by the effective outlawing of second-tier bargaining, which was the act's key effective departure from previous legislation (Harbridge and Walsh 1989: 67). A worker could no longer be covered by two sets of negotiations. The enforcement of registered settlements was to be conducted by the parties, and the Department of Labour inspections were withdrawn. In the other important changes, small unions were outlawed, and a limited form of inter-union competition for members was allowed. Union membership remained effectively compulsory. The institutions of conciliation and arbitration were amended in that the Arbitration Court was abolished, being replaced by a combination of two new bodies, a Labour Court and an Arbitration Commission. The commission considered interest disputes, dealing mainly with the registration of awards and agreements, while the new Court dealt with legal matters arising from disputes, demarcation issues and personal grievances (Harbridge and Walsh 1989: 65; Walsh 1989: 153–165).

In historical terms, the private sector employment relations regime did not change significantly. Indeed, the government reverted toward compulsory arbitration of interest disputes—though only if the parties did not reach agreement within two years—under the *Labour Relations Amendment Act* in 1990, the same year as Labour lost office to the Nationals. Though the private and public sectors were effectively streamlined under Labour, the former was not fundamentally restructured.

Similarly, social policy was also not fundamentally remodeled. The major changes made during Labour's period in government included a greater reliance on targeting in the administration of some social security benefit schemes, a characteristic which New Zealand shared with Australia. In 1985 a tax surcharge of 20 percent was imposed on the more well-off recipients of national superannuation, effectively amounting to a means-test (Simmers 1995: 45–47). As will be recalled, the New Zealand superannuation scheme was the universal pension introduced by the Muldoon National government in 1976. Greater assistance was targeted to low-income families through the family and youth support schemes.

Also, user-charges on welfare state services, such as prescriptions for pharmaceuticals and tertiary education, were applied in some circumstances and increased in others (Stephens 1987). When combined with the more regressive structure of the taxation system under Labour, as discussed above, the relative position of some low income-earners was worsened.

However, despite the somewhat far-reaching recommendations of a Royal Commission on Social Policy, which was announced by Prime Minister Lange in March 1986, the basic form of the New Zealand welfare state remained intact. It took the election of the next government to usher in a radical re-think.

De-coupling Social Policy and Employment Relations: The National Government

Despite the Labour government not cutting back the welfare state in a manner more consistent with economic liberalism, the measures which it put in place worked to entrench the culture of fiscal restraint. The Nationals entered government having inherited 'the institutional structures and organisational procedures which shape the very policy-making process' which Labor had put in place (Rudd 1997: 262). Labour had done the Nationals' lead-up work for them.

The welfare state provided one of the policy arenas within which the new government exercised its zealous commitment to budgetary stringency. It also perceived that cutting back on welfare expenditure offered a means to enhance incentives to work. In 1990, therefore, as part of its *Economic and Social Initiative* (Richardson 1990), the government announced its intention to cut the level of most social security benefits, some quite significantly. A second, more comprehensive round of amendments was announced as part of the 1991 budget (Richardson 1991). This second round involved changes to various arrangements outside of the social security area, namely health care, housing, tertiary education, superannuation, and accident compensation.

The social security cuts of 1991 involved reductions in the nominal level of most benefits, including payments relating to unemployment, sickness, and widows' and domestic purpose benefits. Most beneficiaries

experienced cuts of 10 percent, though some on unemployment benefits had their payments cut by up to 30 percent. As well, most beneficiaries were subjected to significantly stricter eligibility criteria. The unemployment benefit stand-down periods were extended, such that some had to wait up to six months before their benefit was payable. The age at which youth rates of the benefit would cease to apply was also raised, from 20 to 25. The universal family benefit, which was not a generous benefit by any means at approximately NZ$6 per child, was abolished, though some of the proceeds from its abolition were channelled into improved family support programs (Boston 1993: 70–71).

In the 1991 budget, various measures designed to further restrain public expenditure were announced, though some of them were modified so as to become either less unpopular or more practically implementable. It was announced that the age of eligibility for superannuation would be raised from 60 to 65 by the year 2001. Though National had viewed the surtax on superannuation (introduced by Labour) highly critically, it was not abolished. Instead it was raised from 20 to 25 percent. Exemption levels were increased such that the proportion of superannuants subject to the surcharge was raised from 25 to 40 percent. Finally, the real value of superannuation was effectively reduced because it was not to be adjusted for inflation until 1993.

Health policy under National was restructured so as to increase user-charges in most cases, to corporatise major public hospitals and to defund the smaller ones along the lines of other state-owned enterprises (Boston 1993: 72–73). State housing underwent marketisation as rents for public houses were brought into line with their counterparts in the private housing market. In relation to tertiary education, student allowances were targeted much more stringently with those under 24 being assessed for their eligibility on their parents' income. The funding system was also restructured. The uniform tertiary fee introduced by Labour in 1989 was abolished by National and replaced by a fees-subsidy directed mainly toward assisting young students taking their first degree. Later, the subsidy to students was decreased, though the option of student loans for less well-off students had been made available (Kelsey 1995: 223–224).

In employment relations, however, a highly significant shift toward the contractual regulation of employment conditions was facilitated through

the *Employment Contracts Act*, which became law in 1991. This represented the most significant shift in the New Zealand employment relations trajectory since the introduction of the *Industrial Conciliation and Arbitration Act* in 1894 almost a century earlier. As part of the National government's commitment to increasing the responsiveness of the employment relations system to broader market conditions, the traditional collectivist approach of the system was replaced wholesale by one based largely upon individualism. Also, the final nail in the coffin of compulsion—traditionally associated with arbitration—was sunk as voluntary unionism and voluntary bargaining were enforced.

The first two (of six) main sections of the act were the most pertinent. Part one, which dealt with freedom of association, renders any kind of closed shop or union preference arrangement illegal. This is a significant shift in that previously unionism had been effectively compulsory. Undue influence upon workers to join a union was also deemed illegal. Indeed, the act did not mention either of the terms 'trade union' or 'trade unionism'. Part two, dealing with bargaining arrangements, compelled employers to recognise the bargaining agent chosen by the individual employee, whether the agent is a union or not. Bargaining agency is therefore entirely contestable, though access for prospective agents was made conditional upon employer agreement. Thus, while the employer was forced to 'recognise' the employee's chosen agent, the employer is under no obligation to conclude a collective agreement. Clearly, then, the hand of the employer in bargaining had been strengthened (Harbridge 1993). Multi-employer awards were discouraged. Though strikes and lockouts in interest disputes were legal, strikes designed to apply pressure for multi-employer bargaining are illegal. In effect, as Boxall (1991: 292) argued, under the *Employment Contracts Act*, '[t]he enterprise and the establishment are … regarded as the "natural levels" of bargaining'. Mediation under the act is available, but on a completely voluntary basis.

The arbitration function had been replaced by direct bargaining, and awards were replaced by employment contracts. Legislated minimum standards remained, and had become the only safety-next available to employees (Harbridge 1993; Brosnan and Rea 1991). Also, whereas awards were publicly available documents, employment contracts were, for the most part, confidential. The break with tradition was decisive.

Comparative Analysis

The period covered in this chapter has seen more research attention given to Australia and New Zealand than any previous period. In part this is a function of the coincident growth of comparative scholarship in general, but it is also due to the fact that the two regimes were more different than they had previously been. What lay behind Australia's relatively measured approach, and New Zealand's more unfettered, radical approach?

Comparative Accounts

The multi-country or large-N literature (e.g., Esping-Andersen 1990, 1996; Gauthier 1996; Castles and Mitchell 1992, 1993; Shaver 1990; Taylor-Gooby 1991) reveals the importance of the international context within which the policies and institutions of the two countries operated. Comparative scholars who examine clusters of national regimes naturally and understandably tend to focus more on similarities between individual countries within the same grouping.

It should be conceded, however, that cluster-based analysts do generally stress the importance of specifically national institutions in influencing their program of policy change. Thus the national path is not merely assumed to be dependent on the path of the regime-*type*. In an analysis of policy responses to international economic restructuring, for instance, Esping-Andersen (1996: 15–16) notes an overriding difference between the Australian and New Zealand approaches in the 1980s and 1990s. Restructuring in Australia, he notes, was implemented 'with trade union co-operation', while New Zealand policy makers engaged in 'active program dismantling'. Equally, it is noteworthy that the differences between Australia and New Zealand which Esping-Andersen identifies are overarching, rather than particularistic. Also, Esping-Andersen (1996: 10–20) places both Australia and New Zealand within a 'neo-liberal' type of response-strategy to the pressures of economic globalization. This is to be distinguished from a 'Scandinavian' type, and a 'labour reduction' or Continental European type.

The small-N studies are more directly relevant. Some deal generally with government policy on employment relations (Brosnan et al. 1992; Brosnan and Burgess 1993; Bray and Nielson 1996; Wailes 1997). One set of authors compares Australia and New Zealand around the theme of corporatism, and the importance of the role ascribed to the arbitration system (Bray and Walsh 1995). Others interrogate changes in the two countries' social policy frameworks (Castles 1996; Castles and Pierson 1996; Castles and Shirley 1996). Still others adopt more specific focal points, such as public sector restructuring (Schwartz 1994a, b, 2000), legislative change in the regulation of employment conditions (Mitchell and Wilson 1993), the unity and relative power-bases of employers and employers' associations (Plowman and Street 1993), trade union and labour movement strategy, unity and strength (Sandlant 1988, 1989; Bray and Walsh 1993; Gardner 1995), and the economic restructuring imperatives of the period as well as the economic policy responses to them (ACOSS/ACTU 1996; Castle and Haworth 1993; Easton and Gerritsen 1996; Wailes 1997).

There is strong recognition among employment relations scholars that the 1980s and 1990s saw a historically significant divergence in respect of labour market institutions (especially: Brosnan et al. 1992; Bray and Nielson 1996). Castles (1996: 106) states clearly his conviction that through the restructuring of the period, Australia 'refurbished' the wage-earners' welfare state, whereas New Zealand 'rolled it back'. For him the wage-earners' welfare state in New Zealand effectively ended with the introduction of the *Employment Contracts Act* (Castles 1996: 106). The New Zealand response to international market pressures was a pure kind of economic liberalism, and while the Australian policy model was similarly inspired by market liberalisation, it was significantly milder. This is also recognised by others (Easton and Gerritsen 1996; ACOSS/ACTU 1996; Bray and Haworth (eds) 1993; Bray and Walsh 1995; Brosnan et al. 1992; Castles 1996; Castles and Pierson 1996; Castles and Shirley 1996).

The Australian policy strategy was moderated as part of the corporatist underpinnings of the Accord (Bray and Walsh 1993, 1995; Easton and Gerritsen 1996; Bray and Nielson 1996; Brosnan et al. 1992; Bray and Haworth 1993). The explanations made within the literature for New

Zealand's greater emphasis on dismantling established social protection institutions are wide-ranging, and they are for the most part credible. Authors generally point to New Zealand's more cohesive and more influential employer associations (Plowman and Street 1993); Australia's more restrictive constitutional arrangements (Bray and Nielson 1996; Castles 1996) and generally its less autonomous state (Bray and Nielson 1996); New Zealand's less united labour movement and its less influential trade union movement (Bray and Walsh 1993, 1995); and the more urgent economic restructuring imperative upon the beginning of the process in the early 1980s in New Zealand (Easton and Gerritsen 1996; Castle and Haworth 1993; Wailes 1997).

What Are the Limitations of These Accounts?

Three limitations exist, however, with the literature in its application to this long comparative history. First, it assigns excessive importance to the concept of corporatism in revealing the differences between Australia and New Zealand. In assuming that the trade union movement had a highly significant say in policy formulation, which corporatism generally implies, scholars overestimate the democracy inherent in Australian corporatism as channeled through the Accord. Second, authors generally do not integrate employment relations with social policy. This is only a problem in its application to the objective and the approach of this book. The employment relations portion of the literature largely excludes factors relating to the welfare state. As argued in Chap. 1, this can produce an incomplete representation of social protection. By the same token, the social policy portion of the literature has not provided the most comprehensive picture. To be sure, the work of Castles (especially: Castles 1996) does provide insights to the importance of arbitration in deciding the fate of social protection, the 'rolling back' of social protection in New Zealand, and its 'refurbishment' in Australia. However, as argued throughout, Castles does not in any holistic way attribute the different fates of arbitration in Australia and New Zealand to traditional institutional arrangements such as the existence of national minimum labour standards in New Zealand, or the stronger legacy of the family wage in Australia.

These and other relevant issues are discussed below in the context of the 1980s to the mid-1990s.

The third major shortcoming in the literature, as argued here, is that it lacks an extensive historical understanding of social protection institutions.

The Alternative Labour Movement Story

One important dimension of the difference between Australia and New Zealand lay in the role played by the labour movement in achieving the goals of increased productivity, welfare selectivity, and in the case of New Zealand, legislated fiscal rectitude. In their important analysis of corporatism in Australia and New Zealand, Bray and Walsh (1995: 2) speak of the 'incorporation of the unions' into policy-formation. More specifically they argue that from 1983 the Accord 'grew into a flexible working arrangement in which unions were regularly consulted on a wide range of policy issues.'

While it is indisputable that the two arms of the labour movement in Australia were closer than their New Zealand counterparts, it should not be assumed that Australian unions were included within a democratic process of consultation as part of the Accord. Gardner (1995) identifies a 'paradox' in the Accord strategy of the ACTU: that the union movement fully supported, and in some senses, steered economic restructuring toward liberalisation, though this was to its detriment. Hampson (1997: 539) agrees but goes further:

> Australian corporatism was an inherently contradictory formation, since it was dominated by economic liberal policies, but with the *appearance* of trade union involvement in public policy. Since economic liberalism is, almost by definition, opposed to the interests of unions, such union involvement had to be misguided, or more apparent than real. The tension between democratic corporatism and economic liberal policies, the latter unsuccessful in terms of industrial adjustment, caused the 'corporatism' to become increasingly authoritarian and exclusionary (my italics).

In substantiating his claim that Australia's Accord did not genuinely incorporate unions in policy formation, Hampson (1997: 550) points out that many of the ACTU's announced policy preferences were defeated, even while the 'consultation' process of the Accord between the two arms of the labour movement appeared to be ongoing. The list of what should have been the ACTU's official policy disappointments included a strategic industry policy, a national training agenda, as well as all of the other frustrated elements of Accord Mark I (Dow 1996, 1997; Stilwell 1986, 1997; Hampson 1996, 1997; Bryan 1997; Beeson 1997). Evidence from John Edwards (1996), the biographer of then Prime Minister Paul Keating, who was in office from 1992 to 1996, is illuminating. Edwards was present at many meetings between Bob Hawke, Paul Keating (when he was Treasurer and then Prime Minister) and Bill Kelty, president of the ACTU. Edwards (1996: 449–508) recalls that many of the manoeuvres which made it appear that the ACTU was being consulted, were staged. In recounting the lead-up to the 1993 election, Edwards refers to:

> the choreography – the form in which the public display of reaching agreement would be presented. There would be an ACTU Wages Committee meeting, probably on 17 February [1992]. Rather than seeking their agreement at that forum Keating should say that he understood that the ACTU wanted jobs first, that it wanted infrastructure spending, enterprise bargaining and a national wage case. But he knew that the ACTU did not want inflation higher than our trading partners. 'You say, "I understand your position very clearly". You say nothing about tax,' instructed Kelty. The government would then say there should not be a wage claim before 1 July, and that the ACTU should recommit to an inflation objective as agreed during a [Prime Minister's] Lodge meeting with Hawke in 1991. The ACTU executive would convene after the statement and announce its view.

The answer to the paradox of pursuing marketisation with the union movement's blessings lies in the strategies of the ACTU leadership rather than the rank-and-file collective. Bill Kelty as Secretary from 1982 and Simon Crean as President from 1985 were particularly influential.

Constitutional Possibilities

Policy can also have easy or difficult passage based on its Constitutional setting. As noted previously, the greater flexibility of the New Zealand Constitution had worked in favour of the extension of social protection in previous periods, particularly in the creation and extension of the welfare state and in the setting of minimum labour standards outside of arbitration. New Zealand has had no effective second parliamentary chamber since the 1950s. When it did have one, it was never as effectual as the Senate in Australia (Palmer 1987, 1992; Joseph 1993). New Zealand governments were elected on a first-past-the-post voting system, until 1996 when the first election under a new Mixed-Member-Proportional (MMP) system was held. In addition, the structure of the state is unitary, as opposed to Australia's federal system.

All of these factors contributed to the less fettered passage of laws and policies. Constitutions also influence the choices made by and available to political actors. From the mid-1980s, in contrast to the periods characterised by the extension of social protection, the greater flexibility of the constitutional framework in New Zealand contributed to the relative ease with which the National government dismantled long-established protections. By contrast, Australia's more rigid Constitution contributed to the checks on such easy dismantling. In the space of approximately the first 12 months after its election in October 1990, New Zealand's National government abolished any semblance of compulsory unionism, compulsory arbitration and the redistributive function of the employment relations system. It also managed to make major cuts in the levels of most social security benefits.

On the other hand, attempts in Australia to decentralise the employment relations system in the late 1980s and 1990s, and at the same time decrease the authority of the Industrial Relations Commission over the determination of working conditions, were hampered. Those measures which partially succeeded resulted from the use of non-arbitration constitutional powers, such as the 'corporations power' and the 'external affairs' power (Ludeke 1993; McCallum et al. 1990: 348–349; Stewart 1994). As can be recalled from previous chapters, the Australian

Constitution effectively disallowed national minimum labour standards legislation. In New Zealand, such standards were in place at the national level since the mid-to-late-nineteenth century. This factor made it more unlikely that the arbitration system's role would be downgraded.

The 'Active Society'

Another issue stems from was Australia's keener adoption of the so-called active society approach to social protection (OECD 1987, 1988, 1989, 1990). The active society agenda encourages work and work-like pursuits among those who cannot work, in particular the unemployed, and its main stated aim is to foster a sense of economically enterprising participation by all citizens. Under this organising principle, the receipt of so-called passive benefits, associated with the post-war era of the welfare state, should be replaced by 'active' benefits (Walters 1997). Such benefits only accrue if the beneficiary demonstrates diligent participation in activities such as job-search, education and training, labour market programs, the setting up of a small business, or combinations of such activities. For its part the state has the responsibility of administering the programs, or at least providing a steering role in the provision of such services. The two-way relationship prompted by the reciprocity of obligations between individual and state prompted fervent discussion in the 1990s of the growing culture of 'contractualism'. For some, welfare contractualism was part of the ascendancy of contractualisation in the employment relationship (Ramia 2002; Davis et al. 1997; Carney 1996, 1997; Boston 1995; Ramia and Carney 2001).

It is noteworthy that, with the exception of a limited discussion of the phenomenon in the work of Castles (1996), the literature has not seen the active society as a major theme in Australia–New Zealand comparisons. In the current analysis, the Australian government's use of active society measures should be seen as an indicator of a more cautious approach to restraint in social protection. Such an approach, as opposed to the more cleanly economic-liberal one used in New Zealand, was at least partially explicable by reference to the constitutional constraints.

Employers, Institutions and the Comparative Severity of Policy Challenges

The more unadulterated version of economic liberalism in New Zealand was also the result of a more united and more influential employer movement. New Zealand employers in the 1980s and 1990s generally had more impact on government policy than their Australian counterparts. Plowman and Street (1993: 117–118) tease out this basic distinction between employers on each side of the Tasman Sea, which they argue was instrumental in the successful passage of the *Employment Contracts Act* in particular:

> The commitment to a free market shown by the 1984 Labour government in New Zealand substantially determined the gradual creation of a unitary employer position in which the Employers' Federation and the Business Roundtable came to share policy perspectives. In the context of a relatively small economy and society, this unitary model, when symmetrical with government policy, came to be monolithic, with the occasional misgivings of the manufacturing sector losing any purchase on policy making [(see also, for example, Bray and Walsh, 1995; Wailes, 1997; Wanna, 1989)]. In Australia, the continuing divisions within the employer camp, when coupled with restructuring under a corporatist umbrella, led to a far less homogeneous and therefore far less effective employer influence. … In Australia, despite the changes embodied in legislation such as the 1988 *Industrial Relations Act*, the deregulation of the labour market is still substantially constrained by the existence of a federally-patrolled award system.

The issue of employer influence, however, cannot be separated from the question of the impact of political institutions over time. The major problem with the argument of Plowman and Street (1993: 118) that a non-Labor government 'may well [have] provide[d] Australian employers with opportunities similar to those enjoyed by their counterparts in New Zealand', is that under any government Australian employers could only conceive of relatively more limited successes. The Australian Constitution, as argued here, would always be a stumbling-block. A prime contribution of historical-institutionalist analysis is that it provides a means of

assessing the political and policy impact of institutions over long historical periods. Rothstein (1992: 34–35) indirectly provides hints as to the differential impact of institutions on employer action in different countries.

> While political institutions may be understood as setting limits on, as well as enabling, agents in the pursuit of their objectives … they can, because of their general 'stickiness', be seen also as political and administrative *structures* … This takes us right into one of the basic questions in social science and history, namely whether agency or structure is primary in causing social [or policy] change. If institutions set limits on what some agents can do, and enable other agents to do things they otherwise would not have been able to do, then we need to know under what circumstances these institutions were created … The analysis of the creation and destruction of political institutions might thus serve as a bridge between the 'men who make history and the 'circumstances' under which they are able to do so' (italics in the orginal).

Finally, the broader 'circumstances' to which Rothstein alludes, can help explain differences between Australia and New Zealand. The relative severity of the economic challenges faced by each country in the early 1980s did much to structure nationally specific responses. New Zealand faced a slightly more dire situation. In part this is reflected in the relative policy records of the Muldoon National government in New Zealand and the Fraser Liberal/National government in Australia, the former being of a more damaging nature (Castle and Haworth 1993). As Wailes (1997: 30) argues in relation this period:

> Australian policy makers and business groups were … able to entertain the prospect of adjusting the existing institutional framework, whereas New Zealand's policy makers and business makers [*sic*] had far less confidence in this approach. Furthermore, a large part of New Zealand's radical deregulation after 1984 can be explained in terms of the disastrous experience of state intervention under Muldoon in the 1970s and early 1980s, which has no obvious parallels in … Australian experience. The severity of the New Zealand economic situation has also been used to explain the process of bureaucratic capture that took place in New Zealand, where economic rationalist ideas from Treasury became the sole source of policy advice in many cases.

Conclusion

The differences between Australia and New Zealand in the period in focus were profound, and they have been explained by several interlocking factors. Taking a summative approach, however, and in contesting the literature, it can be seen that the most important determinant of difference was arbitration. In Australia there was a continuing tendency to resort back to arbitration as the primary social protection institution. The trade union movement supported it, and the Labor government delivered for the unions in lending its support. Such a deal was made impossible in New Zealand, though history had shown that regardless of context, support by unions and Labour governments for arbitration was patchy.

The continuing centrality of arbitration in Australia was particularly remarkable when it is considered that the 1980s and 1990s were decades of major restructuring. Though arbitration did not itself directly regulate the welfare state, and even less so the promotion of the active society approach, it did influence the trade union movement's acceptance of wage restraint. In Accord Marks I and II at least, the deal made between unions on the social wage was also facilitated by the availability of arbitration as the wage regulator. The 1990s welfare changes that followed were also shaped by the early wage deals.

On the New Zealand side, the most important factors separating it from Australia were the more flexible Constitution and the more challenging economic situation in the early 1980s. However, the abolition of compulsory unionism along with the abolition of arbitration compulsion in 1991 provide additional insight into the impetus for economic liberalism. In the post-war context of effective full employment up to the 1970s, compulsory unionism had provided one avenue for the government and employers to hold the union movement's bargaining power in check. In contrast to Australia, New Zealand's arbitration system was not embedded in the Constitution. This did much to facilitate the greater power-base of employers and the lower power-base of the union movement. The resulting policy differences were there to be seen.

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