

# **New Zealand Employer Attitudes and Behaviours: What are the Implications for Lifting Productivity Growth?**

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## **Abstract**

This article addresses two issues. First, the rise of individualism in New Zealand employment relations as collective bargaining coverage has declined. Second, the effect this rise in individualism is having on achieving a high wage, high skill economy. In its discussion, the article draws on previous work on the historical rise of individualism, with a special emphasis on developments under the Employment Relations Act (ERA) 2000. The article focuses on the role of employer attitudes and, based on results from surveys of private sector organisations employing 10 or more staff, employers' dislike of collective bargaining and unions dominates findings. Finally, the article asks whether individualism can be aligned with a productive, high wage and high skill economy. It is argued that it is more likely that the economy will end up in a low skill, low wage situation.

## **Introduction**

This paper connects two debates which are often discussed separately. First, it discusses the rise of individualism in employment relations and the role that employer attitudes and strategies have played in this shift. Second, the paper overviews the economic and social implications of the rise in individualism and, in particular, how this raises doubts whether a high wage, high skill economy can be achieved. Although the paper is concerned with comparatively relevant theoretical explanations, issues and trends, it takes its empirical starting points in New Zealand surveys and analyses. While several explanatory factors have been associated with the decline in collective bargaining, this paper focuses on the role of employer attitudes and strategies as a key explanatory factor. As proposed in the Strategic Choice Theory (Bamber, Lansbury and Wailes, 2004; Kochan, McKersie and Cappelli, 1984), this has also been aligned with a more active role of management/employers in influencing and framing the employment relations agenda.

In investigating a shift to individualism in employment relations in New Zealand, a national survey of firms employing 10 or more staff was conducted (Foster, Murrie and Laird, 2009a; Foster, Rasmussen, Laird and Murrie, 2009b). Overall, the survey found that employers have little interest in collective bargaining. However, there are two distinct groups amongst employers: if employers are involved in collective bargaining, they have a more relaxed and positive approach to collective bargaining as opposed to employers who are not involved. With a strong employer preference for individual bargaining, the future of collective bargaining in New Zealand looks grim. Furthermore, the leading employer confederation – Business New Zealand – has been opposed to a development of industry-level collective bargaining. It also voiced its opposition to the 2000-2007 employment relations reforms, which have favoured collective bargaining and increased statutory employment minima (Burton, 2004; 2010; Foster and Rasmussen, 2010).

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While the rise in individualism is clearly aligned with employer preferences, it may raise serious obstacles for particular approaches to achieving a high-wage, high-skill economy (McLaughlin, 2010). In evaluating these obstacles, the so-called New Zealand 'experiment' is an appropriate example, given that the current employment relations has incorporated two different approaches: the first being one of the most deregulatory public policy approaches to employment relations amongst OECD countries, which was followed in the new millennium by the public policy approach inspired by European 'social democracy' understanding (Haworth, 2004).

Unfortunately, these attempts have failed to move the New Zealand economy onto a high-wage, high-skill path. However, there appears to be different reasons for their failure. The New Zealand 'experiment' has shown that there can be several issues with pursuing a deregulatory approach to employment relations. These issues have included low productivity, low wages and employment conditions, growing social inequities, limited investments in infrastructure and upskilling (Dalziel and Lattimore, 1999). Subsequently, the economy has struggled to overcome the fallout from these issues in the new millennium (Rasmussen, 2009).

The post 2000 'social democracy' approach has also had limited success as it assumes strong collectivism will ensure industry solutions *and* decent employment standards across the economy. However, the rise in individualism has undermined the role of collectivism and, thus, some kind of 'functional equivalents' is necessary to pursue this reform path. In most cases, legally extended employment standards, including higher statutory minima, would be an obvious option. This would probably raise political opposition since employers are often waging war on statutory minima increases in the name of 'flexibility' and 'affordable labour costs'.

On that background, the 'low road' can easily be the preferred option for at least a significant section of the labour market. This became a serious issue in New Zealand after the 2008 economic downturn as a National-led Government has pursued increased 'flexibility' and lower compliance costs. This has also been a recurrent issue in other Anglo-American countries with the USA being the prime exponent (O'Toole and Lawler, 2006). Whether this will become the dominant scenario has been discussed as some commentators have debated if ILO's decent work agenda and establishing international labour standards have gained traction (Haworth, Hughes and Wilkinson, 2005; Standing, 2008). It can also be pointed to that many OECD countries have witnessed the introduction of more comprehensive statutory minima and improved individual employee rights in recent years. Thus, 'the jury is still out' and this is what makes the debate of path-breaking changes to New Zealand employment relations and their economic and social impacts so fascinating.

## **The Historical Rise in Individualism**

New Zealand employment relations has been in turmoil for at least the last 25 years. It has witnessed major changes in the 1980s, the 1990s and post 2000. The Employment Contracts Act (ECA) 1991 facilitated a sharp shift from industry and occupational based bargaining to workplace and individualised bargaining, a steep decline in union density and new forms of employee representation (Dannin, 1997). There was also a remarkable expansion of individual employee rights in terms of human rights, privacy and personal grievance rights as employment regulation covered all employees (Rasmussen, Hunt and Lamm, 2006). As such, the 1990s witnessed a radical shift towards individual employment agreements being the dominant mode. It is also important to stress that a rise in individual employment rights fitted well with the National Government's anti-union strategy in the early 1990s. However, these rights became less popular amongst conservative politicians in the second half of the 1990s and this view has re-appeared under the post-2008 National-led Government (see below).

It is more difficult to explain how individual employment rights have continued to rise under the Labour-led Governments in the new millennium. These Governments promoted a new form of ‘social democracy’ with an emphasis on collectivism, public-private collaboration and workplace partnership (Haworth, 2004). The new legislative framework supported explicitly collective bargaining and unionism, and was seen as a deliberate attempt to overcome the contractualism and individualism of the ECA (Wilson, 2004a). This included several measures to bolster unions: better workplace access, exclusive bargaining rights for registered unions, ‘good faith’ bargaining obligations and abolishing strike restrictions on multi-employer bargaining (for overviews, see Rasmussen, 2004; 2009; 2010). While union membership has increased in the public sector and, while unions have become more visible under the ERA, there has been little improvement in overall union density and in the private sector, union density has dropped by 50% in the new millennium to around 9% in late 2008 (Blumenfeld, 2010).

Why did union density decline in the private sector when the legislation was explicitly (in its objectives and in its intent) supporting collectivism? This is a rather complex issue and it is probably fair to say that no definitive answer has been provided. In an overview of existing research (Rasmussen and Walker, 2009: 129-133), it has been suggested that the following explanatory factors have been important:

- the existence of a ‘representation gap’
- the unions’ inability to gain ground on multi-employer collective agreements
- employee apathy or lack of interest
- employer resistance or lack of support.

The work by Haynes, Boxall and Macky (2006) and Charlwood and Haynes (2008) have attempted to explain the reasons why there is a representation gap. Based on an analysis of the New Zealand Election Study surveys, Charlwood and Haynes (2008: 104) found that “receding union reach” (ie. a ‘representation gap’) was a core explanation of union decline during 1990-2002. As this alludes to awards and ‘blanket coverage’ being abolished by the ECA 1991, this is probably not surprising. However, Charlwood and Haynes (2008: 104) “largely discount structural factors as causes of union decline” which, considering that New Zealand has experienced more structural changes than most other OECD countries, is rather surprising and should prompt further research. They also discount employer resistance as a major cause of union decline in New Zealand. The work by Waldegrave, Anderson and Wong (2003) also came to the conclusion that employee apathy was a contributing factor to union decline.

Rasmussen et al. (2006) have also argued that the rise in individual employment rights have, undoubtedly, had some influence on employee interest in union membership. In the 1990s, the extension of individual employment rights was in line with the Government’s liberal thinking and anti-union stand. The Labour-led Governments’ position is rather more *contradictory* since employment relations promoted both collectivism and individual employment rights. In fact, the extension of statutory minima was considerable and has changed employment conditions for many people in the lower end of the labour market. Given that background, Rasmussen et al. (2006) asked why employees should become union members if the main employment gains were provided through Government intervention? This is also supported by McNeil, Haworth and Rasmussen (2010) in their analysis of different regulatory impacts. Again, it is important to stress that there is a lack of research into union membership decline, and that the rise in individualism is just one factor amongst many.

Likewise, although we focus on employer attitudes below, employer antipathy (or employees' perception of negative employer attitudes) can only be seen as one of several factors in a rather complex decision-making process surrounding collective bargaining and union membership (see Bryson, 2008). Still, employer attitudes, behaviour and strategies have become crucial in influencing the employment relations outcomes and processes in New Zealand as employment relations have been decentralised, union presence has declined, and individualised employment arrangements and rights have increased. The real issue in connection with this paper is, however, that long-term productivity benefits can be hard to envisage and so can the link to a high wage, high skill economy.

### *Where to now?*

In late 2008, there was a political power shift when a National-led Government gained office. Interestingly, employment relations was hardly discussed and the National Party announced explicitly that it would keep the ERA, though with some modifications. However, it has been suggested that "the National Party's policy would involve considerable change to the existing public policy platform." (Rasmussen and Walker, 2009: 168)<sup>1</sup> as it sought to implement the following changes:

- Removing the union monopoly bargaining rights for collective agreements to allow non-union workers to enter into collective agreements;
- Reviewing personal grievance procedures;
- Introducing an optional 'probationary period' where new employees would not have access to personal grievance provisions;
- Reducing compliance costs, and in particular, removing ACC's monopoly over workplace injury insurance;
- Revisiting the Holidays Act.

Some of these changes have already been implemented, some of them are still being considered and further changes have started to be discussed. Most of the changes point in the *opposite* direction to a high-wage, high-skill economy. For example, are reducing statutory minima the way to encourage employers to improve wages and other employment conditions? It also appears that a short-term solution allowing people to 'sell' one week of annual leave when most people only have four weeks annual leave entitlements and when long working hours have become a well-recognised problem (Callister, 2005). Furthermore, following the Government's announcement of 32 proposed policy changes in August 2010, employment relations has, once again, a higher profile in the public policy debate (Haworth, 2010b; Hodge, 2010; Kay, 2010). Yet, there are few public policy analyses which link employment relations changes to the wider economic debate about New Zealand's relative decline (However, see Business New Zealand, 2009; Haworth, 2010b).

As Rasmussen and Anderson (2010: 218-220) have illustrated, the policy changes promoted by the National Party have clear links to the defunct policies of the 1990s. The main difference is that the envisaged changes come into play in a piecemeal fashion, and thus, public policy changes appear less of a frontal attack on collective bargaining, unions and employee conditions, compared to the policies of the 1990s. Instead, it appears as if the piecemeal efforts to deal with specific issues were an attempt to generate some immediate economic gains through providing employer cost relief. Taking a totally different tack, the union movement has indicated that legislative change to support collective bargaining and unionism is high on their agenda. This has included calls for some kind of extended bargaining coverage, though the traditional terms of awards and blanket coverage are yet to appear. "A new approach to the law would also enable collective bargaining results achieved by unions to be available to all workers across industries, including those enterprises not directly

involved in the bargaining” (Kelly, 2010: 146). This emphasis on industry and multi-employer collective bargaining cuts across the attitudes of the vast majority of employers, as shown below. It is also a diametrically different approach than that pursued by the National-led government and signals that employment relations will be unstable and a major political battleground for years to come.

## **Employer Attitudes to Collective Bargaining: Survey Evidence**

In New Zealand, there has been limited research into the employers’ attitudes to collective bargaining or even to employment relations matters in general. The sparse available research indicates, however, that there has been an attitudinal shift in favour of individualism and unitarist employer opinions in the last couple of decades. For example, a 1986 survey found that pluralist ideology was prevalent amongst managers (Geare, 1986). Likewise, McAndrew and Hursthouse (1991) concluded that employers preferred national agreements as opposed to enterprise agreements because of the increased costs and greater chances of conflict associated with the latter. It seems obvious to many observers that the ECA has facilitated a stronger employer animosity towards collectivism and this has continued under the ERA (Burton, 2004; 2010; Foster and Rasmussen, 2010). This is also in line with recent surveys of employer attitudes, which have concluded that managers have become more unitarist in their opinions about employment relations in their workplaces (Geare, Edgar and McAndrew 2006; 2009). Recent research conducted by the Department of Labour (2009) has further buttressed the idea that employers are quite happy with conducting direct bargaining/negotiations/discussions with their employees but, as a group, they have limited time or trust in unions and collective bargaining.<sup>2</sup>

Using previous studies as a springboard, researchers from Massey University and Auckland University of Technology decided to survey employer attitudes to collective bargaining. The intension was to explore how much employer attitudes had shifted since the above mentioned survey of McAndrew and Hursthouse (1991). It also investigated whether there were a range of employer attitudes and, if so, what factors were influential in explaining difference.

Three surveys were carried out providing a national coverage of private sector organisations which employed 10 or more staff (for a more detailed description, see Cawte, 2007; Foster et al. 2009a; Foster and Rasmussen 2010). These were undertaken using a cross-sectional survey design where the surveys matched the sample demographics used by previous New Zealand studies (McAndrew 1989; McAndrew and Hursthouse 1991). It also allowed the entire population of employers (6800 individual firms) to be surveyed, and covered employers within all 17 standard industry classifications which had been used by previous researchers (for example, see Blackwood, Feinberg-Daneili, Lafferty, O’Neil, Bryson and Kiely, 2007). The three surveys involved a self-administered questionnaire in two regions (the lower half of the North Island and the South Island), a hard copy was mailed to respondents and in the third region (the upper half of the North Island), an online survey was used. The response rates ranged from a disappointing 8% for the online survey to 19% and 21% respectively for the two postal surveys.

### ***Respondents’ Attitudes to Collective Bargaining***

We have already discussed findings in our other reports and articles (for references, see Foster and Rasmussen, 2010) and we will focus on two distinct groups of employers in this paper. Thus, Table 1 asks: how do the attitudes of employers *who are engaged* in collective bargaining compare with those employers *who are not engaged* in collective bargaining? The table highlights those variables that are of significance to employers’ attitudes toward the process of collective bargaining (such as,

the interest of employees in the process, its relevance to the business, and whether collective bargaining has been considered at all). Taken as a whole, those variables showed marked differences between the two groups of employers. Of those engaged in collective bargaining, only 21% believed their employees lacked interest in the process. Of those not engaged, the proportion is reversed with 70.1% arguing that their employees lacked any form of interest in collective bargaining.

**Table 1 – Respondents attitudes to collective bargaining**

Variable	Engaged in CEA, n (%)			Not engaged in CEA, n (%)			(P<0.000)#
	Agree	Disagree	Unsure	Agree	Disagree	Unsure	
Takes too long to bargain	127(39.4)	165(51.2)	30(9.3)	265(40.8)	99(15.3)	284(43.8)	***
Transactional costs too high	101(31.8)	165(50.1)	51(16.1)	227(35)	81(12.5)	340(52.5)	***
Employees not interested	67(21)	215(67.2)	38(11.9)	457(70.1)	41(6.2)	154(23.6)	***
CB not relevant to business	51(15.9)	252(79)	18(5.6)	487(74.1)	94(14.3)	76(11.6)	***
CB never considered	20(6.2)	292(91)	9(2.8)	489(74.8)	117(17.9)	48(7.3)	***
Lack of info on how to bargain	51(16)	219(68.4)	50(15.6)	214(33.1)	190(29.4)	243(37.6)	***
Unsure what to bargain about	16(5)	296(92)	10(3)	195(29.9)	367(56.2)	91(13.9)	***
CB adds nothing of value to business	98(30.5)	183(57)	40(12.5)	515(78.3)	51(7.7)	92(14)	***
Individual bargaining offers greater benefits	152(47.2)	119(36.8)	51(15.8)	485(73.8)	68(10.4)	104(15.8)	***
Unions has never approached us about CB	49(15.3)	265(82.8)	6(1.8)	578(87.7)	52(7.9)	29(4.4)	***

# Chi-squared test for differences in more than two proportions. \*\*\* (P<0.000)

The survey and the semi-structured, face-to-face responses highlight stark differences in employers' opinions. In particular, the strong individual approach clearly prevailed among employers, as the statements show:

*“Our staff have had no desire to negotiate collectively. To be honest, the staff are not interested”.*

*“The employees at my place prefer to deal with me face to face rather than being represented by a third party. There is ability for them to discuss their individual performance rather than being locked into a collective agreement”.*

Differences were also found in the proportion of respondents who agreed that collective bargaining was *not* relevant to their business. Amongst those employers involved in collective bargaining,

15.9% agreed that it was not relevant to their business versus 74.1% amongst those not involved. In the interviews, some employers involved in collective bargaining found that it was not relevant because of the quality of the relationship with the union or because the workplace had no major problems (according to the manager). These were typical comments:

*"With our current one I wouldn't say that it offers any benefits or is of relevance. I believe that if you have a good union who works with you in partnership then it can be very productive".*

*"I just honestly see no value – we don't have employment disputes. It's a happy workplace".*

Further strong differences were found when employers were asked if they had considered engaging in collective bargaining, with 74.8% of non-involved employers having never done so against 6.2% of involved employers. It is interesting to note that some employers (30%) involved in collective bargaining agreed with the point that individual bargaining offers greater benefit. This implies that those employers would probably prefer individualised bargaining but it is not a realistic option for them at the moment. This stance also featured strongly in the interviews. Here is a typical example of opinion amongst those employers involved in collective bargaining but who consider that individual bargaining offers greater benefit:

*"I don't think they got anything through collective bargaining that we would not have if they were on individual agreements. We only go through the motions as the ERA requires us to negotiate with the union".*

In the interviews, a number of employers involved in collective bargaining also felt that collective bargaining encouraged mediocrity:

*"I think as far as all the issued stuff they get, like boots, gear and that, should all be in a collective employment agreement, but as far as wages go, some of our guys really deserve a pay rise and some don't. With collective bargaining, then they all get it. Some people you would love to give a rise, others you don't. I think wages should be on an individual basis."*

However, 57% of employers involved in collective bargaining disagreed that collective bargaining would add nothing of value to the business. From the interviews, it would appear that this was the main position among employers who have a good working relationship with the union (or unions). Below are typical responses amongst employers who think that collective bargaining can add something of value to their business:

*"The whole process of the agreements is a lot quicker and a lot smoother. We like to have union involvement".*

*"The benefits of collective bargaining for us are that it is easier to manage with one package".*

Finally, those involved in collective bargaining found that the transactional costs were high (50.1% agreed). This was the overwhelming opinion across all employers and it was strongly expressed in the semi-structured interviews. As one employer said:

*"There is a huge cost in the bargaining process. Our team consists of the HR manager and advisor, chief commercial officer and an EMA [Employers and Manufacturers Association]"*

*person. It costs us lost wages and time and the administration process of costing out the claims is considerable”.*

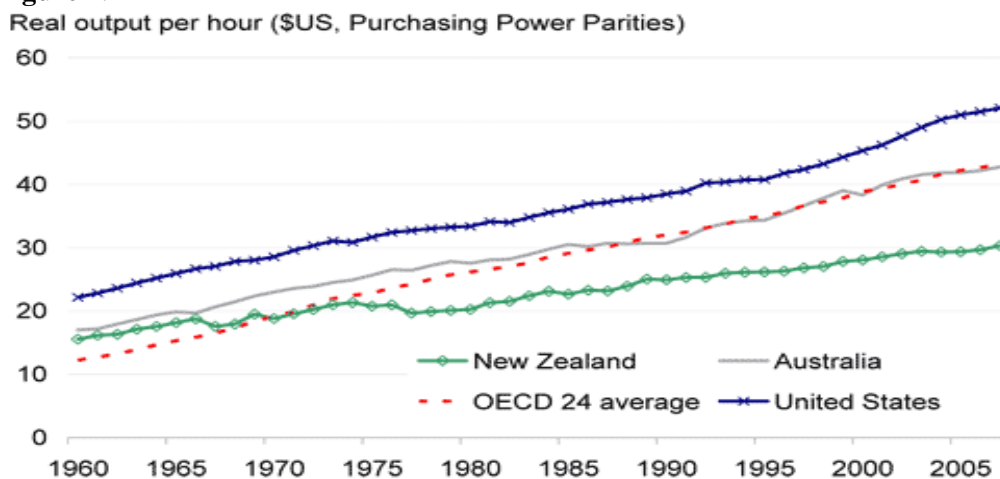
Overall, it is important to note that the employers who are engaged in collective bargaining constitute a clear minority and even amongst these employers, there is criticism of bargaining processes and associated outcomes. Generally, employers have a negative attitude towards collective bargaining and unionism, and they would prefer to conduct their employment relations affairs in direct discussion with individual employees.

## The Long-Standing Issue of Low Productivity Growth

Comparatively slow productivity growth has been a long-standing problem in New Zealand, refer to Figure 1. From having one of the highest living standards (measured in gross domestic product per head) in the 1950s, there has been a persistent comparative decline in New Zealand's living standards, currently sitting below number 20 amongst OECD countries. This comparative decline has influenced the so-called New Zealand 'experiment' and has prompted radical public policy changes. The decline has also influenced the thinking behind employment relations reforms. The ECA tried to create an 'efficient labour market' through facilitating employer-driven flexibility and the ERA sought to facilitate 'productive employment relationships'. Neither of these legislative frameworks has brought about the anticipated improvements in productivity growth. It is still debated in New Zealand as to why and to what degree this has happened (see Haworth, 2010a; Rasmussen, 2009: 447-455). In respect of the ECA, it has been suggested that the policy prescription may have been wrong and/or the context was not supportive enough (for example, in terms of infrastructure investments). In case of the ERA, the emphasis on collectivism and collaboration did not manifest itself and there was considerable catch-up investment in, for example, infrastructure, education and social problems. Some commentators – including many employer organisations – have also disputed the different employment relations approach.

Whatever the explanations, the comparative decline in New Zealand's living standards and productivity has now become a mainstay of news reports. As mentioned above, employment relations has temporarily regained its high profile role and it is likely to be a major issue in the 2011 General Election. The big question is whether the current employment relations approach is putting New Zealand on the track towards a more productive economy, and thus, breaking the relative economic decline seen in Figure 1.

**Figure 1.**



Source: Treasury, 2008



***Can individualism be aligned with a productive, high-wage, high-skill economy?***

The leading employer organisation, Business New Zealand, has clearly voiced the employer opposition to many of the employment relations changes under the previous Labour-led Governments in 2000-2008. This has been supported by various other employer organisations and ‘think tanks’, including the high-powered Business Roundtable. For example, in response to New Zealand’s lowest growth in productivity in 31 years, Business New Zealand argued, in a press release, that New Zealand should implement a Productivity Commission (as in Australia) and needed “things like more flexible employment law, lower taxes and a smaller compliance burden...” (Business NZ, 2010).<sup>3</sup> These arguments are in line with Business New Zealand’s briefing to the incoming Government in 2008 where it advocated more flexibility and freedom in the workplace. There appears to be two problems with this argument: first, it is difficult to associate the higher Australian productivity growth with ‘flexible employment law, lower taxes and a smaller compliance burden’. Second, the implied suggestion that legislative support of more individualism may encourage greater competitive flexibility and innovation which would then drive higher productivity appears to have little empirical basis. For example, the productivity experience of the 1990s, where employers had a remarkable free hand in terms of establishing their preferred working arrangements (see Boxall 1997, Deeks and Rasmussen, 2004: 165-169), does not provide a convincing scenario.

Generally, it is unclear how employer preferences for workplace and individualised employment relations can be part of a successful attempt to build a sustainable route to a high-wage, high-skill economy in New Zealand. As discussed below, there seems to be at least *three types of issues* associated with this approach.

1. There are few major New Zealand owned firms (except Fonterra) and industries which have shown substantial growth recently, and arguably too few industry-level collaborative solutions exist which can establish a sustainable economic growth path.
2. The lack of major collaborative solutions is particularly noticeable in the training and skills area because the key actors appear to have some overlapping interests. Recently, management capabilities have been raised as a crucial training and skills issue.
3. There is a distinct lack of a broadly based ‘plan’ of how to inform and persuade employers to adopt more productive employment relations approaches.
4. Employer aversion to mandatory minima and/or collectively agreed minima facilitates a low cost, low skill ‘equilibrium’ where mainstream employers have to compete with employers who have rock-bottom employment conditions and invest little in their staff.

*First*, under the Labour-led Governments a number of initiatives were taken to develop industry growth paths and there was direct support for several ‘sunrise industries’ (Haworth, 2010). These efforts have had some success but they were limited in funding and coverage and have had insufficient impact across the economy. Employer organisations have been involved in some of these initiatives and they have set out alternative growth strategies. For example, Business New Zealand (2009) has set out a wide-ranging 50 points plan to lift productivity levels but there have been limited Government action in many of the suggested areas of policy change. This may come, however, if the 2011 General Election results in another National-led Government. Overall, the action plans suggested by Business New Zealand (2009) build on the assumption that private sector initiatives will drive the lift in productivity growth. This view is somewhat problematic since low private sector investments have become a major issue.<sup>4</sup> In light of the absence of industry ‘locomotives’ and comprehensive government growth plans, it is unclear whether the Business New Zealand approach will overcome the current issues surrounding productivity growth.

*Second*, in the training and skills area, there has been considerable overlap between employer, union and Government interests (Burton, 2010; Wilson, 2004b). This was illustrated by the launch of a new Skill Strategy for New Zealand in 2008, which was supported by employers, unions and Government (Tertiary Education Commission, 2008). Even in this area of overlapping interests, there appears to be ample room for improvement. This has been illustrated by wide-ranging skill shortages pre-2008 and concerns about the propensity to ‘free-ride’ amongst small and medium sized employers. In a survey of employers’ perspectives on skill shortages, Baron and McLaren (2006) found that employers were openly pessimistic about the prospects of any improvement in the supply of skilled labour (especially qualified trades people) over the medium to long-term future. Importantly, Baron and McLaren found that *employers were split on how to rectify the situation*. Employer opinions ranged from suggesting a more active role, supporting existing vocational training schemes to expressing support for the old industry training system that was disestablished in the early 1990s. And this does not address the underlying problem that many employers do not invest sufficiently or at all in vocational training or have well-defined career paths (Hunt and Rasmussen, 2007; Williamson, Harris and Parker, 2008). It is unclear how an individualised approach will deal with this problem, especially in light of the prevalence of small and medium-sized firms.

A particular problem in terms of skills and capabilities concerns management capability in New Zealand, especially competent and inspirational leadership of organisations. This issue has been clearly signalled by the research sponsored by the New Zealand Institute of Management (NZIM)’s research on management capabilities (Matheson, 2009). That research has wide implications since, if organizations in New Zealand want to compete nationally and internationally, then they need to be effective in areas such as employee engagement and focus on innovation. As New Zealand Trade and Industry (NZTI, 2011) has argued: “Businesses are only as successful as their owners and managers. In an ever-changing world it is essential that you actively build your management capabilities.” However, the NZIM research has shown that implementation of these ideas is weak in New Zealand compared to other countries who see these measures as a priority (Birchfield, 2011). Several possible reasons have been advanced for this problem with management capabilities and leadership (Birchfield, 2011; Geare et al., 2009). It may be the smallness of our economy and organisations where budgets and resources can be tight which may comprise efforts to enhance management capabilities. It is often argued that ‘quick fix’ measures prevail. Another impediment to insufficient capabilities and the lack of leadership can be the culture of the organisation.

*Third*, there is a distinct lack of a broadly based ‘plan’ of how to inform, persuade and make it easy and cost effective for employers to adopt more productive employment relations approaches. Again, the many small and medium-sized businesses constitute a thorny problem. This has been recognised in the area of information where there has been considerable effort in the new millennium. Employer organisations have been active in their provision of information and services. They have also been involved in and supportive of government initiatives (Burton, 2010). For example, the Department of Labour now has a raft of online information and application options, and there have been a string of workplace ‘demonstration case studies’, which the Partnership Resource Centre and Workplace Productivity Group have promoted (see Haworth, 2010). Still, there appears to be ample room for improvement. In the survey of employer opinions discussed above, we asked employers about the quality of information and the practical value of the information on collective bargaining and good faith which they received from their business organisations. The majority of respondents found the information either poor (25.4%) or just adequate (38.8%). We also asked employers what they thought of the advice from the Government and the results were similar. Interesting, there was greater concern amongst small to medium-sized enterprises than amongst larger organisations. As larger organisations will often have specialist staff or can afford consultants who can advise them,

this leaves the many small and medium-sized employers in the lurch. If these employers are not receiving good advice then what do they do?

*Fourth*, the preference for workplace and individualised employment arrangements and, in particular the constant criticism of statutory minima changes, opens the gate for low paying and low productivity employers (as McLaughlin (2010) has argued). This has clearly been the trend under the post-2008 National-led Government (see above), where both collective and individual employment rights have been seen as barriers to more ‘flexible’ employment arrangements. It is puzzling that there has been pressure from employer organisations to reduce employment standards as this makes it easier for mainstream employers to be undercut by ‘cheap labour’ employers. If neither collective bargaining nor statutory minima are seen as suitable ways of lifting employment standards, then higher employment standards can only happen through employer competition for staff. Although such competition has been driving up employment conditions in the new millennium (until the post-2008 economic crisis), it has also been associated with labour market ‘bottlenecks’ and insufficient productivity improvements. This is exactly the ‘low skill, low wage equilibrium’ that McLaughlin (2010) talks about. Again, it is difficult to see how such an approach can establish a sustainable basis for the elusive high skill, high wage economy.

## Conclusion

The rise in individualism and workplace bargaining has coincided with growing concerns over disappointing productivity growth, and that combination has had a major impact on public policy debate in New Zealand. There have been serious attempts of path-breaking in respect of employment relations and this has happened to a large degree. Within a radically changed economic and social context, current New Zealand employment relations has moved a long way. As shown, the regulatory framework, the institutional setting (including collective bargaining) and the attitudes and behaviours of the key players have shifted considerably in a matter of two or three decades. As such, the New Zealand ‘experiment’ in employment relations changes is of comparative interest if one is interested in mainstream employment relations research areas: employment regulation, union renewal, employer attitudes and strategies, protection of employee rights, employee influence and participation, high performance work systems, etc.

However, it is still unclear how the on-going shift towards workplace and individual bargaining can be aligned with the aspirations of higher productivity growth. As New Zealand lacks major New Zealand-owned industrial giants (except in the dairy industry), there are few key firms or industries which can establish sufficient strong leadership in terms of economic growth and productive work practices. It is also problematic that efforts in the area of vocational training have fallen short, despite this being an obvious area where tripartite collaboration could have prospered with employer organisations voicing their support. It is highly likely that a new economic upswing will feature skill shortages. New Zealand appear trapped in a ‘low skill, low wage equilibrium’ and this is further aggravated by a latent ‘brain drain’ of highly educated people because of the comparatively low wages in New Zealand.

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<sup>1</sup> The importance of these changes has been debated in New Zealand with some researchers arguing that the current Government’s labour law reform is not that substantive (see eg. Hodge 2010).

<sup>2</sup> As the Department of Labour (2009) research draws on some of our survey results, it is important to be aware of this when findings are reported. However, the Department of Labour research had a broader focus as it also included focus groups and interviews with practitioners, employer and union representatives, and academic researchers.

<sup>3</sup> The Productivity Commission was enacted by the current National-led Government in December 2010

<sup>4</sup> However, a recent survey of the IT, high-tech manufacturing biotech sectors (the 'TIN 100') has found that growth, revenues and employment were all significantly up, compared to 2010 (see O'Neil, 2011).

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