

Government Policy on Restructuring the Labour Market: New Zealand

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The New Zealand labour market has changed dramatically over the last two decades. At the beginning of the 1970s, the number of registered unemployed was approximately 1600. By 1990, the number had increased ten fold to 164,000 (an unemployment rate of about 12%). This single change, spectacular in itself, has been the result of deep structural changes in the economy, affecting the industrial and occupational structure of employment. Although many of the changes to the labour market were the result of more general structural change, there were significant changes to the industrial relations system as well. Most of these transferred the balance of advantage to employers. The combined effect of economic and institutional change has been to affect the degree of labour force participation, levels of real wages, the distribution of income, and the differential impact of unemployment.

INSTITUTIONAL FEATURES OF THE NEW ZEALAND LABOUR MARKET

Until 1991, New Zealand and Australia shared many features in common:

1. There were a relatively large number of trade unions organized on a craft basis.
2. Wages and conditions were regulated through legally enforceable awards.
3. Individual enterprises were often characterized by multiple awards, multi union presence and clear job demarcation.
4. There was scope for over award payments and enterprise agreements at variance with existing awards.
5. Wage relativities were important and reasonably stable.
6. Immigration was used to augment the supply of labour and overcome shortages of specific skills.
7. A comprehensive system of welfare benefits was available to the unemployed, the infirm, the retired and to solo parents.
8. The government operated a public job placement service.
9. Education at all levels was funded primarily through the state.
10. External events exerted significant effects on aggregate labour demand and its industrial, and therefore occupational, composition.

On the other hand, there were some notable differences. New Zealand being a unitary state, there are none of the problems of federalism which affect Australian industrial relations. Thus the New Zealand government makes all industrial relations legislation, and has the power to control incomes and prices - a power which was used extensively from 1971 to 1984. A further significant feature was virtually compulsory unionism in New Zealand which increased membership of trade unionism, especially amongst women, migrants and other groups which usually have low rates of union membership. Furthermore the New Zealand bargaining system has evolved away from arbitration towards direct negotiations and most awards are settled without recourse to arbitration.

LABOUR MARKET POLICY

New Zealand governments involvement in the labour market has often been a consequence of decisions in the social or general economic policy areas. Beyond the weather eye kept on the conciliation-arbitration system, and the periodic control of wages during the 1970s, the state has preferred a hands-off approach. Post-war labour market policy in New Zealand can be characterized as having gone through three phases:

1946-1970: Reliance on the conciliation-arbitration system buttressed by import controls, and aggregate demand management.

1971-1984: Wage controls, less protection for industry less reliance on demand management and the increasing use of subsidized employment schemes.

1985-1991: Free wage bargaining but without compulsory arbitration, no protection for industry, pure monetarist policies, and the virtual elimination of subsidized employment. Unemployment increased in each of these periods. However, rather than seeing the rapidly increasing rate of job loss as a consequence of the policy regime, the labour market itself was blamed for the level of unemployment. The view that unemployment was the result of labour market inflexibilities was imported holus bolus from Europe and the US, and was pushed vigorously from about 1984 by the Employers Federation, the Business Roundtable, Treasury and the Reserve Bank.

The evidence these groups produced in favour of the inflexibility thesis did not stand up to scrutiny. Brosnan (1986), reinterpreted their data and concluded that there was evidence of considerable flexibility. The New Zealand Planning Council (1986) examined movements in relative wages and concluded that the New Zealand labour market was at least as flexible as other OECD countries. Despite this, the assertion of inflexibility has continued to come from some employer groups, and particularly, from the Business Roundtable. Harbridge (1986, 1988, 1990) has examined all awards and agreements registered since 1984 and found the pattern of settlements to be very flexible.

Treasury and the Reserve Bank had been advocating reductions in real wages well before 1984. The Reserve Bank in fact had poured considerable resources into econometric models which purported to show that wage restraint would lead to reductions in unemployment (Grimes, 1981). Despite critiques of the method, the data, and the theoretical underpinning's (Grimes, 1983; Harris, 1982; Haywood and Moore, 1983), the Bank continued to promote this policy during the 1980s. By the end of the decade, after reductions in real wages had gone along with substantial increases in unemployment, the Bank's credibility on this issue was clearly suspect. Nonetheless, the Bank maintained its opposition to real wage increases, although this opposition seemed to be motivated by fear of the inflationary consequences and the damage which they would do to the possibility of the Governor of the Bank achieving the inflationary targets which he had been set by his contract of employment.

Treasury's view was made public in 1984 when the Labour Government published *Economic Management*, the advice offered by Treasury to the incoming government (Treasury, 1984). This advice put great store on the role of wages in clearing labour markets. It advocated real wage reductions as part of macroeconomic adjustment, but it focussed very strongly on the adjustment of relative wages. The other components of the Treasury agenda included the abolition of occupational licensing, reductions in welfare benefits and more flexibility in public sector wage fixing. Although the advice in *Economic Management* appeared as 'extremist' in 1984, it looks comparatively mild given the policy positions adopted by Treasury in the ensuing half decade.

By the end of the Fourth Labour Government's first term, the economy had been remade in line with the Treasury view as set out in *Economic Management* (1984). When the re-elected Labour Government published Treasury's advice following the 1987 election, the tone of the advice had changed. *Government Management* (1987) set out an even more radical course, although written much better, and with more attention paid to the industrial relations system and to its institutions. In line with most New Right thinking, the Treasury view had very much changed to an individual based system. Internal labour markets, the national award system, blanket coverage, compulsory unionism, equal employment opportunity, and the Minimum Wage were criticized as inappropriate or misguided. The ideal system was seen to be one based on individual contracts of employment, workplace bargaining, and output-based payment systems.

By the late 1980s, the ideological hegemony of New Right groups and economic advisers meant that unemployment and low growth were unquestioningly blamed on sluggish labour market adjustment. Both Labour and National governments accepted the Treasury and Business Roundtable points of view that more flexibility would turn the situation around. The Labour Relations Act 1987 was an initial attempt to push the labour market in the direction of 'flexibility'. A particular goal of the legislation was to reform the structure of bargaining and awards from an occupational based structure to a structure based on enterprise and industry groupings.

Two different agenda's began to emerge in the late 1980s. The first strategy, driven by the moderates in the Labour party as well as trade unionist who had accepted the political inevitability of more labour market reform, attempted to achieve change through a corporatist consultative framework based on the Australian Accord. To distinguish it from its Australian parent it was called the 'Compact.' Although the Compact was much talked about and became a central election platform in the dying days of the Fourth Labour Government - by which stage it had been renamed the Growth Agreement - it in effect delivered little. The second strategy, which won the day politically, radical deregulation of the industrial relations system, is embodied in the National Government's Employment Contracts Act.

EMPLOYMENT

The labour force grew at about 1.6% annually over the last two decades. The greatest numerical increase was in the number of women working full time but the highest rate of increase was in the number of men working part time (less than 20 hours a week) which increased by an average of 13% annually. The number of women working part time also increased substantially by an average annual rate of almost 10%. This growth has not been uniform. Indeed the labour force shrank 3% between March 1986 and September 1989. Nonetheless, the number of persons employed part time continued to grow during this period despite the substantial decline in full time employment.

Women's participation increased substantially over the last two decades while men's has declined. Education retention rates increased with a consequent decline in the participation rates of teenagers and 20-24 year olds. Nonetheless, the reactionary economy since 1985 has led to a decrease in women's aggregate participation rate. This decline occurred at most ages. The only age groups to increase their participation have been women aged 25-29 and 45-59. Corresponding to this decline in participation was an increase in the number of 'jobless' (persons wanting a job but excluded from the official definition of the labour force).

Taken as a whole, the last two decades saw similar labour force trends in Australia and New Zealand, despite New Zealand's experience being closer to the OECD average; a shift to service sector employment, growth in the public sector (until 1987), and above average employment growth in most periods. The New Zealand economy, however, has grown relatively slowly and GDP barely increased after 1985.

The most spectacular difference in the labour market experiences of Australia and New Zealand has been in their unemployment rates. In the 1960s and 1970s, Australia's and New Zealand's rates of registered unemployment were among the lowest of the developed countries. New Zealand's rate was very low, considerably less than 1%. Indeed, the number of registered unemployed, in the 1950s and 1960s was a few thousand at the most and sometimes less than 100. From the late 1970s, however, New Zealand's unemployment increased faster than almost any other comparable country's.

The high levels of employment that prevailed from the end of World War Two were the result of a favourable international economic environment and its interaction with a

number of different but mutually supportive government policies: the encouragement of manufacturing, import licensing, immigration and the industrial conciliation and arbitration system. After 1967, however, the economy was increasingly deregulated. Deregulation had been underway since the mid 1950s but, with the encouragement of the IMF, trade policy in the 1960s increasingly moved away from import licensing to a strategy of export diversification. Import licensing was retained for many commodities but the state attempted to control imports through periodic devaluations and reductions in aggregate demand (Brosnan, Smith and Walsh, 1990).

Full employment, which had been a paramount policy from the late 1940s began to be taken less seriously after 1967. The external deficit and price stability began to be accorded much higher priority (Endres, 1984). The National Government was re-elected in 1969 despite record unemployment. After that governments let the number of unemployed grow while concentrating on other goals. As Table 1 shows, the number of registered unemployed broke the 1% barrier in 1978 and had reached more than 4% by 1983.

Table 1: Registered Unemployed and Vacancies: Selected Years 1946-1988(a)

Year	Registered Unemployed	Notified(b) Vacancies (%)	Unemployment rate(c)
1946	386	19807	0.06
1951	38	21968	0.01
1956	259	12986	0.03
1961	376	9196	0.04
1966	463	7753	0.05
1967	3852	4127	0.37
1968	6881	2680	0.66
1970	1600	5245	0.15
1976	5356	1666	0.43
1977	7385	1523	0.59
1978	22330	1751	1.76
1980	36499	1476	2.80
1981	48316	3752	3.63
1983	76475	2857	5.47
1984	66534	5218	4.65
1985	53179	5467	3.59
1986	67201	4063	4.63
1987	88098	3602	6.09
1988	120941	2652	8.64
1989	153561	3754	11.09
1990	163994	4444	11.80

Source: Monthly Abstract of Statistics, INFOS.

Notes:

(a) December year monthly averages.

(b) Includes only vacancies notified to District Offices of Department of Labour in its capacity as placement service. Vacancy figures from 1981 onwards are from a new series and are not strictly comparable.

(c) Percentage of full time labour force, where full time is defined as working over 20 hours per week.

The process of deregulation which had begun in the 1950s intensified in the 1980s as economic conditions worsened, and political pressures mounted. Unemployment had grown during the 1980s. By 1984 registered unemployment had reached 4.65% of the labour force. It fell briefly after the Labour Government was elected in 1985 to 3.59%

(mainly as a consequence of expansionary policies launched by the outgoing National Government in anticipation of an October election). Once the Labour Government threw itself into its programme of internationalization of the economy, deregulation, privatization, corporatization of government departments, and substantial reductions in public expenditure, substantial job losses followed and registered unemployment doubled. The Labour Government openly abandoned any commitment to full employment. It cut the unemployment benefit for teenagers and means tested them against parental income. Temporary employment projects were scrapped and unemployed young people were forced onto training schemes.

Unemployment increased rapidly during the Rogernomics programme. By 1990 the different measures of unemployment demonstrated this fact. Registered unemployment averaged 163,994, an unemployment rate of 11.8% of the full time (over 20 hours) labour force. Unemployment, as measured by the Household Labour Force Survey, was 124,100, an unemployment rate of 7.8% of the measured total labour force. A third measure, the jobless, recorded 196,950 persons without jobs in 1990.

The distribution of unemployment was relatively uneven so that a disproportionate share was borne by women, young people, Maori and Pacific Island workers (Hicks and Brosnan, 1982; Brosnan and Wilson, 1989b). This was a function of their historically determined position in the labour market, and the way in which restructuring affected the segments in which they were concentrated (Brosnan and Wilson, 1989a).

Table 2 shows the extent of industrial restructuring and reduced employment since 1985. The reduction in male employment was greater than the reduction in female employment because, although most industry sectors experienced declines, employment increased in the Finance sector and in Community, Social and Personal Services which together employ about half the female labour force. This is reflected in the changing unemployment pattern presented in Table 3. Male unemployment increased faster than female unemployment and the male unemployment rate overtook the female rate by 1988. The impact of employment loss on the different ethnic groups is also demonstrated by Table 2. Employment growth, where it occurred in financing, insurance and real estate, had relatively little impact on the employment of Maori and Pacific Island workers who are underrepresented in those sectors. On the other hand, the rate of job loss in manufacturing had a dramatic effect. Manufacturing accounted for more than two thirds of the jobs lost in the economy between 1985 and 1990. It affected Pacific Island people severely since three out of five Pacific Island men, and almost half the Pacific Island women, were employed in manufacturing at the 1986 Census. Table 3 shows that the increase in Pacific Island unemployment has been the most rapid. Maori were also vulnerable to job loss in manufacturing, although less so since they were employed in a wider range of industries.

Table 3: Surveyed Unemployment Rates by Ethnic Origin and Sex (%)

	1986		1987		1988		1989		1990		
	M	F	M	F	M	F	M	F	M	F	
Pakeha		2.9	3.5	3.4	3.4	5.0	4.4	5.4	5.5	7.0	6.4
Maori	10.0	12.5	10.5	8.8	15.9	13.9	18.1	19.8	24.9	22.8	
Pacific Island Polynesian	4.5	8.1	7.3	7.9	17.4	14.6	22.7	13.2	26.3	18.8	
Total	3.5	4.4	4.1	4.1	6.3	5.5	6.9	6.9	9.1	8.1	

Source: The New Zealand Labour Force, December Quarters.

IMMIGRATION

Controlled immigration, although not acknowledged as such, was a major component of the policies producing full employment in the 1950s and 1960s. The high levels of demand produced by post war fiscal policy were added to by subsidized immigration from Britain and Europe and the demands which immigrants made on housing and other services. The Government was able to successfully maintain these high levels of demand because its labour market policies minimized inflation. Bottle-necks in the labour market were reduced by selective immigration which was used to fill specific labour shortages. In addition, the conciliation and arbitration system produced an effective control over wage movements, at least up to the late 1960s.

Until the mid 1980s, immigration policy was largely regionalized. There were three major streams of immigrants. A significant stream of immigrants were from Britain and Europe. These Anglo Saxon immigrants tended to be skilled workers. A second stream of 'de facto' immigrants were from the Pacific Islands. This stream of immigration was often an ad-hoc policy response to the excess demand for unskilled workers in the economy at the time. Lastly, New Zealand and Australia's special relationship enabled a high level of immigration from Australia.

A major review of immigration policy occurred in the mid 1980s. This new policy was heralded in the 'Review of Immigration Policy August 1986' and brought into fruition as the Immigration Act 1987. The new policy used three criteria, social, humanitarian and economic as the basis for immigration.

Social immigration is largely based upon the reuniting of families. Entry on humanitarian grounds is largely accorded to refugees. Economic immigration has two components. The first is based upon the Occupational Priority List, maintained by the Department of Labour. This list is formed from submissions from employers and attempts to balance training considerations against short run demands of employers. The second component is through the business immigration scheme. This enables individuals with a significant amount of capital to relocate to New Zealand. For the year ending March 1988, there were 555 approved applications through this scheme, each bringing an average capital of NZ \$620,000 (Hurrelle, 1988). In 1990 the number had increased to 1538.

In the five year period prior to 1988, immigration averaged 8,000-12,000. For the year ending March 1989 this figure was 27,000, and for March 1990, 22,000. As the new system was implemented, it became difficult to administer because it was non-regional with no quotas. In 1990, successive ministers undertook reviews of the system. The recommended changes, a simplified points system which ranked potential immigrants, was adopted by the new National Government. Under the new immigration regime, the absolute levels of immigration (excluding returning New Zealand citizens) has increased. A number of subsidiary policies operate, the most significant being the trans Tasman travel arrangement. This allows unrestricted migration between Australia and New Zealand. In 1985 one third of all permanent and long term arrivals came from Australia (Hurrelle, 1988) although most of these were New Zealand citizens returning or Australian born children of New Zealanders (Brosnan and Poot, 1987).

EDUCATION AND TRAINING

The major exceptions to the hands-off policy approach have been the periodic responses by governments to the needs of particular interest groups. Thus governments have used their control over university funding to control entry to professional schools, such as medical and law schools, to restrict the supply of labour to the professions. Less quantitative attention has been paid to technical and craft training. Although the state has funded these types of training through the polytechnic system, demand has fluctuated with employers' expectations. Thus there has been substantial variation in the numbers of apprentices, for example, but these have not necessarily kept in line with the subsequent demand for skilled workers. The major exception to this was the training schemes instituted in conjunction with the 'Think Big' policies of the early 1980s.

Few serious attempts were made at comprehensive planning. A National Development Conference was held over 1968-1969 which made projections and a number of strong recommendations with respect to planning targets. These were monitored for a number of years, but as the economy became increasingly under pressure in the 1970s, and as the targets clearly became unrealistic, planning fell into disrepute and was never seriously resurrected as a legitimate policy option.

Once Treasury and the New Right controlled economic policy, planning was seen as neither practical nor legitimate. The Department of Labour did attempt, during the early 1980s, to project the demand for different occupations, mainly craft and technical occupations, but these projections had minimal impact on the number of apprenticeships or training places offered and even this minuscule level of planning has been abandoned since the Department has been corporatized.

Despite the lack of planning, the state became involved directly in job provision and training through the various temporary job schemes which were instituted as a response to unemployment growing from the late 1970s. Department of Labour schemes for the unemployed had historically functioned as both an attempt to maintain the social goal of full employment, as well as attempting to maintain work skills and attitudes of the unemployed. However by the mid 1980s there existed a variety of ad hoc schemes which came under increasing criticism. These schemes, such as the fully subsidized Project Employment Scheme and the partially subsidized Private Sector Employment Incentive Scheme (Gill, 1989), became to be regarded by Treasury as both providing a windfall gain to employers, as well as partly reallocating jobs between subsidized and unsubsidized workers. Treasury alleged that the displacement effect of one particular scheme was such that 65% of jobs would have existed in the absence of a subsidy (Treasury, 1984, p.245).

After the Employment Promotion Conference of 1985, government policy began to increasingly emphasise training and skill levels. Sustained unemployment was attributed to a slowness on the part of labour market participants to gain suitable skills. Policy switched from simply keeping the unemployed in jobs, to providing formal training. In 1986, after the completion of a major process of consultation, the government announced a new set of policies (Burke 1986). The major focus of this policy was a system of training for the unemployed.

This system, implemented in 1987, became known as the ACCESS programme. It was aimed at individuals who were both disadvantaged in the labour market and lacking in skills. Funding is given to locally constituted organizations known as Regional Employment Advisory Committees (REACs) who have representatives of various sectors appointed by the Minister of Employment. REACs administer and fund training according to the perceived local needs. Training is provided by a variety of organizations, including polytechnics, employers, community organizations or other approved training providers. Courses vary from 4 to 52 weeks, and include life skills, vocational training and work based training. Trainees receive an allowance, which until 1989 was slightly more than the Unemployment Benefit. A major feature of the program is that funding is targeted to favour the disadvantaged. A weighted sum of factors is used, such as being of Maori or Pacific Island descent; having literacy problems; being a women training for a non-traditional occupation; having no formal school qualifications; and having a history of sustained unemployment.

Parallel to the ACCESS organization, is a Maori controlled organization called MACCESS. Both organizations are open to all potential trainees. MACCESS was created because it was felt that delivery of education and training to Maori would be improved if resources were devolved to Maoridom so that they could control funds and develop their own solutions to employment and training problems. MACCESS is organized in such a way that the Minister of Employment contracts with the Board of Maori Affairs. The Board in turn recognises and funds 22 regional/tribal Maori authorities which fulfil a similar role to REACs. That is the determination of training priorities, recognising training providers and monitoring the outcomes of training.

Concern has been expressed about a number of aspects of the ACCESS programme. Firstly it was argued that ACCESS may be inhibiting the success of its graduates because of an adverse labelling effect (Bertram, 1988). This uncertainty was compounded by a second problem, the lack of monitoring of the effectiveness of targeting and training of the program (Working Group on Employment Policy, 1989). Lastly and most significantly, attitudes seem to have come full circle since the early 1980s with a realization that on-the-job training is just, if not more important, as formal education and training. There has thus been a move to encourage REACs to rely less on off-the-job training (Working Group on Employment Policy, 1989).

BENEFIT LEVELS AND STRUCTURE

A number of different forms of social assistance and welfare benefits, whose nature and scope impact upon the functioning of the labour market, have developed historically. The Unemployment Benefit is designed to prevent individuals falling into poverty if, through no fault of own, they become unemployed. In the past the existence of the Unemployment Benefit has allowed jobless workers to engage in effective job search, relatively unpressured by immediate income requirements. The unemployment benefit, combined with the system of awards and the Minimum Wage has also provided an effective floor against exploitation of disadvantaged workers.

Sickness and Invalids benefits, in a variety of forms, have provided insurance in the event of illness or disability which leads to an inability to work. This has protected this group from the vagaries of the labour market. The Domestic Purposes Benefit, which has evolved from provisions for widows and solo parents, exists as a form of income support for people whose domestic responsibilities preclude them from full time paid employment and who have no other form of support. National Superannuation has evolved from various forms of old age pensions. Family Benefit was used to overcome the inadequacy of the market mechanism to deliver a family wage. The Fourth Labour Government introduced additional benefits, Family Support and Guaranteed Family Income which are included directly in pay packets to make up the income of low earning families. Social welfare systems have been increasingly drawn into the debate on employment levels and economic performance. As the recession has intensified, pressure on the benefit system and the government budget has increased. This has led many to assert that increased social welfare expenditure is the cause, rather than the consequence, of poor economic performance.

In *Government Management* (1987), Treasury argued that the benefit system was in need of reform, especially given the perceived constraints of the fiscal deficit. Treasury argued that the level of benefits was too high, citing evidence that benefits were 24% higher than the relativity (80% of the lowest quartile of male wages) suggested by the Royal Commission on Social Policy in 1972 (Treasury 1987). This was regarded as having two important results. Firstly, the high replacement ratio was a disincentive to work and consequently led to a poverty trap. This was argued, despite Treasury research in 1986 which showed that only 5% of workforce could receive a benefit higher than 70% of what they could otherwise earn (Royal Commission, 1988). Secondly, Treasury argued that 'high' benefits was a situation which was unfair on low income wage earners.

Treasury also argued for a rationalization, and possible lowering of benefit entitlements for teenagers. They argued that the system as it existed, provided perverse incentives in regards to various types of training, as well as enabling families to escape responsibility for income assistance. Treasury also argued that increased targeting of National Superannuation payments was necessary, given the aging of the population and the perceived need for a switch from public to private provision of superannuation. Much of this advice began to be implemented by the Fourth Labour Government. Increasingly the eligibility criteria for the Unemployment Benefit became stricter, benefits became taxable and a number of proposals floated to limit the duration of the Unemployment Benefit. With the change of government in 1990, Treasury once again suggested that lower benefit levels were necessary to force the unemployed into jobs (Treasury, 1990). These proposals were quickly enacted by the National Government. Most of the rates for benefits have been reduced, eligibility criteria across all benefits has been tightened, stand down provisions have been made stricter, under 18 year olds are not eligible for assistance unless they can prove they cannot rely on their parents, the Family Benefit has been cut and partly incorporated into Family Support, and there has been no inflation increase for the Guaranteed Retirement Income (formerly National Superannuation) as well as other ongoing attempts to reduce government support for the elderly (Shipley, 1990). At present the Government is investigating the use of social insurance as an alternative to state funded social welfare.

In conjunction with these reductions in benefits, the proposed Employment Contracts Act creates a situation where the jobs which many beneficiaries will be offered will be non-unionized and have inferior pay and conditions. The significant level of unemployment, combined with the requirement that unemployment beneficiaries reject no more than two job offers, may see wages and conditions deteriorate significantly.

LOW PAY

The only obstacle to wages falling below subsistence levels once the Employment Contracts Act is in place will be the Minimum Wage. But this only applies to workers aged 20 and over. The Minimum Wages Act which has been in place since 1945, was simplified in 1952 so that minimum wages were set by Order in Council. Although the Minimum Wage was adjusted regularly in line with general wage orders, it did not keep up with the average movement in earnings. As can be seen in Table 4, the Minimum Wage as a proportion of mean earnings steadily decreased until 1984. After its election in 1984 the Labour Government reviewed the minimum upwards several times, however it has subsequently been allowed to fall to approximately 48% of average earnings.

A theme repeated in the 1990 Treasury briefing papers was the impediment to employment of minimum wage laws. The Minimum Wage has been accepted by the new National Government as a component of its floor of rights, but there is no procedure for keeping the Minimum in line with earnings and it may well fall. In any case, average earnings themselves have been falling. Thus a Minimum set in line with average earnings would represent a falling level of consumption.

Table 4: Minimum Wage and Average Earnings

Year	Minimum Weekly Wage	Mean Ordinary Time Weekly Wage (March 1987 Prices)	Real Value of Minimum Weekly Mean Earnings	Minimum Wage as a Proportion of Mean Earnings
(1)	(2)	(1)/(2)		
	\$	\$	\$	%
1948(a)	11.50(c)	14.75	211.37	0.78
1951(a)	13.17(c)	19.52	208.01	0.67
1954(a)	17.50(c)	24.24	223.59	0.72
1957(a)	18.75(c)	25.27	217.46	0.74
1960(a)	19.75(c)	27.70	207.61	0.71
1963(a)	20.33(c)	30.99	202.85	0.66
1966(a)	21.67(c)	35.36	197.42	0.61
1969(a)	23.50(c)	41.90	186.99	0.56
1972(a)	27.00(c)	60.97	173.19	0.44
1975(a)	54.88(c)	91.61	270.78	0.60
1978(a)	64.41(d)	132.18	206.57	0.49
1981(b)	80.16(d)	215.89	164.03	0.37
1984(b)	84.17(d)	279.33	127.55	0.30
1987(b)	210.00(d)	396.92	210.00	0.53
1990(b)	245.00(d)	505.99	201.98	0.48

Source: Department of Labour, Statistical Tables; Labour and Employment Gazette; Minimum Wage Act; Orders in Council; Department of Statistics, Price Statistics, 1979; Monthly Abstract of Statistics.

Notes: (a) April
 (b) February
 (c) Males
 (d) Males and females

An idea of the effect of government policy on income levels is provided by the data in Table 5. The first column of the table shows that in the period from March 1980 to September 1984 (National Party Government), real gross income of wage and salary earners fell 2.9%. The lowest quintile's income dropped 2.5%. The highest quintile's income fell 3.2%. In the period of Labour Party Government, (approximately the September 1984 quarter to the September 1990 quarter), real gross incomes rose by 0.6% but the lowest quintile experienced a further cut in income of 1.9% while the highest quintile gained an increase of 2.5%.

When taxation is taken into account, we see that it increased inequity. Before 1984, taxation further amplified the decline in income of the lowest quintile to a loss of 4.8% while it compensated for the decline in gross incomes of the top quintile to the extent that the highest fifth of wage and salary earners increased their real disposable income by

0.5%. After 1984, the redistributive effects of taxation continued to give to the rich while taking from the poor. As Table 5 shows, the highest quintile gained a larger increase in disposable income than in gross income. The fall in the income of the lowest quintile was modified by taxation, mainly through Family Support payments, but the second lowest quintile suffered a much larger fall in income as a result of taxation changes - a decline of 2.2% in disposable income compared with a fall of 1.4% in gross income. The effects of these changes on the lowest quintiles are somewhat worse since the introduction of GST (initially at 10% and increased to 12.5% in 1989) adds a further layer of taxation which hurts the lowest quintiles the more since they spend all of their incomes, and all of it in New Zealand. This compares with the upper quintiles which save part of their income or spend it abroad.

Table 5: Percentage growth in real gross and real disposable income: Wage and salary earners: 1980-1990

	Real gross income		Real disposable income	
	March 1980 to Sept 1984	Sept 1984 to Sept 1990	March 1980 to Sept 1984	Sept 1984 to Sept 1990
Lowest quintile	-2.5	-1.9	-4.8	-1.6
Second quintile	-2.6	-1.4	-4.7	-2.2
Third quintile	-2.9	-0.1	-5.2	0.2
Fourth quintile	-3.0	0.6	-4.1	1.0
Highest quintile	-3.2	2.5	0.5	3.1

Source: Key Statistics

EQUITY AND LABOUR MARKET STRUCTURE

Compulsory union membership, blanket coverage of awards and State inspection, limited the relevance to the New Zealand labour market of a primary-secondary distinction (Doeringer and Piore, 1971). The existence of a centralized wage fixing system also guaranteed New Zealand women relatively better earnings in relation to men than would otherwise be the case (Rubery, 1988). Table 6 compares women's average weekly

earnings as a proportion of men's in five countries. In Japan, the UK and the USA, where wage setting occurs primarily at the plant level, the differential is large. In Australia and New Zealand, the differentials are much smaller.

The campaign to remove discrimination against women in the labour market has a history which dates back to the 1890s (Corner, 1988). Equal pay became the focus of this campaign after the second world war. The first major victory was the 1960 Government Service Equal Pay Act. This legislation attempted to implement equal pay in the public sector by removing male and female rates for the same occupations. Partly as a result of the new law, the gap between public sector male and female average ordinary time weekly earnings closed by about 6% between 1961 and 1963 (PSA, 1988). In 1972, the Equal Pay Act implemented the same principles for the private sector by requiring that men and women receive the same pay for the same job. Implementation occurred over a number of years, and the result was a 6-7% increase in the ratio of male to female wages. Not all is of course attributable to the legislation as the initial trend was upward. However, for average ordinary time hourly earnings, the ratio increased from 72. One to 81.1, between 1972 and 1990.

The equal pay legislation was reviewed in 1975, 1979, 1986. The reviews continued to highlight the continuing difference between male and female rates of pay. The 1987 study of equal pay (Hyman and Clarke, 1987) argued that the continuing inequality in earning between genders was partly caused by the segregation of women into low paid occupations (Working Group on Equal Employment Opportunities and Equal Pay, 1988).

Table 6: Female Male Wage Ratios in International Comparison; 1986

New Zealand	Australia	Japan	UK	US
0.77	0.82	0.57	0.66	0.69

Source: Quarterly Employment Survey (NZ); Year Book Australia; Japan Statistical Yearbook; New Earning Survey (UK); Monthly Labour Review (US).

In 1988, a working group recommended the enactment of legislation to require large private sector employers to operate EEO programs (The 1988 State Sector Act had already required all state employers to implement EEO programs). The working group also recommended the implementation of a procedure to require equal pay for work of equal value. This was attempted with the 1990 Employment Equity Act. However the new National Government soon repealed the Employment Equity Act with the Labour

Relations Amendment Act 1990. In response to criticism, the government has argued that the introduction of more competition into the labour market, will reduce, rather than intensify, discrimination against women.

Brosnan and Wilson (1989a) have shown how the cumulative effect of 150 years of State policies was to structure Maori, women, and Pacific Island people into different segments of the labour market from Pakeha men. The consequence of this was that these groups had very different experiences once the Rogernomics programme began gnawing at the stock of jobs. Restructuring, which was itself shaped by social, economic, ideological and political forces, and directed by the State, impacted on different worker groups according to their historically determined position in the labour market structure and will have an additional impact according to the way in which the forces forging segmentation are affected (see Table 2 above).

Table 7 highlights the concentration of Maori and Pacific Island people in unskilled manual jobs while women of all ethnic groups were concentrated in the lower professions, and in clerical and sales work. Corresponding with the occupational concentration of the groups, there were substantial disparities in their wages. Table 8 shows the distribution and incidence of low pay across the groups. Pacific Island men were more likely to be low paid than Maori men, who were in turn more likely to be low paid than European men. European women were as likely to be low paid as Pacific Island men - one third earned less than 68% of the mean adult wage. Maori and Pacific Island women were even more likely than European women to receive low pay - over half earned less than 68% of the mean adult wage. Unemployment was also distributed disproportionately across the groups. Women of all ethnic groups and Maori and Pacific Island workers were overrepresented among the unemployed in relation to their share of the labour force (Hicks and Brosnan, 1982; Brosnan and Wilson, 1989b).

This dramatic unemployment growth was coupled with the increased income inequality outlined in section 8. Restructuring of the Public Service, in particular the sale and corporatization of State assets and departments, has had a negative impact on employment conditions. In the past the State was a large and relatively good employer of women, but many of these hard won conditions were lost as parts of the Public Service were transformed into State Owned Enterprises. Maternity leave was often cut back to the statutory minimum, and sick leave and domestic leave provisions were, in some cases, worsened. Commitment to equal employment opportunity provisions was also undermined or not carried over (Walsh, 1988). Recession also affects the processes generating segmentation. Under conditions of high unemployment, employer reliance on informal word of mouth channels of recruitment tends to increase because the amount and range of labour available through such channels expands (Jenkins, 1986). In those areas of the economy where recruitment is taking place, Pakeha workers are at the front of the queue for word of mouth job offers. On the other hand, Pacific Island workers are more likely to be affected when factory wide redundancies occur. Moreover, because they tend to be working with members of their own kin group, these workers lose not only their job, but also their support network and much of their range of word of mouth contacts for employment.

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own kin group, these workers lose not only their job, but also their support network and much of their range of word of mouth contacts for employment.

Table 7: Occupational Distribution: 1986

Occupational Groups	Non Pacific Island	Polynesian	Maori	Polynesian
Males (N = 841338)				
Proportion of workforce	89.8	7.5	2.7	
Professionals	14.2	3.9	2.9	
Administrators and managers		11.5	2.4	1.2
Clerical workers	5.2	2.9	4.6	
Sales workers	7.4	2.1	1.5	
Supervisors	4.6	3.9	4.0	
Skilled manual workers	31.8	24.0	28.9	
Unskilled manual workers	24.5	58.9	52.6	
Not specified	0.8	2.0	4.3	
Total:	100.0	100.0	100.0	
Females (N = 436866)				
Proportion of workforce	89.3	7.6	3.1	
Professionals	19.5	9.6	5.7	
Administrators and managers		5.8	2.1	1.2
Clerical workers	32.3	17.3	16.8	
Sales workers	10.1	4.5	1.9	
Supervisors	2.9	3.1	1.9	
Skilled manual workers	11.6	14.1	21.5	
Unskilled manual workers	17.2	47.3	47.5	
Not specified	0.6	2.0	3.7	
Total:	100.0	100.0	100.0	

Source: Computed from 1986 Census, Series C, Vols. 4, 9 and 10

Table 8: The Distribution and Incidence of Low Pay

	Males		Females		
	Distribution	Incidence	Distribution	Incidence	
Ethnic Origin %	%	%	%	%	
European/Caucasian		82.8	17.8	79.7	32.1
N.Z. Maori	9.3	24.0	9.7	54.5	
Pacific Islander		6.3	32.4	7.3	52.9
Other	1.1	12.1	1.9	35.0	
Not specified	0.5	16.7	1.4	71.4	
All Ethnic Origins		100.0	18.6	100.0	34.8

Source: Brosnan and Wilkinson (1989), p.25.

ISSUES FOR THE 1990s

The 1990 Treasury briefing papers followed the same pattern as the 1984 and 1987 versions. The focus this time was mainly on the wage fixing system, and the papers set out the agenda put into practice with the Employment Contracts Act 1991. The briefing papers attempted to blame most of the country's relatively poor economic performance on the functioning of the labour market. Skill, levels, benefit levels, the Minimum Wage, equity legislation and the wage fixing system were all blamed for low productivity growth and high levels of unemployment.

Perhaps the most significant change in the forces segmenting the labour market, is the revised system of labour market regulation. The Employment Contracts Act 1991 was designed to produce a highly decentralized system of wage fixing based on individual contracts and responsive to 'market forces'. A likely scenario of the impact of the change is that strong worker groups will gain more favourable settlements in workplace bargaining, while weaker worker groups will have no collective contracts, their bargaining power eroded by the loss of bargaining rights and the exodus of the stronger groups. Thus relative wages may fall more closely in line with social status and bargaining power.

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