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The Human Capability Framework - An Important and Useful Framework for Understanding the Labour Market?

RUPERT TIPPLES*

Abstract

The Human Capability Framework (HCF) was launched by the Department of Labour in November, 1999. Since then it has become a key guide for the organisation and administration of the Government's employment, labour market and welfare policies. It has also become important for public policy and academic research, although its importance is probably only apparent to "insiders" and specialists. It is argued, however, that the Framework has wider research applications.

This article, therefore, explores perceptions of the original model and its origins and considers the outcomes that have flowed from the use of the model in the succeeding four years. After an initial explanation of the HCF, there is an analysis of its use as a policy tool at national and regional levels. Its use in various research projects is described in order to underline its importance as a research tool. The article concludes with a consideration of some limitations of the concept and some questions for further research.

Introduction

At the ninth Labour, Employment and Work Conference in 2000, Bartley, Dupuis, and de Bruin described the Department of Labour's Human Capability Framework as a useful concept that covered not just economic issues in the labour market but also social factors. They said it was "...on the one hand both complex and sophisticated and on the other disarmingly simple" (Bartley, *et al.*, 2001: 149). That was a revelation as this was the first indication that many had of the Human Capability Framework (HCF). Not only was it put forward as an important research model, but it was also picked up by a number of Ministers in the newly elected 1999 Labour-Alliance Government, as a valuable guide to developing employment and social policy.

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It is clear that the Human Capability Framework has quickly become an important phenomenon and therefore warrants attention. This article is essentially descriptive, tracing the developments of the framework and discussing some of its key components. In particular, it will illustrate how the Framework provides a more flexible and complex understanding of the New Zealand labour market, which integrates labour market policies, social policies and education and vocational training. It is also aligned with recent ideas promoted by international organisations (for example, the OECD), such as social integration, the knowledge society and how to further integrate disadvantaged groups in mainstream employment. The article highlights the influences of the Framework and its application by drawing on a number of studies, particularly those on the primary sector undertaken by the author as well as other researchers. Finally, the article raises some of the research issues that require further attention.

What is human capability and how does it go beyond the human capital notion?

The notion of “human capability” is well-established in the human capital literature and has common currency amongst policy makers. For example, Department of Labour notes that “human capability” is “... the ability of people to do things – both the capacity and the opportunities to do things” (DoL, 1999c, 4). However, the Human Capability Framework is a much more active and encompassing concept than ‘human capital’. Amartya Sen, the development economist, has also reflected on this distinction:

“In looking for a fuller understanding of the role of human capabilities, we have to take note of:

- 1) their direct relevance to the well-being and freedom of people;
- 2) their indirect role through influencing social change; and
- 3) their indirect role through influencing economic production.

The relevance of the capability perspective incorporates each of these contributions. In contrast, in the standard literature human capital is seen primarily in terms of the third of the three roles. There is a clear overlap...there is a strong need to go well beyond that rather limited and circumscribed role of human capital in understanding development as freedom.” (Sen, 1999: 296-7)

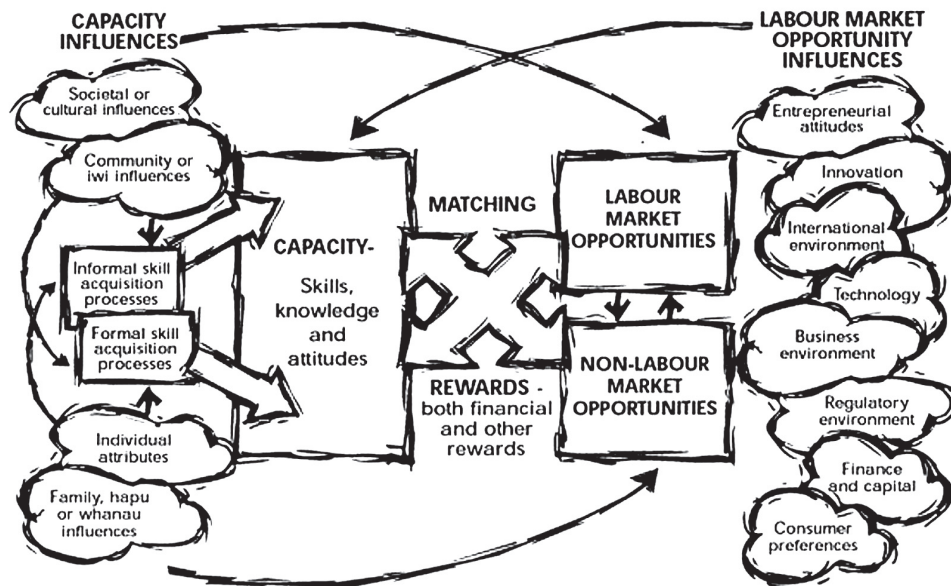
Bartley, *et al.* (2001) have suggested that one of the factors involved in the development of the HCF was a reaction against the influence of the OECD on policy development. The HCF provided an “...integrated view of key economic and social objectives, and an understanding of the role of the labour market in achieving them” (p. 149). It was an improved alternative to the dominant human capital paradigm advanced by the OECD for considering issues of employment and employability. Bartley, *et al.* (2001:150) express it thus:

“One concern about the human capital approach is its assumptions of individuals as rational maximisers of individual utility: that is, that people make decisions about maximising their own opportunities and develop their potential to maximise future opportunities based upon rational considerations of self-interest and unlimited choice. The HCF allows for a more holistic – and realistic – view of individuals as being embedded in a variety of social relations that affect their choices and aspirations in a way that human capital simply does not”.

In essence, the HCF has been presented as an holistic way to approach labour markets. It has three main components, *capacity*, *opportunities*, and *matching*, which provide a basis from which individuals may be seen as participating in a variety of social relations that affect their choices and aspirations. “Capacity” refers to the skills, knowledge and attitudes people possess and how in using these skills, they can take advantage of the labour market and other opportunities available to them. The HCF also illustrates the importance of the networks that people are involved in as an influence on their capacity in the labour market. “Opportunities” are the alternatives available to people to use their capacity (i.e., skills, knowledge and attitudes) as a way in which they gain financial or personal reward. “Matching” links people’s *capacity* and *labour market opportunity* and is a distinct set of processes that considers the influences on both these elements. Acknowledging each element as a process in its own right enables us to discover the breadth of each concept before analysing the impact each has on the other. As matching is the link between capacity and opportunity, it is affected by the quality of information that flows between the two. Matching allows us to explore what it is that increases capacity for the particular job skill required and the conditions under which this capacity meaningfully increases.

The HCF is based on the premise that a wide variety of influences affect human capability, both socially and economically. The matching process allows us to see each ‘cloud’ in the diagram as a contributing factor, with relatively flexible boundaries. The adoption of the framework ensures that subtle factors, which might influence the effectiveness of “capacity formation, opportunity creation...and the matching process” are recognised (DoL. 1999c: 20-24). However, the contributing factors will vary from situation to situation.

Figure 1: The Human Capability Framework



Source: Department of Labour, (1999: 19).

The 'capacity' side of the framework can also be described in more economic terms as the supply-side, in which, for example, inflexibilities in curricula, delivery systems and regulatory complexity reduce employer and employee investment in training. Correspondingly 'opportunity' may be described as the demand-side, which is strongly influenced by structural and institutional factors. For example, industry and firm economic pressures may adversely affect opportunities made available by employers. Where the supply/demand-side analysis falls down is that in economic theory the 'matching' mechanism is purely determined by the price of wages. That is clearly a simplistic view of the matching processes. The more nuanced approach of the HCF reveals the complex factors involved in bringing supply and demand together to increase the overall level of well-being of society (see Toner, 2003, for an application of supply/demand-side analysis in relation to declining apprenticeship training rates).

During 2000/01 a new mission statement for the Department of Labour was developed: "*wired for work and wellbeing*". "Wired" reflected the connectedness of developing policy between services providers, communities, businesses, government and internationally, and incorporating social and economic issues. "Work" reflects the primary role of labour and the responsibilities for "...building capacity, opportunities and matching in the labour market that promote fair, safe, satisfying work and balanced immigration". "Wellbeing" features in OECD documentation (e.g., OECD, 2001) and is also included in the mission statement as it covers the outcomes of Government policy resulting from its promotion of opportunities for social and economic development, and "...thriving, well-settled, inclusive communities", (DoL, 2001b: 7).

Policy use

In New Zealand, the genesis of Human Capability Framework as a policy tool began when the Department of Labour underwent major changes during 1998 and 1999. The New Zealand Employment Service and the Local Employment Co-ordination function were transferred to Work and Income New Zealand. These changes resulted in rethinking the Department's purpose, which became:

"We link social and economic issues to enable people to develop and utilise their potential for the advantage of themselves and New Zealand." (DoL, 1998: 3)

This social aspect came to the fore during the period of the National Government after the ascendancy of the 'new public management' and the 'economic rationalism' of the 1980s and early 1990s.

The Chief Executive of the Department of Labour, John Chetwin requested his staff "*to begin a project to establish a framework for developing policies relating to the development of New Zealand's human capability*" (DoL, 1999b: 3). This began in late 1998 and resulted in a full paper published just before the 1999 General Election (DoL, 1999c). Writing subsequently, Chetwin describes it as a key dimension of the Department's strategic thinking:

"It is a framework that provides a way of thinking about the linkages between social and economic issues and is directly connected with the Department's purpose... The Department is now using the HCF as a context for all its policy advice and to facilitate connections between each of its Services at an operational level...The overall objective – the effective development of New Zealand's human capability." (DoL, 2000b: 3)

However, the first significant appearance of the Human Capability Framework was in the Ministerial briefing papers after the 1999 General Election prepared by the Department of Labour for the incoming Labour-Alliance Government (DoL, 1999d). It again featured significantly in the Department of Labour's *Corporate Plan 1999-2000*, in the succeeding Strategic Directions documents (2000-2001, 2001-2002 and 2002-2003) and its Statements of Intent. HCF is also mentioned in the Department of Labour's *Annual Reports* to the House of Representatives from 1999 onwards. Furthermore, it was a central feature of Department of Labour's key policy document: *Workforce 2010 – a document to inform public debate on the future of the labour market in New Zealand* (DoL, 2001a), in which the HCF had obviously gained Ministerial support in the new Labour Government. The document appeared under the signatures of Steve Maharey, *Minister of Social Services and Employment*, Margaret Wilson, *Minister of Labour* and Lianne Dalziel, *Minister of Immigration*. It provided a critical framework for a range of

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social and economic initiatives which were advanced. While both Wilson and Dalziel were lawyers, Maharey had been a Sociology Lecturer, a factor which probably made him sympathetic to such a framework (see Maharey, 2003).

As a senior Minister, Steve Maharey held several responsibilities, including Social Services, Employment, Tertiary Education, and for the Community and Voluntary sectors. This was deliberate as he revealed in a speech to economists in August 2000:

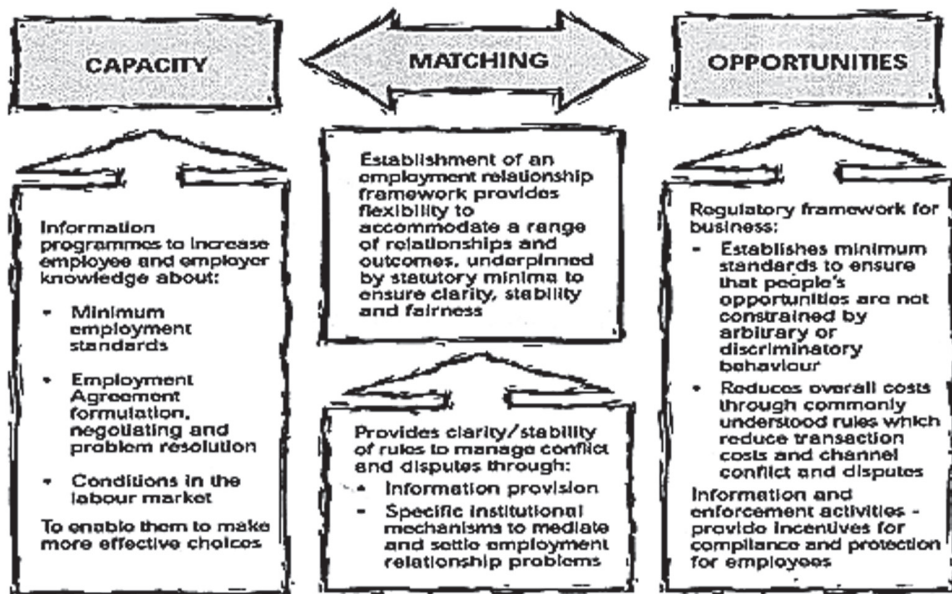
“It is not by accident that I have these portfolios – they all cohere around one principal objective, and that is the objective of building our human capability. Across my portfolios we use a very simple formula to capture that objective and challenge. In essence that formula is: Capacity + Opportunity = Human Capability ... New Zealand’s prosperity relies on the capability of its people, and the successful use of their skills and abilities to generate income and promote a thriving economy. The Human Capability Framework provides a way of looking at the various elements in this process, and how they work together. It emphasises the need to consider the factors that influence labour market outcomes in an integrated way, not just taking one issue and trying to find a solution to it.” (Maharey, 2000)

One of the more useful ways the Government has applied the HCF is as a key organising and analytical framework for the Government’s Employment Strategy. The strategy is designed “...to ensure effective government co-ordination of, and accountability for, a specific set of employment goals, activities and results” (Bascand, 2003). Recently, the Employment Strategy has been refined to place more emphasis on sustainable employment and productivity. This refinement was based around the factors suggested by the HCF. For example, Goal 4 of the *Employment Strategy* is “Developing community capability as a source of employment opportunities.” The challenges and opportunities this provides, as presented in the strategy, include the statement:

“Increasingly the government’s role in the labour market will concentrate on aligning its interventions, and fostering good connections and networks. These connections are not just the ‘matching’ between employers and employees, but also between government and training providers, regions, community organisations and employers.” (DoL, 2003c, (<http://dol.govt.nz/employment-strategy.asp>))

The Human Capability Framework has been applied to all aspects of the Department of Labour’s work and was recently re-affirmed by the Department’s Management Board as a central guiding concept (ibid.). In *Strategic Directions 2000-2001*, one form of the regular use of the framework was exhibited for each service area of the Department. To illustrate this use, Figure 2 applies the matching model to the Employment Relations field.

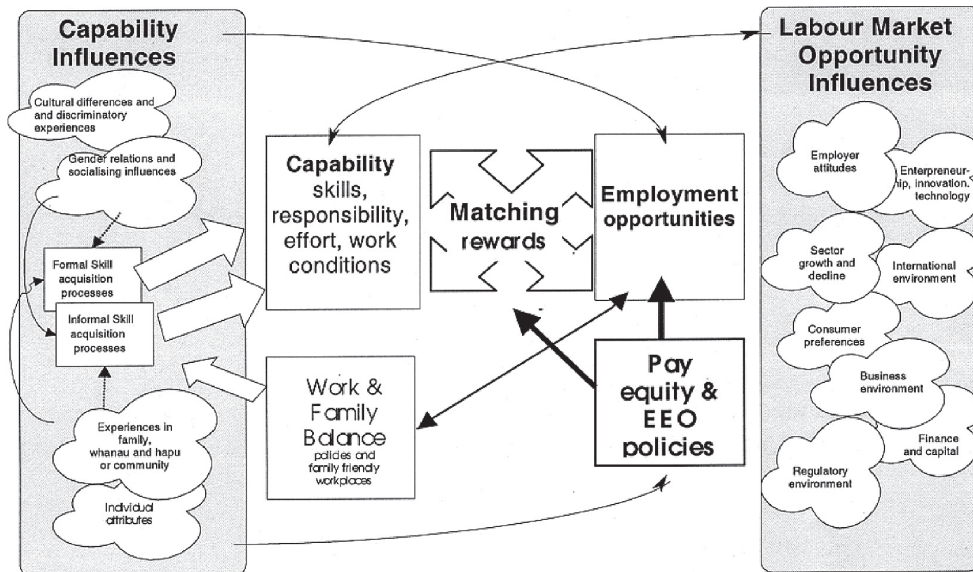
Figure 2: Applying the HCF to Employment Relations



Recent examples of the use of the HCF in matching the capacity of the individual to the job or other opportunities in New Zealand range from the Government's policy advice on new skilled immigration to the Department of Labour's attempt to match disadvantaged groups, such as Maori and Pacific peoples, youth, and people with disabilities, with employment. According to Bascand (2003), the Framework helps to explicate the situations of these disadvantaged groups. For example, although Pacific people are less likely to have formal education and training, the Department of Labour has used the Human Capability Framework to seek a balance between formal and informal education (Chetwin, 2001). Furthermore, the Department of Labour had a role in ensuring that the linkages between capacity and opportunities were accessible and suited the needs of Pacific people. If they were user friendly then they could make a contribution to the prosperity of Pacific people in New Zealand (Chetwin, 2001). To achieve the maximisation of human capability for New Zealand such inter-departmental collaborations are essential and key areas of work for 2003/04 (Department of Labour, 2003b: 10 and 24).

The Ministry of Women's Affairs has also used the framework in discussing the pay equity issue and women's employment, which adds another variant on the basic diagram (Figure 3).

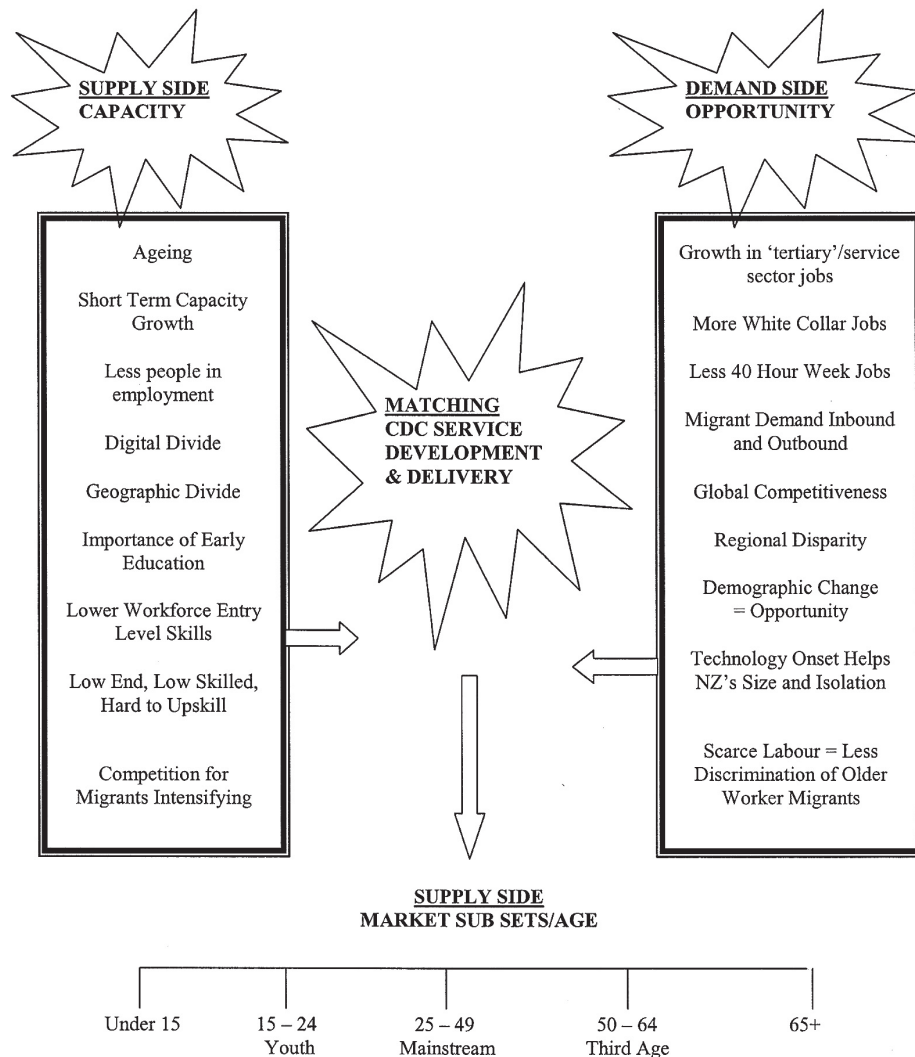
Figure 3: Pay equity within a Human Capability Framework



Source: Ministry of Women's Affairs, 2002

The Framework is not only being applied at the level of central government but it has also been utilized by regional governments. For example, the Canterbury Development Corporation has applied the framework and the other features of the *Workplace 2010* document to the Canterbury Region. The outcome of this application can be seen in Figure 4. Figure 4 looks at Capacity and Opportunities as the Supply and Demand sides of the labour market and maps out the key issues facing the Canterbury Development Corporation as a key service and delivery body involved in the matching processes in Canterbury. It provides another view of the framework with different headings under the Capacity and Opportunity captions, resulting from an analysis of the risks and opportunities likely to appear in the Canterbury labour market by 2010. Each of these is then considered as it affects each of the age subset of the supply side of the framework: Under 15, Youth 15-24, Mainstream 25-49, Third Age 50-64, and those aged 65 or more (Canterbury Development Corporation, 2002).

Figure 4: Key labour issues facing the Canterbury Development Corporation to 2010



Source: Canterbury Development Corporation, 2002

Another local use of the HCF in formal policy development can be found in the *Mayors Taskforce for Jobs*. Vivian Hutchinson, Community Adviser to the New Zealand *Mayors Taskforce for Jobs*, has lamented the failure of the Department of Labour to stimulate a serious debate about future employment and the 'waste of young people' with its rather bland *Workforce 2010 report*. However, he praises the Department for the introduction of its institutional philosophy based on building capability. He describes the HCF as a "...framework for thinking about labour market interventions..." and as "organised

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common sense" (Hutchinson, 2002, Part 4, 1-2). But, as he adds, "...there is no use having this common sense unless we get on with the job" (*ibid.*). He has identified one of the benefits of the HCF – the relative ease with which it can be used by key authorities and stakeholders to convert ideas and concepts about employment into real actions fostering jobs. This process of translating ideas into action by using the HCF in the area of local youth unemployment is currently being discussed by the Waitakere City Council and other stakeholders, including the Massey University Labour Market Dynamics team, based at the Albany Campus, (Spoonley, 2003, see below).

As the Department states in its *Annual Report 2002/03* (p.18), the HCF has provided a basis on which:

"...to formulate and understand policy to do with the labour market (and other situations involving people applying their skills for a purpose)."

Further,

"Part of the power of the Human Capability Framework is that it can be applied at every scale – from global to New Zealand to regional to enterprise level to one's own career. It can also be used to think about specific types of industry or market..." (*ibid.*)

Thus, we have a pictorial framework capable of expressing key linkages in employment from the individual employment relationship to the global economy. The structure of the individual employment relationship closely parallels that of the HCF. It has a supply side, the individual seeking work; a demand side, the employer offering a job; and a matching process, in which the two come together to form the relationship. It is a relationship that not only has a legal structure, the contract of employment (of which the specific employment agreement is only a part), but also a psychological dimension with one or more psychological contracts. A good relationship is only formed when there is a high level of agreement between the wants, needs and expectations of the parties, both at legal and psychological level (Tipples, 1996). Only when there is a high level of matching in the relationship do the real benefits flow in terms of labour productivity, job satisfaction, commitment, and longevity in the job (for example, see: Kotter, 1973; Herriot and Pemberton, 1997; Guest, 1998, 1999; 2002; Guest and Conway, 2002).

Research use

The HCF has not only been utilised in policy matters but it has also been used as an analytical research tool and a platform for action in employment situations. In particular, the concept has been used to provide a research framework for looking at employment participation and labour supply problems in a number of industries and regions. For

example, researchers at Victoria University's Industrial Relations Department and Massey University's Department of Human Resource Management have been working on the "Developing Human Capability" project. Its three main objectives of the research were: (1) "...the structure and operation of labour market institutions have a significant impact on capability development"; (2) "...forms of managing human capability development will influence organisational performance and quality of working life"; and (3) "...how individuals engage with paid work, and their experiences of both institutional structures and organisational policies, shape the development of their capability" (*The Employment Agreement*, 13, December 2003: 4). Initially, the aim of the research is to find out more about the three elements in the HCF (capacity, opportunity and matching). Initially this will take place through two pilot case studies in two organisations. Both organisational and individual employee perspectives on capability development will be investigated (May, 2004. Further details are provided on the websites of Victoria University, Massey University and FORST).

Another illustration of the research application of the HCF is the work by Massey University's Labour Market Dynamics Research. In recent studies, they have applied it to the dynamics of economic participation by "exploring the interface between households and the labour market" (Bartley, *et al.*, 2001: 1; also refer to Bartley, *et al.*, 2002). North Auckland WINZ also initiated funded research for several agencies, including the Labour Market Dynamics Research Group, to look at the existing and future skills needs of industries in Waitakere. It was decided to shift the focus from labour supply to labour demand because of labour and skill shortages constraining economic and enterprise growth, dissatisfaction with labour's generic skills, a lack of fit between demand and education and training providers' activities, and the need for innovative policies with Maori and Pacific peoples, immigrants, school leavers and sole parents (Spoonley, 2003). The results bear an uncanny similarity to those reported by Morris *et al.* (2001): skill shortages – particularly manual labour – constraining growth; lack of fit between educational and training provision and employers needs; and poor generic life skills, (see below).

Furthermore, the Labour Market Dynamics Research Group used the concept to provide a research framework to investigate employment and labour supply problems in primary production and how to treat them. The specific research outputs described below also illustrate its wide application. The research was largely carried out at Lincoln University and inspired a Massey and Lincoln University team to use the framework as a key design feature of a research project being tendered at the time for the Ministry of Agriculture and Forestry's Sustainable Farming Fund. In June 2000, a sample of farmers had identified the shortage of skilled labour as one of their major concerns (Wharton, 2001). Perceived labour shortages have been used by producers in the agriculture worldwide to urge governments to provide more cheap, compliant labour to ease their labour problems and costs. This has been achieved by the following strategies: by encouraging immigration from areas of labour oversupply; by subsidised development of mechanisation of labour intensive processes; and by encouraging improving employment conditions and retaining

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existing staff. In New Zealand, such shortages had been the subject of substantial debate at the time of the *Agricultural Development Conference 1963-64*; during the late 1970s and early 1980s with the initial kiwifruit boom's harvesting crisis; and most recently since the end of the twentieth century, a problem highlighted by the difficulties of finding and keeping staff in dairy farming enterprises (Morriss, *et al.*, 2001).

The Ministry of Agriculture and Forestry invited tenders to investigate this problem at the end of 2000. Subsequent research resulted in a report *Skill and Labour Requirement in the Primary Sector – People make the Difference* (Morriss, *et al.*, 2001). The project specification allowed the researchers considerable scope in how they developed the research. Work was divided along the lines suggested by the Human Capability Framework. The Massey team undertook the study of all those factors helping to develop human capacity in the industry. The Lincoln team was to explore the opportunities available in the Primary Sector, which was defined as covering all of agriculture, horticulture and forestry. Matching was to be considered jointly at a later date.

The Massey team set up a live internet website of all industry education and training courses, and their providers, to establish whether or not industry's needs were being met. The Lincoln team worked along more traditional research lines with statistical and literature reviews, leading to a survey of primary producers, to determine whether they perceived there was a labour or skill shortage, and what they perceived their educational and training needs were.

Information gathered from the Massey internet site showed there were 101 education and training providers, providing some 433 primary industry education and training programmes from doctorate degrees to basic skill enhancement. There did not appear to be any shortage of available education or training programmes, although some specific subject areas may not have been covered. However, the numbers of Effective Full-time Students in all programmes (Degree, Sub-degree and Extramural) had all declined. The free market in education services had delivered more courses to smaller numbers of students, throwing into question the viability of many providers, including those with long established reputations.

The random postal survey conducted from Lincoln generated 762 useable questionnaires out of 1773 possible, or a 43 per cent response rate, which was considered to be very satisfactory. The resulting data showed:

1. Farmers had avoided the need to employ more staff by using contractor labour for a much larger amount of farm work than was the case previously. This trend appeared to have increased following the Employment Contracts Act 1991 and the debate about achieving greater flexibility in employment.
2. More than half of farmers surveyed (58%) considered that there was a shortage

of candidates for jobs advertised with the skills they considered important. However, when asked about their actual experiences of recruiting between 1 April 2000 and 31 March 2001, only 196 or 28 per cent had done so, but some several times. In 124 cases they thought that the response was adequate (53%), while in 109 cases they believed it was inadequate (47%). Most often this was because there was a lack of adequately skilled, knowledgeable, experienced staff (30% of reasons cited for inadequate response). So it appears that slightly more primary sector employers believed there was a labour shortage than were actually experiencing it.

3. Nine reasons for a possible labour shortage were generated from employers. Respondents were asked to rate the importance of each on a 4-point scale from 'Unimportant' (1) to 'Very important' (4). Most important causes of the labour shortage were 'Poor treatment of staff by employers' (mean=2.24), 'Manual skills not being valued in the education system' (mean=2.24), and 'Overall image of the agricultural industry is not attractive to job seekers' (mean=2.23).
4. When farmers and others surveyed (n=515) were recruiting they sought largely generic skills rather than specific industry related skills. The attributes most sought were 'Good work ethics and attitudes' (30%), 'Honesty' (18%), 'Willingness to learn and follow instructions' (10%), 'Good communications, listening skills and compatible personality' (7%) and 'Common sense and intelligence' (5%). 'Good skills and practical experience' were only sought in 14 per cent of cases. Many producers believed they could instruct and train for the basic skills needed by their enterprises.

When the data from the two parts of the research were compared, marked discrepancies between what industry appears to want and what providers appear to provide became apparent. Within the Human Capability Framework, one of the roles of education and training is to facilitate the matching of capability with opportunity, which can be obtained by providers aligning the learning outcomes and aims of their programmes with the needs of employers. Using a rather crude word search of aims and learning outcomes given by most providers, a comparison was made with the skills and attributes most often cited by employers as what they were seeking in new recruits. The results are compared in Table 1.

Education and training programmes focused mainly on meeting the skill and practical experience needs of employers (66% of programmes). Only 9 per cent aimed to improve communication, listening skills and compatibility. Even less important was 'Good work ethics and attitudes' at 3 per cent of citations. 'Honesty', 'Willingness to learn and follow instructions' and 'Common sense and intelligence' received no education or training programme citations.

Table 1: Matching Qualification Aims and Learning Outcomes with Needs of Farmer/Employers

Skills and attributes	Number of citations by employers	Percent of total employer citations (%)	Number of citations in Qualification Aims and Learning Outcomes	Percentage of total Programme citations (%)
Good work ethics and attitudes	399	30	11	3
Honesty	241	18	0	0
Good skills and practical experience	188	14	249	66
Willingness to learn and follow instructions	129	10	0	0
Good communications, listening skills and compatible personality	94	7	33	9
Common sense and intelligence	60	4	0	0
Others	232	17	NA	NA
TOTAL	1,343	100		

Source: Morris *et al.* (2001, p. 51)

One might conclude by suggesting that the match between those presenting for work and the recruiters was not satisfied. The data collected suggest almost half of primary sector employers surveyed experienced difficulty in finding suitable recruits in the year 2000-2001. However, a considerably higher proportion believed that there was a shortage of potential recruits. This shortage of labour, particularly in certain areas, resulted in a debate over strategies to reverse the situation. The lack of suitable employees in a number of areas was "solved" initially by dairy workers from the North Island moving to the South Island. However, many in the dairy industry recognised that poor employment relations in the primary sector have been a major barrier to recruitment. Public perceptions of the industry have been of not only long hours, but also poor rates of pay, and poor employment conditions. Debate on the 'shortage' has highlighted how enlightened employers were paying good wages for dairy staff, providing rostered time-off, and with early possibilities of management responsibilities. The study also highlighted concerns regarding the impact of the Employment Relations Act, 2000, on the employment practices in the dairy industry as well as the need to continually create new farming systems and equipment to maintain gains in labour productivity.

There have also been a number of subsequent studies on the primary sector since the research undertaken by Morriss, *et al.*, (2001). For example, Edkins has successfully used the HCF to set the context for his primary sector study of the Amuri Dairy Employers Group (see Edkins and Tipples, 2002). The findings show that the Amuri Dairy Employers

Group was one of the first to develop a Code of Practice for a class of small employers (i.e. dairy farmers in the Amuri district); and was the first to use an independent auditing system of employment practices in the primary sector. Both initiatives were established to help improve the employment difficulties experienced by dairy farmers in the Amuri, an isolated rural basin some 90 kilometres north of Christchurch. Another example is Lucock's (2003) study of dairy farmers' use of migrant labour from within New Zealand and outside, and how better matches between employer and prospective employees can be obtained (Lucock, 2003). His work has highlighted the close connections between ideas of achieving good 'psychological contracts' (Tipples, Hoogeveen and Gould, 2000) and the matching processes highlighted in the HCF. The whole HCF model has also been applied to the dairy industry and its likely future employment problems. A successful application was made to *Dairy InSight*, the public good funding body for the dairy industry and the research is currently in progress (Tipples, Wilson, and Edkins, 2004).

However, the application of the HCF is in its infancy and although the HCF has provided a useful framework in the studies outlined above, it is not without its critics. In particular, it is seen by some as too simplistic a model. Therefore, an evaluation of its application in a range of settings is required, which perhaps the "Developing Human Capability" project will do. In addition, the influence of the OECD on New Zealand's employment policies and the interactions between the Department of Labour and the OECD merit further study. Another strand, which should be considered further, is how the extensive literature on Sen's human capabilities, particularly the literature that deals with the feminist economics, aligns with the HCF model.

Conclusion

Since its appearance in the late 1990s, the Human Capability Framework has been frequently used to integrate Government employment, labour market and welfare policies and to investigate and explain the complexities of labour market phenomena. Although the intellectual strands from which it has evolved are still somewhat murky, developing the Framework and applying the HCF to empirical research is also advancing. As seen by the number of different types of studies outlined in the article, the advantage of the HCF is that it can be varied according to the type of problem to which it is being applied. The relevance of related factors will clearly vary according to the context, but that is one of its strengths for both policy issues and practical problems of 'real world' research.

However, in spite of its usefulness and its wide application, the HCF is not without its limitations, some of which are apparent and others that have yet to be exposed. Therefore, it is desirable that the extant scholarly research into the use of the concept be continued.

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Work-Life Balance?: Insights from Non-Standard Work

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Abstract

The significance and growth of non-standard working arrangements is a phenomenon characterising the changing structure of labour markets in most advanced western countries in the last two decades. More recently, the so called 'work-life balance' (WLB) discourse has become prominent in some circles and is currently receiving heightened attention in New Zealand. This paper draws heavily on material from the second phase of the Labour Market Dynamics Research Programme which investigated aspects of non-standard work (NSW) for two groups of non-standard workers in New Zealand (the relatively privileged, skilled and qualified workers whose work has a knowledge or technology focus and those workers in jobs in the lowest tiers of the occupational hierarchy), to discuss how meaningful WLB considerations are for non standard workers. We examine the relevance of the notion of WLB to these two quite distinct groups of workers. We also use this paper as a springboard to draw attention to the unsatisfactory nature of the 'balance' metaphor in what has now become the buzz phrase – 'work-life balance'. The need for a more appropriate conceptualisation of the work-personal life interface is highlighted.

Introduction

Not so long ago the organisation and regulation of paid employment in most advanced western countries seemed a relatively simple matter. Generally, paid employment was performed at the employer's workplace. A direct relationship existed between employer and employee. The proportion of male to female workers was relatively high and the wages and salaries of male workers (the 'family wage') were generally sufficient to support a wife and family. Employees usually worked set hours (the forty hour week). Moreover, the expectation for most (male) workers was a job for life. Such employment, premised on the public/private split, strongly gendered roles and the traditional nuclear family, was the basis for determining the rules and legislation regulating terms of employment and

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industrial relations. Working arrangements like these are often described as 'standard work' (Felstead and Jewson, 1999).

The extent to which standard work is the norm in contemporary western labour markets has changed considerably over the last two decades and continues to do so, with employees increasingly engaged in alternative forms of work, as standard jobs are being eroded and 'non-standard' arrangements become more common. A variety of concepts and models have been developed to explain the changing face of work in today's world, especially the increasing significance and extent of non-standard work (NSW) (Burgess and Watts, 1999; McCartin and Schellenberg, 1999; Mangan, 2000; VandenHeuvel and Wooden, 2000).

With major changes in the nature of work and work arrangements, including increased female labour force participation, changes in women's career expectations, the decline of the family wage, the disappearance of the job for life and changes in family formation, the relationship between individuals, families and paid work has come under considerable scrutiny. In particular, the notion of the 'work-life balance' (WLB) has developed both as an ideal that people should strive to attain and a critique of the model of standard work as an inhibiting factor in attaining this balance. Thus, increasingly, with a push for family friendly workplace policies and flexible workplace practices, WLB has been promoted as a means through which the model of standard work can, and should, be modified.

Currently in New Zealand, issues of WLB are in the limelight, especially with a government led consultation process in progress. A Work Life Balance Project led by the Department of Labour (DOL) set up in the latter half of 2003, runs until mid 2004, so that the Government can consider '...what more can be done to support good practices leading to work life balance' (DOL, 2003). There is also a new WLB website (www.worklife.govt.nz).

This article draws on the second phase of the Labour Market Dynamics Research Programme (LMDRP), an interdisciplinary, multi-year Massey University research project (see <http://lmd.massey.ac.nz>). This second phase investigated aspects of NSW for two groups of non-standard workers in New Zealand - those whose work had a knowledge or technology focus and were relatively privileged, skilled and qualified and those workers in jobs in the lowest tiers of the occupational hierarchy. We use this empirical data to support our discussion on WLB considerations in relation to NSW. We state at the outset that the notion of the WLB is not without merit, especially for some standard workers. However, in light of the rising incidence of NSW, we demonstrate its limited applicability and discuss the conceptual and definitional inadequacies of the notion of the WLB. Finally, this article highlights the challenge of developing relevant conceptualisations to fit the complexity and diversity of the work-life nexus of the spectrum of workers in the twenty-first century.

The Landscape of Non-Standard Work

Problems in defining NSW have been well rehearsed (see for example, Mangan, 2000; Zeytinoglu and Muteshi, 2000). Similarly, categorising non-standard workers is difficult, given their diverse characteristics and the possibility of working simultaneously in both standard and non-standard arrangements (Carroll, 1999). Confusion also plagues efforts to enumerate non-standard workers (Barker and Christensen, 1998:11). By some estimates, about 25 percent of jobs are in non-traditional employment areas (Management, June 2000) and in a range of possible employment forms that defy traditional career assumptions (Arthur and Rousseau, 1996). Notwithstanding definitional difficulties a range of descriptors have been applied to NSW including 'non-traditional', 'atypical', 'flexible', 'alternative', 'market-mediated', 'vagrant', 'vulnerable', 'precarious', 'disposable', and 'contingent' (Kalleberg, 2000:2). Arthur and Rousseau (1996:373) go so far as to introduce the idea of a 'boundaryless career' which is one where there is *independence from*, rather than *dependence on* traditional working arrangements (Arthur and Rousseau, 1996:6).

Non-standard forms of work entail variations from standard employment in one or more of the following: hours of work; location of work; tenure of employment; and employee/ employer relationships. While variations on hours of work could include shift or roster workers, the greatest change in the last few decades in this regard has been the growth in the number and proportion of part-time workers in the paid work force. Part-time work can be permanent or temporary. What is classified as part-time work can vary from country to country. For example, in Australia the maximum hours a part-time worker can work per week is 34 (Mangan, 2000), while in New Zealand it is 30 hours (Carroll, 1999). Temporary part-time arrangements include casual, fixed-term and on-call workers, whose work is irregular and generally paid by the hour.

A number of variations from standard work relationships have also arisen. Contracting has emerged as a rapidly growing area of non-standard employment, as has the use of intermediaries, such as temporary work agencies (Burgess et al., 2004) and contract companies. Increasingly common too is the phenomenon of portfolio working, or multiple job holdings. Faced with increasing part-time work, a growing number of people increase their working hours by patching together various part-time jobs (Felstead et al., 1999). Individuals can also be described as non-standard workers because of the location of their work. Increasingly teleworking is associated with NSW. It is increasingly common too, for people to be engaged in forms of NSW that would fit multiple criteria.

The Work-Life Balance

Growth in the various forms of NSW has increasingly resulted in changes in the way paid work is perceived and organised. However, both non-standard and standard work,

appear to share pressures brought about through a general movement towards work intensification, defined as 'the effort that employees put into their jobs during the time that they are working' Burchell (2002:72). Downsizing, restructuring and moves to achieve a more flexible labour market have resulted in what Lapido and Wilkinson (2002:36) call 'a compulsion to work'. This compulsion can have considerable personal consequences, not only in terms of time and stress, but also, as pointed out so effectively by Sennett (1998), although expressed differently, with regard to identity and subjectivity.

A major response to the issues and problems associated with work intensification has been the introduction of the notion of a WLB. Defined by the British Department of Trade and Industry (DTI, 2003) as about adjusting working patterns so people can find a rhythm to help them combine work with their other responsibilities or aspirations and by Greenblatt (2002:179) as 'the absence of unacceptable levels of conflict between work and non-work demands', the WLB is frequently proposed as a means through which stress and/or burnout can be addressed. It implies organisational change in employer/employee relationships, through encouraging employers to introduce a range of options to create greater flexibility of working arrangements. Fundamental here, are notions about the development of a responsive workplace through the implementation of family friendly policies. The literature on WLB is overwhelmingly positive, seeing strategies which promote WLB as 'having the potential to be a win-win for both individuals and organizations' (Barnett and Hall, 2001:192). It is claimed that for businesses and organisations WLB policies can ensure that the best available talent is attracted and retained, while employees also benefit in that they can meet family, work and community responsibilities.

Referred to by Greenblatt (2002:177) as a 'powerful, new national sentiment', the extent to which the idea of the WLB has been adopted can be seen in a number of ways. WLB campaigns are common, like those emanating from Britain's Department of Trade and Industry (DTI, 2003) and Northern Ireland's Department for Employment and Learning (<http://www2.bitc.org.uk>). Such campaigns aim to offer flexibility in the number of hours worked, the arrangement of hours and the place of work. Moreover, countless web sites offer advice and resources on WLB. For example, the web site http://editorial.careers.msn.com/worklife/work_life_balance, provides downloads under such headings as 'stress', 'working from home', 'working mothers' and 'taking a vacation'. Workplace training programmes on WLB proliferate. There are specialist consultants and coaches in WLB and software packages are available on how a WLB can be achieved (see for example, <http://www.llamagraphics.com>).

What is incontestable is that the WLB topic is multi-faceted and by no means simple one. Guest (2002:265) provides a good summary of the multiple factors which relate to WLB. These include: determinants grouped under organisational factors of work and home and individual factors; the nature of the balance; and the consequences and impact of WLB. Importantly, he emphasises the need to consider 'the appropriate locus of intervention

to improve work-life balance. Is this the responsibility of the individual, the family, the employer, the community or the state?' (Guest, 2002:267). As epitomised by a recent editorial in *Unlimited* entitled 'Wilson, butt out' (Macfie, 2004), it is by no means clear-cut as to whether it is the role of central government to intervene in what might be considered by some groups as an issue that belongs in the private domain.

The irony does not escape us that WLB policies could result in ensuing practices that, in some instances, strongly resemble some of the less desirable elements of NSW, such as a reduction in work hours, or work outside the standard work day hours. Moreover, it seems to us that sound arguments could be made that the WLB is another normalising discourse in the Foucauldian sense, given credibility because of its institutional basis in health and management. But the point of this article is not to rehearse the academic literature in this area, or debate issues such as the psychological, economic and social benefits attributed to the WLB. Instead, we seek to contribute to the discussion and critique of the concept through insights from NSW. In the following two sections we examine two distinct categories of non-standard workers, drawing mainly on data from the Labour Market Dynamics Research Programme (LMDRP).

Skilled, 'New Economy', Non-Standard Workers

The LMDRP material used in this section draws on interview data from 57 non-standard workers whose work involved either a knowledge or technology component. These participants were selected through non-probability sampling and restricted to people living in the Auckland and Hawkes Bay areas. Following Arthur et al.'s (1999) study, the occupations of those interviewed were organised into clusters: administrators and managers (4); professionals (17); technicians and associated professionals (30); clerks and administration personnel (2); and sales and service personnel (4). The types of non-standard working arrangements comprised three broad categories: contractors, employers and employees. Within the contractor category there were five dependent contractors, 34 independent (own account) and 11 independent (with partners) contractors. Five participants were employers. Of the employees 14 were direct and two were temporary agency employees. Since some research participants engaged in more than one form of employment types of non-standard working arrangements exceeds the number of participants in the sample (Firkin et al. 2003: 26-33).

Issues explored in the interviews included planning, education and training, autonomy, surveillance, work intensification, job security, the roles of networks, the use of technology, compliance and the regulatory environment, the work-life nexus and the advantages and disadvantages of NSW. The literature indicates that work itself and lack of flexibility have been the major impetus for the encouragement and promotion of the WLB. Our interview findings however, showed that on average these workers were characterised by considerable control, autonomy and flexibility in their work arrangements (Spoonley et al., 2002). We therefore draw here on our findings in order to look critically at the

assumed disadvantages of work intensity.

Many participants in our sample felt that NSW was more intense than standard arrangements. This was experienced in a range of ways. Those with more than one job usually felt that they worked harder in each of these jobs and that the combined effect was far more than a single job. Even those with a single work role found that they worked more intensely. However, work intensity was not necessarily equated with work overload. It was not uncommon for participants to feel that greater work intensity had advantages:

Well you haven't got the distractions, I suppose. I mean I just sit down and get stuck into it, generally.

I work harder and am more focused.

I try and work faster and smarter all the time.

Consequently these non-standard workers perceived themselves as working more productively than when in previous standard arrangements. In addition, many said they provided better value for their clients.

We're a lot more productive, a lot more efficient.

If I put in ten hours a day here, that would have easily been a 14 to 16 hour day in the office.

Balancing a number of pieces of work at any one time as many contractors reported doing, could also increase the work intensity. Though agreeing that he worked more intensely, one man added that this had always been the nature of the industry he worked in and was not simply a feature of contract work. Another contractor saw ebbs and flows in the intensity of his work, something that he utilised to his advantage. Some people acknowledged that while many of the pressures on them to produce and work hard were self-induced, these were often seen as part and parcel of being a contractor. One man observed that the quantity and quality of work is vital for continued employment.

Pressure comes from within – when you're working for yourself, you realise you have to do it right.

Interestingly, since some people felt that their work was much more intense and their output far higher, this impacted on how they charged for their work. As a result, some felt that they needed to work far fewer hours to generate a comparable income as an employee. For one woman, the intensity in one of her jobs as a contract writer, and the manner she was paid, freed up time for other work or more pleasurable activities.

So really this job at the moment, I'm probably doing three or four hours a day and it probably should be full-time. But the thing is that I can get the work done in that time and then it allows me time for doing my other work. And you see one thing that's really important to me is I walk over the fields every day. I do a big hour and a half walk in the country, I don't do it every day but I do it sort of five days of the week. That's really important to me, so it's important that I have time to do those things.

In light of the acknowledged greater work intensity, we were interested in how work was organised and how it interacted with relationships, responsibilities and activities in the private sphere, since an external structure was absent or certainly weakened. Almost all participants reported at least some time flexibility and well over one third noted that they had complete flexibility. Even those workers with set hours commented that their situations were not necessarily inflexible. Flexibility did not however, imply a lack of routine or pattern, with many participants noting how they structured their routines and patterns to suit themselves. For example, personal preferences meant that people liked some of their day 'to themselves', liked working at unusual times, or fitted in with established household or family rhythms. The most common factor affecting the structuring of time was the variable demands of workflows. Uncertainty was a prominent feature of NSW, particularly, though not exclusively, for contractors. This meant that there was an unpredictable quality to how much work people would have at any time. Consequently, they often had quiet periods and very busy periods.

Our interviews also highlighted the fact that NSW forms, with their greater blurring and blending of home and work life, clearly upset the old public/private divide of work and home. When the vexed question of "what is work" is added to the mix, the boundaries become even less clearly demarcated, as illustrated by the comment below:

We always have this debate, what is work? If I was selling cars it's pretty obvious what is work, I turn up I go to the yard, I sell cars, I come home and I'm not working anymore. We're writing a book at the moment ... I'll go home, and if I read a [related] book ... is that work? Even if I sit down and start writing, and I really like writing, is that work? Even if there's a dollar attached to that, does that count as work? And if it's only ever work when it feels like work, then it's hardly ever work. We talked in the beginning about blurring of distinctions and the hardest one for me is actually working out what work is. It's particularly difficult when you do what we do because, let's say we work 50-60 hours a week and that varies all the time, we might only charge out a third or a half of that, so you can't even say what you charge out is work ... Then there's some other stuff that is legitimate work and there's other stuff around the periphery of that which directly influences and impacts upon our work that you would never charge.

The following quote further highlights the blurring of boundaries:

My work and my passions and my interests and hobbies are all spent doing the same things. Most of my friends are like activists, strategists and schemers so that's how we spend our spare time. ... When some friends who don't sort of understand my life say you've got to have a break from your work, it's like having a break from your life. I work every day, it might be even the books that I read, even the fiction that I read. I've always got my eyes scanning for ideas with everything, even conversations that you have it's like oh that's a good idea and you make a mental note, it's a never ending process really. I never know the boundaries. I won't be at my computer at 8.00am and at 5.00pm be in the kitchen.

Both these quotes highlight the irrelevance of the notion of WLB for some non-standard workers. The merging boundaries and the way work and life interpenetrate are not captured at all through the metaphor of the WLB. For these knowledge workers, work and life, and the various aspects that make up these elements, are strongly integrated, rather than separated out as the WLB metaphor implies. That many people in our sample worked from home, that work itself ebbed and flowed and that many of them were unable to treat work as if it were controlled by an on/off switch, makes us question the value of the WLB conceptualisation as a dominant metaphor for contemporary work.

Non-Standard Workers at the Margin

This section of the article draws chiefly on in-depth interviews with 30 men and women who participated in our LMDRP study and who might be described as being part of the growing secondary labour market, periphery workers or 'workers at the margin' (McLaren et al., 2004). The interviewees represented people working in a variety of non-standard ways in roles that were seen to be low-paid and working in alternative and/or contingent working relationships. Participants worked casually, on a fixed-term basis, few had permanent jobs but supplemented their incomes by engaging in one or more casual jobs and many had more than one job. Two participants chose the strategy of supplementing their income from standard work with casual or temporary employment. Five participants spoke openly about being 'paid under the table' and at least six received a partial social welfare benefit from Work and Income New Zealand. With the exception of one permanently employed shift-worker, our interviewees were in short-term, casual and temporary employment and as such substitutable and therefore less secure. They were from the so-called 'lower-end' of the non-standard continuum which Tucker (2002:4) suggests consists of temporary and fixed-term workers who are more likely to be in precarious employment than those at the 'higher end'.

Employers tend to offer more advantageous employment terms and conditions to 'core' employees to attract and retain them (O'Reilly and Bothfeld, 2002). Conversely, inferior

conditions are associated with less permanent or precarious employment and are offered to 'periphery' workers in the so-called secondary labour market. Many employers combine a highly-attached, well-trained, core workforce with jobs linked to opportunity and promotion (Deeks and Rasmussen, 2002) with a growing number of peripheral, low-attachment employees (Klare, 2002:17) who are vulnerable to cycles of employment, underemployment and unemployment.

The pervasiveness of NSW schedules of the "24/7" economy and the implications for American workers and their households have been recently delineated by Presser (2003). She argues that with two fifths of all employed Americans working outside traditional daytime hours and week-days – during evenings, nights, weekends and on rotating late-shifts, there are new complexities in family functioning. Importantly, she contends that the burden of these non-standard working arrangements weigh disproportionately on the working poor, since they have little choice and are forced to work these hours as a condition of their job (Presser, 2003). This contention received support in our findings.

Many aspects of the lives of those we interviewed were affected by the temporary or casual nature of their employment relationships. For instance, unpredictable working hours had a significant impact on the family life of one man in a manual labouring role. He had worked in this role for over a year and still had to work split shifts determined for him by his employer.

There's no [way of knowing] when you're going to go to work, when you're going to finish at work. If you do go to work, they might send you one hour ... like rainy days, the full-timers they don't want to stay back, so we have to stay back. Sometimes I have to ring back and tell someone to pick my daughter up, my daughter will stay at her nana's place for another hour, while I work.

This case is an example of a more general trend that we identified among people working casually, whether this was by choice or involuntarily. These lower-paid non-standard workers had to fit in with employers' requirements and permanent employees generally got the preferred shifts. A balanced family and social life is often unattainable for workers in these circumstances and those having to work shifts:

Oh God. My social life and my home life is ... like Christmas time and holiday time when all my friends have their time off, that's when I work the most and I need to work the most 'cause I need to save the money for the weeks when it's more quieter, when I have one shift a week or whatever, so it stuffs up my private life and it stuffs up my family life and things but they understand.

You come off work at 4.00 in the morning, you can't go ... social things, let's meet for lunch, I don't think so, I get up at 3.30pm. Going to lunch is like, hey let's have breakfast 3.00am. Cultural and religious observances are right down the

drain, you can't ... on the feast day of the deity of your choice, because you're either sleeping off the night before or you're at work on the day. ... The impact on domestic and personal relationships can be devastating.

It's had probably a bad influence on my social life in some ways. ... Recently when I've been single and ... like my new job at Avondale, I work Saturdays ... I work Friday, Saturday, Monday, and then at [place of work], I do Sunday, so it's ... that main block of work is exactly when everyone else is having their weekend. It's quite antisocial in that respect. Since I've been starting to date someone new, I've been ... I've found it quite hard to actually see them, ever.

Work-life balance policies are introduced essentially to enhance the autonomy of workers. However, most WBL initiatives introduced by organisations generally apply to the permanent 'core' group of employees and exclude peripheral workers because of the contingent nature of their contracts. Therefore, the question can be asked as to whether these policy initiatives actually increase the insecurity of those working in contingent ways. In their research into low-paying labour markets, Dean and Shah (2002:70) found that in organisations with 'family friendly' policies, employers acknowledged that this was more likely to benefit those higher trained with more specialist skills, rather than the less skilled lower paid workers. In fact, one employer in their survey emphasised the need to protect the company's 'intellectual capital' which, by implication, meant that those with fewer skills had less value. Dean and Shah (2002:77) claim that while their evidence is limited, there is the possibility that WBL initiatives may inadvertently fuel inequalities. Our interviews, however, suggest that evidence may not be so limited.

Other literature on temporary agency work (Rasmussen et al., 1996; Alach and Inkson, 2003, Burgess et al., 2004) also indicate that there is a lack of control over working arrangements and flexibility is limited at the lower paid end. For example, Burgess et al. (2004:5 of 10) note that:

... for some workers with skills in high demand they can exercise control over when they work and for whom they work. While the industry promotes an image of choice, new economy jobs and "entrepreneurial" careers, the bulk of jobs are low paid and semi-skilled ... who are placed in a cycle of insecure and short term employment, with very low and unpredictable earnings.

In a similar vein, La Valle et al. (2002:60) concluded that control over working arrangements depends largely on bargaining position. Workers at the margin have little or no bargaining power and hence the relevance of the WBL notion and its corollary of flexibility have low relevance for them. While not denying that NSW arrangements can have positive effects on people's quality of life even at the low end of the labour market, especially through temporal flexibility, collectively, the people we interviewed had a more negative view of the impact of their working arrangements (McLaren et al., 2004:63-65).

As Beaumont, the CTU (Combined Trade Union - New Zealand) Secretary, observed recently, any strategy addressing WLB issues had to include decent working conditions rather than free gym membership or coffee machines (Dearnaley, 2003). Beaumont also observed that many people were forced to work on-call which had an impact on their lives, as several of our interviewees attested to. She argued, rightly in our view, that any initiatives should be as much about low-paid workers having to hold down multiple jobs as executives under pressure to work unpaid hours.

Unsettling the 'Balance'

The WLB has become accepted as a normative model for a healthy worker in a healthy workplace. As such it echoes other currently prevalent discourses of 'balance' like the importance of 'balanced eating regimes', or the desire to produce 'healthy balanced children'. Put another way, we argue that the WLB has become another buzz word of our time and agree with Benn (2002) who notes not only the 'new age element' associated with it, but that '[b]eing against WLB would be a bit like being against summer or good sex'. Notwithstanding Benn's comment, in this section we briefly critique the model before focusing more explicitly on the balance metaphor itself.

With respect to the model we argue that even if something approximating the balance could be achieved, it could only be achieved by relatively few people. The types of organisations most able to manage flexible hours and family friendly workplace policies are those of sufficient size, that if workers are not present for one reason or another, others can pick up their tasks, for a limited time at least. In a labour market like New Zealand's where 86 percent of enterprises employ five or fewer people (Statistics New Zealand, 2002), the notion of balance appears to be problematic.

Given the extent and rapidity with which the notion of the WLB has captured the hearts and minds of people in all walks of life, we might be forgiven for thinking this is a new concern. If so, it is worth a reminder that the theme has a long history. While cast somewhat differently, Marx's alienated worker could be seen as suffering from an 'imbalance', although in a Marxist scenario the sharp dichotomy between work and life has little meaning. Yet even before the neo-liberal changes of the 1980s, when a job for life was still a taken for granted, concern was expressed over the imbalance resulting in work becoming oppressive. For example, Weil (1978:84) noted that '[e]verybody is busy repeating, in slightly different terms, that what we suffer from is a lack of balance, due to a purely material development of technical sciences'. While similar statements about lack of balance are common, from Weil's perspective the content of many family friendly workplace policies would do little to address the nature of the problem of work. She argues that what transforms work from an oppressive to a rewarding process are workers' interpretations of the tasks they are doing as worthwhile, as well as providing the opportunity through which workers can fulfil their obligations to others and to the wider society. The extent to which WLB programmes and legislation can facilitate these

conditions is one that requires further research.

While the notion of balance in the workplace is not new, nor are criticisms of the WLB metaphor and we are certainly not the first to comment on its limitations. For example, Thompson and Bunderson (2001:17-18) argue that the balance imagery suggests there is 'an appropriate distribution of hours that an individual should achieve among the domains of work, family, community, religion, recreation and so forth'. In a phenomenologically based argument that critiques the balance orientation on the grounds that it 'limits the work-nonwork relationship to a zero-sum allocation exercise', they assert the need to go beyond the balance metaphor. By way of alternative, they posit the metaphor of time as a container of meaning, arguing that while this metaphor recognises that time is finite and zero sum, it also 'allows us to address the nature of the activities that occupy our time, including the significance that they assume' (Thompson and Bunderson, 2001:18).

Agreeing with Thompson and Bunderson that it is important to go beyond the notion of time assumed in the WLB metaphor, we believe, however, that the alternative metaphor of 'time as a container of meaning', that they offer, has limitations. It fails to do what a metaphor should do which is to 'provide a powerful tool for us to express ourselves, and at the same time betray[s] deeper constructs in our thinking' and 'describe the world in a vivid, lively, yet familiar way, enabling us to see events from a special perspective' (Inkson, in press: 3/18). Our contention is that 'time as a container of meaning' falls short in terms of Inkson's criteria. Although potentially useful as a framework for academic research, the metaphor of 'time as a container of meaning' does not conjure up an image that would be sufficiently vibrant to become the basis for workplace legislation or regulation.

Concluding Comments

Internationally it has become fashionable in larger organisations and governmental circles to promote the idea of WLB as a panacea for achieving greater flexibility in the workplace. In New Zealand, WLB has only more recently moved onto the government's agenda. It is our contention in this article that the concept has generally been viewed too simplistically. Our empirical findings on non-standard workers support the conclusion that for many of these workers the idea of a WLB may be less than relevant.

Non-standard workers are a disparate group. The exposition that we presented on two contrasting groups of non-standard workers serves to highlight that the notion of WLB is not particularly meaningful for a varied spectrum of non-standard workers. Firstly, for the skilled 'new economy' workers in our research, where the boundaries between work and life were inevitably blurred, the notion of equilibrium that underpins the WLB concept was not pertinent. Secondly, for this group there was an inevitability of work intensity, often arising from the deadline-driven, project-based nature of their work and contracts. Ebbs and flows of work intensity characterized their mode of work. By contrast, the non-standard workers at the margins were at the mercy of the vicissitudes of a contemporary

labour market by the very nature of their precarious, contingent and part-time work. They were, in effect, a means through which employers could 'balance' the demands of a "24/7" economy and society. Ironically, this employer balance was achieved at the expense of WLB of these non-standard workers for whom the *option* of a WLB was virtually absent.

For both these sets of workers therefore, we are forced to question the usefulness of the notion of a WLB, with its assumed dichotomy between the two aspects of 'work' and 'life'. Crucially however, the ability to derive enhanced quality of life, or, for want of better terminology, an improved WLB, depends vitally on the degree of choice and autonomy that workers have in both their paid work and personal lives. Certainly for workers at the lower paid end of the NSW spectrum, corresponding with their very low labour market bargaining power, the extent of their autonomy and choice is highly limited in the paid work domain. For those NSW workers with higher order task discretion, as Spoonley et al. (2002:440) emphasise, '... amicable blending of work-leisure-home domains, however, depends not only on prevailing social structures but also on individual personalities and abilities to devise effective strategies of self-management which minimise their own work/non-work conflicts'.

In conclusion, we draw attention to the challenge of developing conceptualisations of the work-life interface that are sufficiently encompassing to cover the spectrum of workers in the 21st century. In previous LMDRP research the concept of the work-life mosaic was developed in an attempt to better capture the breadth and complexity of the personal, paid and unpaid work lives of non-standard workers and the interconnections among these elements (Firkin et al., 2002; Firkin, 2003). In arguing for the idea of a mosaic, there was recognition of the basic and hardly novel idea that people's lives are composed of more than paid employment. The concept is similar in some respects to Handy's notion of the portfolio in which he identified two broad categories of work – paid and free (or unpaid) work, with both these forms of work then further subdivided (Handy, 1990:184). Nonetheless, it was elected to employ the mosaic metaphor to emphasise the combining of pieces, many of which may be very different in size, shape, colour and composition, and to highlight that while the edges of some pieces are sharp and clear, others are less so. In a mosaic some of the joins can be close and neat and others more dispersed. The work-life interface can be similarly visualised as made up of different mosaic-like pieces. Together these portray the combining of different forms of work, each with various characteristics, as well as aspects of workers' personal lives. The distinctions between components can be very clear in some places and less distinct in others, thus demonstrating the lack of predictable patterns.

On reflection however, it was thought that the work-life mosaic was possibly too rigid. The image of a mosaic is of a finished piece that is cemented in place in the way a mosaic table top or mirror surround is crafted. The problem with this metaphor is its 'concreteness' which does not fully recognise both the dynamic context in which the mosaic is located and the evolving nature of an individual worker's networks and relationships.

Given these conceptual shortcomings and in order to emphasise the dynamic and interactive nature of work roles, both alone and together with non-work and other unpaid activities, ideas such as 'configuring lifestyles' and 'integrated lifestyles' were introduced to better capture dynamic process of interdependence and tension between work and home (Dupuis and de Bruin, 2004; Firkin, 2003). Nevertheless, while these alternative concepts offered a more appropriate depiction of the work-life nexus for workers who experience considerable control, autonomy and flexibility in their jobs, they fail to capture the experience of workers at the lower end of the work hierarchy, who have much less discretion and control over their working arrangements. There is a need therefore to re-think conceptualisations so as to better encapsulate the essence of the changes in contemporary society and the realities and work demands for the non-standard worker. Until such a conceptual framework is developed however, we must not lose sight of the urgency for more research and policy action on ways in which both spheres of life might be enhanced particularly for non-standard workers.

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Varieties of Industrial Relations in the Shipping Industry: A Comparison of two Anglo-Saxon Liberal Market Economies and two European Coordinated Market Economies

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Abstract

The paper examines industrial relations in the shipping industries of two Liberal Market Economies (LMEs), Australia and the United States and in two Coordinated Market Economies (CMEs), Germany and Denmark. Hall and Soskice's (2001) theory of *Liberal versus Coordinated* market economies has been used to discuss two polar approaches to the issue of reform in industrial relations in the context of globalisation pressures. The scope to which local institutional factors offset the major trend towards the 'globalisation' of the shipping labour market is assessed by discussing the role of state policies on shipping, trade unions, and employer organisations. The paper argues that in shipping two distinctly different policy approaches and reforms of industrial relations at the industry and national levels can be identified. The paper delivers empirical evidence to the understanding of industrial relations differences in liberal and coordinated market economies.

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Introduction

It is commonly believed that the economies of the world are increasingly interwoven into a single global economy, or at least that economic activity is much more international than it has been in the past. This trend has been described as “globalisation” (Leisink, 1999; Katz & Darbshire, 2000; Hardt & Negri, 2000; Goldsmith & Mander, 2001). Despite such global trends, Hall and Soskice argue in their work *Varieties of Capitalism – The Institutional Foundations of Competitive Advantage* (2001) that some economies “converge” (Kerr, et al.; 1960; Ohmae, 1990; Katz and Darbshire, 2000) towards a more liberal approach while others tend towards coordinated systems. Hall and Soskice’s (2001: 8) distinction between liberal and coordinated market economies can be summed up as:

“In liberal market economies, firms coordinate their activities primarily via hierarchies and competitive market arrangements. Market relationships are characterised by the arm’s-length exchange of goods or services in a context of competition and formal contracting. In response to the price signals generated by such markets, the actors adjust their willingness to supply and demand goods or services, often on the basis of the marginal calculations stressed by neoclassical economies. In many respects, market institutions provide a highly effective means for coordinating the endeavours of economic actors.

In coordinated market economies, firms depend heavily on non-market relationships to coordinate their endeavours with other actors and to construct their core competencies. These non-market modes of coordination generally entails more extensive relational or incomplete contracting, network monitoring based on the exchange of private information inside networks, and reliance on collaborative, as opposed to competition, relationships to build the competencies of the firm. In contrast to liberal market economies (LMEs), where the equilibrium outcomes of firms behaviour are usually given by demand and supply condition in competitive markets, the equilibria on which firms coordinate in coordinated market economies (CMEs) are more often the result of strategic interaction among firms and others actors.”

Hall and Soskice (2001: 20) identify several countries showing characteristics of either LMEs (mostly Anglo-Saxon countries such as Australia and the USA) or CMEs, such as Japan, and a number of European countries, such as Germany and Denmark. To characterise LMEs and CMEs, the authors argue that coordination problems must be solved in five spheres: a) industrial relations, b) vocational training, c) corporate governance, d) inter-firm relations, and e) employee-management coordination. For the purpose this paper, we will focus on industrial relations in an industry common to both LMEs (Australia and the USA) and CMEs (Germany and Denmark). The objective of

the paper is to discuss whether industrial relations in two LMEs and two CMEs provide enough evidence to support Hall & Soskice's theory. Furthermore, the paper seeks to clarify whether or not industrial relations in one of the most globalised industries, the shipping industry, has converged towards a single global model of shipping industrial relations or has it remained inside the parameters of LMEs and CMEs?

In many ways, the maritime industry with its highly mobile assets has been in the forefront of the internationalisation of economic activity. Ocean transport is the principal means of moving goods among nations. World seaborne trade grew from 3,977 million tons in 1990 to 5,230 million tons in 1999, continuing a long-standing trend (UNCTAD, 2000: 3). The ocean transport industry has seen the appearance of vessel operators, both old and new, eager to shrug off traditionally tight regulatory frameworks, registering their ships in loosely regulated *Flags Of Convenience* (FOC) or in new maritime countries such as Taiwan, South Korea and China. The growing globalisation of the maritime industry has been demonstrated by the rise of vessels registered in FOC states in the post-World War II period. While only 5.6% of the world's fleet was registered in FOCs in 1950, this number grew to 46% in 1990 and reached 48.1% in 1999 (ITF, 1997; UNCTAD, 2000). As a corollary, the percentage of the world's fleets belonging to the "traditional" maritime nations has been declining.

An indication of the growth of less developed nations as leaders in maritime registration is the decline in the carrying capacity of the traditional leaders. In 1970, the five largest were (in order): the United Kingdom, Norway, Japan, Liberia, and the United States (MA, 1998). Around 30 years later, in 1999, the five largest were, Panama (with almost double the tonnage of any other fleet), Liberia, the Bahamas, Malta, and Greece (UNCTAD, 2000) with about 17% of the world's fleet being registered in Panama. Thus, in 1970 only one of the leading fleets was a FOC country, Liberia, while in 1999 only one of the leading fleets was a non-FOC country – namely Greece (Zarocostas, 1999).

Changes in ship registration patterns have affected the off-shore employment of 404,000 officers and 823,000 ratings currently employed in the global shipping industry (BIMCO, 2000). Developing nations, have found that maritime employment can be a significant source of foreign exchange. The top ten maritime labour supply nations in the late 1990s were the Philippines, Indonesia, Turkey, China, Russia, India, Japan, Greece, Ukraine, and Italy (ITF, 1999). The Philippines, Indonesia and India are all excellent examples of nations whose seafarers sail largely on vessels owned by non-nationals and are registered in the fleets of other nations. By 2000, seafarers from the traditional maritime countries (mostly the economically developed countries) contributed only about 27% of the global marine workforce compared to 31.5% in 1995, again continuing a long-term decline (ISF, 2000; BIMCO, 2000). The *Crews Of Convenience*, who staff the greater part of world shipping, represent something of a 'Trojan horse' for the seafarers of the OECD, in terms of an intractable threat to jobs, security, wages and conditions (Klikauer & Morris, 2001b). While many of the traditional maritime nations limited or

even forbade the use of such crews, vessels registered in FOCs have had few limitations on their ability to hire crews wherever they please.

Traditional maritime LMEs (Australia and the United States) as well as CMEs (Germany and Denmark) are all excellent examples of maritime employment whereby their industrial relations systems are closely tied to national patterns and institutions. In all four countries, wages and benefits were determined for seafarers much as they were for other (shoreside) employees. This reflecting closely Hall & Soskice's (2001: 7) coordination problem in the area of "coordinated bargaining over wages and working conditions with the labour force, the organisations that represent labour, and other employees". In the shipping industry, these arrangements were further supported by various protective measures to reduce exposure to international competition (Donn, et al., 1996; Morris, 1993; Morris & Klikauer, 2001a). During the last decade the growing international competition had dramatic effects on maritime industrial relations in the LMEs and CMEs. The LMEs (Australia and the United States) and the CMEs (Germany and Denmark) have developed shipping policies that highlight the differences between them. To illustrate these differences, the paper begins with a discussion of the two LMEs and the two CMEs. The discussion and conclusion sections draw together the different industrial relations' responses to increased globalisation in all four countries.

Industrial Relations in a Liberal Market Economy: Australian Shipping

The Australian flag fleet consists of a mixture of predominately passenger ferries, container ships and oil-bulk-ore carriers engaging in coastal trade. By 2000, some 59 out of 120 Australian owned vessels were registered under foreign flags (LR, 2000). As such, there are about 2,500 seagoing and 500 shore based jobs left in the industry, compared to some 10,000 in 1988 (ANMA, 1989: 16). Blue-collar seagoing personnel are organized in a *de facto* union shop by the Maritime Union of Australia (MUA), a 1994 amalgamation of unions representing stevedoring and seagoing staff (Charles, 2000). Seagoing engineers, mates and masters are members of two separate craft unions (Byrne, 2000; Ross, 2000): the Australian Maritime Officers' Union (AMOU) (which also recruits stevedoring supervisors) and the Australian Institute of Marine and Power Engineers (AIMPE).

These seafarers were employed on 61 Australian flag vessels in 1998, some 17 fewer than in 1994. At the same time, the relaxation of cabotage regulations has led to a substantial increase of foreign vessels in the coastal trade. A 27% increase in cabotage exemption permits over the previous year is reflected in the 1996 figures (ASA, 1999: 38). Major domestic ship operators still include the marine divisions of minerals and manufacturing conglomerates, local subsidiaries of the oil majors, and specialized international 'integrated' transportation providers. In the world hierarchy of significant maritime countries, Australia has continued to move downward, although the island

continent continues to account for about 12% of the world's seaborne trade and in 1998, it occupied 34th position; below Croatia but above Kuwait (ASA, 1999: 24-5). According to the ship operators interviewed, the continuing decline of the Australian fleet coincides with the withdrawal of Federal Government fiscal support, uncertainty with regard to government shipping policy, and the comparatively high costs of Australian registered shipping (ASA, 1999: 16).

As business groups continued to demand cheap shipping and the maritime labour unions remained entrenched in high wage union shops, progress toward low cost shipping became stalemated. One possible solution for the government (who had been drawn into labour-management disputes over the official staffing requirements of the Navigation Act of 1912 and the wage determinations of the Commonwealth sponsored compulsory arbitration tribunals), was to attempt to engineer a consensus over cost-reducing reforms between shipowners and unions. In principle, this meant the promotion of 'integrative bargaining' and new compromises between owners and labour.

Between 1985 and 1989, the Federal Government promoted the modernization of the industry through programs of subsidies and tax concessions on investment that were intended to act as incentives for labour reforms as a way of reducing operating costs. This process led to the establishment of the Shipping Industry Reform Authority in 1989. The Federal agenda was moving at a brisk pace toward market-based solutions. The Cabinet approved the sale of all government's shipping interests. The Minister of Transport emphasized the return of the industry to "commercial arrangements" as a policy direction (SIRA, 1994).

The incoming business-oriented Liberal/National Coalition Government in 1996 accelerated the shift towards a neo-liberal model with anti-protectionist measures and in 1997 the government began considering a raft of deregulatory measures (Manser, 1997). Such reforms were most cogently exemplified for Australian policy makers by near neighbour New Zealand, where cabotage was abolished by the 1994 *Transport Maritime Act*. Although this agenda was never realized in full by 2000, the government had abolished remaining special tax and subsidy benefits to shipping, further liberalized the cabotage system, and closed down the government sponsored seamen's engagement centres, which were the monopoly hiring halls for blue collar seafarers. With this buttress to the union shop removed, the Minister for Workplace Relations and Small Business, whose brief included maritime transport, sought further reforms to reduce the union shop monopoly by the abolition of regulations prohibiting 'crimping,' as the use of private employment agencies had been known in the bad old Victorian days (Hansard, 1998: 5369). By 2000, Australian shipping policy had moved from support of the high cost national regime in the style of the US merchant marine, to a position where an expensive national fleet, even in token form, was no longer to be defended (Klikauer & Morris, 2001).

Traditionally, Australia's ship operators handled labour relations in a reactive fashion, through a centralized wage fixing system under the umbrella of compulsory arbitration. Protected from price competition by cabotage and by the vertical integration of many shipowning entities with mineral extraction and manufacturing conglomerates, ship operators did not vigorously resist the acceleration of crew costs to levels exceeding OECD norms. However, as a result of the 1980s revitalization movement and piloted by the Federal Government, a new policy body appeared, the Australian National Maritime Association (ANMA) which institutionalised the employer voice in a new holistic approach to shipping reform (Morris, 1993).

By 2000, a number of factors were exerting pressure on the industry's employer organizations. On the issue of cabotage, employer opinion was divided. Lobbying by their officials against the abolition of Federal subsidies and tax concessions had not proved fruitful. In addition, the decline in industry-wide collective bargaining and compulsory arbitration, and the new emphasis on enterprise level bargaining, the role of central employer organization in industrial relations had been reduced. The organizational reconfigurations of Australian shipping employers can be interpreted as an attempt to cope with these challenges.

Once the zone of early compromise had been explored, further negotiated reform proved increasingly difficult. Pressures from shipowners for freight rate reductions added to the tension which meant that it was harder to reconcile the priorities of employers and trade unions. New entrants to the shipping business with multi-divisional structures and company-wide human resource departments lobbied for enterprise control over hiring and labour allocation, which reflected the liberal policies then gaining currency in much of the rest of the Australian economy. In 1994, the ANMA dissolved itself as the tripartite consensus ended, and the employers collective re-emerged as the Australian Shipowners' Association (ASA). The ASA redefined its mission and organizational structure that formally broke with the corporatist traditions of the previous decade. By late 1999, this body had transformed into the Australian Shipping Federation, incorporating the trade association for largely foreign ship operators and the Australian Chamber of Shipping as employers sought to retain a collective voice through further organizational re-structuring (ASA, 1996; ASA, 1999; Payne, 2000).

Changes in the balance of industrial and political power adverse to the unions in most respects have also occurred and reflected in part by the dramatic drop of spontaneous vessel level disputes between about 1983 and 1999. The main reason for this was the support for the revitalization movement by union officials and their subsequent efforts to discourage unsanctioned rank and file disputes in the interest of 'strategic unionism'. This move did in some respects sacrifice the defence of the wage and conditions aspirations of the members (Morris, 1997). With the withdrawal of employers and the Federal Government from tripartite arrangements in 1994, the maritime unions moved to collective bargaining in which 'enterprise agreements' negotiated primarily between head

office officials, company human resources departments and specific vessels or company fleets became the norm. Reflecting the decline in its bargaining power, in 1998 the MUA quietly dropped its campaign to retain the industry wide hiring hall system for blue collar seafarers, but it was successful in retaining a *de facto* union shop for the time being.

Political and industrial campaigns to thwart the sale of ANL (the government-owned shipping line) met with early success, but eventually, the government ship operator was sold and staffed with 'crews of convenience' (AIMPE, 1998). However, government plans to de-unionise the Australian maritime sector were successfully resisted. The major stevedoring strike in 1998 put an end, for the time being, to Federal Government and employer plans to introduce non-union labour en masse on the waterfront. Similarly, so far, the MUA and the Australian Council of Trade Unions have been able to muster political support to shelve legislative proposals for the blanket opening of the coast to low wage foreign seamen recruited through crewing agencies (Hansard, 1998).

As the organisation of the maritime industry changes, the interests of professional and blue-collar seafarers continue to diverge. Protected by professional qualifications but exposed to the full impact of low wage competition, members of the AMOU and AIMPE look to the growth of well-compensated job opportunities in the world's 'quality' fleets. At the same time, AMOU and AIMPE showed less interest in the 'Crews off Convenience' issue threatening the lower-deck seafarers. This separation of interests was reflected in a 1998 dispute when MUA personnel put to sea with marine engineers officially designated as "scabs" by the AIMPE (AIMPE, 1998). Although still effective enough to yield only slowly to government and employer pressure for changes, thought to be unfriendly to labour, Australia's shipping unions have nonetheless become more fragmented in their direction and strategy as exposure to international maritime product and labour market trends have accelerated.

Industrial Relations in a Liberal Market Economy: US Shipping

The United States flag fleet consists largely of tankers, container ships and roll-on/roll-off cargo vessels in which many of them are involved in the protected coastal and Great Lakes trades. Container vessels are the fastest growing category with almost half of the foreign trade fleet as of 2001 in that category (MARAD, October, 2001). The domestic fleet was dominated by tankers, which constituted over half the fleet.

This relatively small fleet reflects only a small portion of that owned by US nationals. Most US owned vessels are flagged overseas, especially in FOC states. For example, although the cabotage restrictions require that vessels carrying oil from Alaska to the US be registered under the US flag, US-based petroleum companies importing their product from overseas are allowed to have their large tanker fleets registered overseas. Thus, the US ranks 12th in the world in the size of its flag fleet but 4th in terms of the size of the fleet its nationals own (MARAD, October, 2001).

The seafarers on US-flag vessels have been largely unionized since the 1930s. They belong to a variety of unions with more than one organizing every category of both officers and ratings. These unions compete with each other vigorously. Employers were traditionally organized into various associations for purposes of collective bargaining. Those associations varied according to which unions the employers bargained with, whether the employers were directly subsidised, what kind of cargo they carried and which coast (east or west) they operated from.

The number of jobs on the US-flag fleet has been in a long-term decline since at least the 1950s. This reflects changes in technology (which have permitted larger ships carrying more cargo, loading and unloading faster and sailing with smaller crews) and the decline in the ability of the US-flag fleet to compete except in those market segments where it received either a direct subsidy or an indirect subsidy (cabotage or cargo preference). As of January 1999, there were 8,956 seagoing jobs in the fleet, compared with 13,446 in January 1987. This compares with over 40,000 workers from around the world who sail on ships under the Liberian flag alone (TI, 2001).

Traditionally, the US Government has regulated the maritime industry in terms of commercial policies (e.g. attempting to regulate pricing and monopolistic practices) and has provided both direct and indirect subsidies to maritime vessel operators. It has also regulated maritime operations in terms of safety, requiring certain levels of staffing and training as well as insisting that the vessels themselves meet certain requirements in terms of safety and environmental standards.

Direct subsidy has been provided since 1936 in terms of both vessel operation and vessel construction. Only vessels constructed in the United States were eligible for direct subsidy or were allowed to be used in the US domestic trades. Construction subsidies disappeared in 1980 when the government ceased to fund the existing program (a program of subsidised loan guarantees remains). This made it harder and harder to maintain the system of operating subsidies, which were based on long-term contracts. Vessels had to be built in the United States but when operating subsidy contracts for individual vessels expired, it was not cost-effective to replace those vessels with unsubsidised US construction. Therefore, except for temporary periods in which operators were allowed to purchase vessels overseas, arrangements were made to extend the subsidy life of existing vessels, rendering the fleet older and technologically obsolete.

The Maritime Security Act of 1996 replaced this system. Construction subsidies (except for loan guarantees) no longer exist but operating subsidies (which were changed from long-term contracts to annual appropriations) became available for a relatively small number of vessels that no longer had to be built in the United States. This Maritime Security Program (MSP) also changed the subsidy formula in a crucial way (as well as reducing total subsidy payments and the total number of vessels eligible for subsidy). While the pre-1996 formula had specifically compensated ship operators for *inter alia*,

the high cost of using US crews (the difference between US-flag costs and other costs under other flags), resulted in the MSP providing fixed subsidies per vessel (at a level of about US\$1 million per year per ship below what the previous system had provided). Accordingly, the MSP provided vessel operators with a considerably increased incentives to keep the wage, benefit and staffing-level costs of crewing each ship down.

At the same time, although domestic trade vessels cannot receive a direct subsidy, cabotage has been largely preserved whereby the domestic trade is still open only to US-flag and US-built vessels. Again, this system has encouraged an aging and out-of-date fleet that, if the coast-wide trade were opened to competition, it would be unable to compete effectively.

For most of the period since World War II, the US-flag maritime industry was a paradigm of strong unionism and strong collective bargaining relationships. Employers were organised into a variety of associations for bargaining purposes and collective bargaining agreements met or exceeded standards set by the strongest industrial unions on shore (e.g. the automobile industry). This resulted in high wage and benefit costs and large crew sizes compared to most other fleets in the world. However, during the 1980s and 1990s, as the subsidy system became less and less significant, centralized bargaining also gradually became less important. Employers played off competing unions against each other, forcing them to make frequent downward exceptions to their collective bargaining agreements in order to win various government cargoes. In this new more competitive and more cut-throat environment, the internecine warfare among the competing unions which had been ongoing since the 1930s, continued. In a few cases, the employers simply rid themselves of certain unions entirely. However, by the 1980s this once strike-prone industry saw the virtual disappearance of strikes in the face of declining government support and inability to compete internationally.

It also became increasingly impossible for the US-flag fleet to compete with FOC and other inexpensive (e.g. second registry) fleets because of the low levels of wages and benefits associated with FOC fleets. Accordingly, US-based vessel owners have continued to move their operations elsewhere (to “flag out”) except where direct or indirect subsidy or particular market niches makes it impractical to do so. Clearly, the result has been declining work opportunities for US-citizen seafarers. As US-vessel operators have flagged out, they have sometimes taken some of their American licensed officers with them (albeit at much reduced wage and benefit levels). However, as in the Australian case, unlicensed ratings have had a worse fate and job opportunities for them are rapidly disappearing.

This new ‘flag market’ has changed collective bargaining in the industry dramatically. Some vessel operators insisted that lower subsidies under the MSP should be compensated with lower labour costs. This would stabilise the *quid pro quo* for those operators agreeing to participate in the subsidy program as opposed to flagging out.

Wage and benefit cuts of 20% were common. Some officers' unions negotiated the right of members to work on US-owned foreign flag vessels but this typically reduced the benefits by up to 40% and required the workers to give up collective bargaining rights.

In summary, the change in Government policy toward reduced subsidy and greater exposure to market forces has accelerated the decline of the US-flag fleet, reduced job opportunities for US-citizen seafarers, and resulted in the demise of centralised collective bargaining structures. As such, dramatic reductions in wages and benefits have occurred for most of the remaining seafarers. Because of the ideologies and approaches of U.S., the maritime operators and workers have been increasingly exposed to market forces and have found it difficult to compete in the world market.

Industrial Relations in a Coordinated Market Economy: German Shipping

Germany's position as a manufacturing export nation is reflected in a relatively large number of container ships (6,252), while dry cargo carriers only amount to 1,285 and ship types such as tanker (204), fishing vessels (29) or special purpose ships (76) play only a limited role. In the same year (2000), the total tonnage registered was 19,924 million tons which was roughly equally distributed between ships registered under Germany's second register (6.5 million tons), ships registered under German flag but chartered out (bare-boat charter) with 6.7 million tons, and ships registered under FOC with German owners (6.6 million tons). The number of German nationals employed on these ships has continuously declined from 17,879 in 1983 to a mere 7,594 in 1999 with the overwhelming majority being officers and shipmasters (Titel, 2000). German ratings have been virtually non-existent in the year 2000 as a result of industrial relations policy during the 1980s and 1990s.

The industrial relations actors in the German shipping industry consist of a number of parties, not only employers, trade unions and government agencies, but also voluntary and professional organisations. The employers' federation – *Verband Deutscher Reeder* (VDR), represents approximately 400 shipowners. The VDR represents mostly shipowners whose ships that are "flagged out" to FOC registers and as a result many VDR policies are driven by the consideration of those members. However, inside the VDR there are different factions supporting different policies on shipping. While the pro-FOC group of shipowners register its ships under FOC flags and supports FOCs, the other group uses the German or the GIS register. There are also conflicts over policy and strategy between international ship operating companies and smaller companies that, according to their members, are usually won by the small and medium shipowners (Stuchtey, 2000).

Apart from VDR's 'economic lobbying unit' consisting of all shipowners, the 'employers unit' also engages in collective bargaining for shipowners using the German flag and

German crews. However, the membership in VDR's collective bargaining unit is declining because more and more employers *flag out* to FOC registers or use individual agreements, leaving only 10% - 20% of shipowners inside the bargaining unit. Another source of change is the separation of VDR's traditional membership of owners and operator or shipmasters (Klikauer & Morris, 2001c). The so-called 'captain's shipowners' (that is, captains who own their ship or small fleets), are increasingly separated into two groups: shipowners and captains. New companies have also taken up VDR membership, such as "ship managing" companies, based on market considerations rather than on the familiar networks of the past (Benze, 2000; Noell, 2000).

Representing the interests of employees are two trade unions and one association. In the German system of industrial trade unionism, the transport industry is represented by the ötv, a union that actually covers two industries: public service (*öffentlich*) and transportation, with a strong shipping division located in Hamburg. When the second register policy began in 1989, ötv had 18,000 off- and on-shore union members but soon declined to 15,000 members in which approximately three-quarters of whom were German nationals mostly working on GIS registered ships (Meyer, 2000). The second trade union is the DAG or *Deutsche Angestellengewerkschaft* which represents around 12,000 white-collar workers in the maritime industry, with some 2,000 workers linked to sea-going activities and only 900 workers in offshore shipping. Apart from the two trade unions, the professional association VDKS (*Verband deutscher Kapitäne und Schiffsoffiziere*) or the Association of German Masters and Ship Officers, represents the scholastic and ethical interests of masters and deck and engine room officers (VDKS, 2000).

Despite earlier divisions in 1977 created when DAG works councils in shipping quit to join ötv because of dissatisfaction with 'management friendly' policy, the two unions have become more united in their views. There was general agreement between the two unions over the Germany's shipping tax and the German International Shipping Register (or GIS) that allows shipowners the use of FOC like second register. At the time of writing, the DAG is not affiliated to the International Transport Federation (ITF), the supra-national union body that has co-ordinated industrial action against FOC and GIS tonnage. However, during the 1980s both unions united to oppose deregulation under the GIS and argued for alternative institutional reforms involving the transfer of German shipping to a proposed EU registry, together with tax concessions for shipowners employing national crews (Müller, 2000; DAG, 2000).

As a third actor, the state is represented through the Federal Department of Transport (*Bundesministerium für Verkehr, BMV*) and through departments at the State (*Länder*) level in coastal regions, for example Hamburg, Bremen, Lower Saxony, and Schleswig-Holstein. However, the latter, although involved in the subsequent debate, were not active in the debate to introduce a second shipping register, that is, the German International Shipping Register (GIS).

As with the previous examples of countries, the severe global competition has led to an increasing trend among German shipowners to 'flag out' which in turn has resulted in a decline in employment as ships under FOC flags operated with non-citizen crews. Employment sank from 55,000 at the beginning of the 1970s to 11,429 in 1997 (Dörr, 1988: 366). Yet, as the trend developed, Germany's Federal Parliament debated whether Germany needed a commercial fleet at all (Hoffmann, 1984: 10). Both the VDR and the ötv were of the view that the government could not stand by and watch the decline of its maritime fleet without attempting to stop it and therefore demanded action from the policy makers, who had no great sympathy for new liberal "open market solutions" (Herber, 1988: 645).

In spite of being in favour of reform, that would underpin German employment in its most globalised industry, the unions strenuously opposed the introduction of a second register. However, the German International Shipping Register (GIS) concept became the preferred option because it is a "virtually tax free" system (Strothmann, 2000). It allows the crewing of non-German ratings to be paid non-German wages, while still protecting the employment of German shipmasters and officers. Consequently, significant industrial conflict ensued between the union members and ship managers, including personal attacks on shipping managers, hunger strikes, demonstrations and boycotts (Birk, 1978 & 1983; Däubler, 1997; Meyer, 2000). The ötv organised a series of demonstrations in major port cities, including a sit-in at Hamburg's City Hall, strikes by ferry workers, hunger strikes by members of shipping works councils and boycotts of meetings with shipowners (ötv-Reports, 1986-90).

The proponents of the GIS argued that the new register would make German shipping more cost effective (Stuchtey, 2000) if the "GIS was organised like a FOC" (Schönberg, 2000). Although there were minor job losses mainly amongst the ratings, the proponents of the GIS maintained that this was a small price if Germany's maritime industry was to survive and in fact job losses through flagging out would be far higher. Moreover, the mixed crews of different national, cultural and linguistic groups, which the GIS were designed to permit, would not pose significant safety concerns and communications problems.

According to Gefken (2000), it was a sad day for German seafarers when the GIS was introduced as it has had severe implications for employment in the German shipping industry, already declining over the past 12 years prior to the GIS's existence. Since its introduction, there has been a steady move out of the standard register system into the GIS, thus allowing shipowners to exchange German ratings with ratings from labour supply countries such as the Philippines. Moreover, the GIS has moved working conditions and wages on board GIS registered ships downward to 'third world' levels hitherto unseen in Germany. As a consequence, the GIS has not only introduced German shipping to a world previously seen only in reports by the International Labour Office and by the ITF on sub-OECD maritime working conditions but has also accelerated a declining

union membership, particularly amongst ratings (Klikauer & Morris, 20021b). Under the banner of cost cutting and competitiveness, the problems of third world labour have gained a foothold in German shipping. Rather than moving working conditions, wages and shipping standards upward, the GIS has promoted a downward trend, although severe operational problems have, to date been avoided, probably with the aid of high capital investment.

Further, the GIS introduced social fragmentation and cultural apartheid on board of German ships with foreign crews. While enabling access to cheaper non-German labour, it has created objectionable working conditions and has reduced German maritime training and employment to levels that are hardly compatible with a flourishing port infrastructure of national maritime industries geographically anchored in Germany. It is hard to argue that the GIS has been an unreserved success for the German public interest and national economy. Employer preference for the low wage, 'low road' approach is at odds with the trade union concerns and government support for alternatives. In conclusion, despite the departure from traditional neo-corporatism (Culpepper, 2001: 281) in favour of a coordinated approach among the state and employers, with the exclusion of trade unions, Germany's cooperative industrial relations had led to the introduction of a regulated system – namely the GIS.

Industrial Relations in a Coordinated Market Economy: Danish Shipping

Even though Denmark occupies a geo-strategic position between north and continental Europe, Denmark's core shipping does not lie in ferries or coastal transport ships but in international trade. In terms of world shipping, Denmark's commercial shipping fleet ranked in 22nd position behind FOC state Bermuda and in front of Taiwan. Even though most of the 523 vessels registered under the Danish flag in 2000 (DR, 2000: 7) are general cargo ships (232), the vast majority of Denmark's total tonnage lies in oil tankers and bulk carriers (61%). While the Danish shipping industry employs roughly 50,000 workers, the vast majority are to be found in on-shore employment. Denmark's off-shore shipping industry employed 13,700 seafarers in 1999 with 9,800 Danish nationals and 3,900 foreigners (DR, 2000: 15) or 5,353 officers and 4,522 ratings (UNCTAD, 2000). Moreover, Denmark's shipping industry is highly monopolised by A. P. Moller, owner of Maersk Shipping.

During the 1980s, Danish shipowners became increasingly exposed to international competition and felt that their fleet was declining because of high employment costs. In 1988, Denmark introduced the Danish International Ship Register (or DIS) modifying Danish shipping in two ways. First, Danish shipowners could now employ overseas seafarers at overseas wages, whilst maintaining a Danish master. In reality however, about 70% of all seafarers are Danish but some ratings come from overseas. Danish ratings can be found almost exclusively on new technically advanced containerships.

Second, the shipowners pay no income tax and only pay net wages. Thus, the DIS has become the backbone of Danish shipping with virtually all newly built ships registered under it. In practice, the DIS is not Denmark's 'second register' but the main register. One finds mostly ferries operating locally in Denmark's traditional or first register. DIS follows the normal rules of Danish shipping, with the exception of the modifications as outlined above. Under DIS, a seafarer pays no income tax but the company pays a normal business tax. If a seafarer earns 200 Krona, he/she has to pay 50% income tax, so what he/she gets at the end is 100 Krona. However, under DIS, the shipowner only pays 100 Krona and thus saves the seafarer another 100 Krona that he/she would otherwise pay in income tax. Therefore, the main advantage of the DIS is that it reduces the wage costs by 50% for Danish seafarers. As a result, it has kept Danish seafarers on board Danish-flag vessels while at the same time Danish shipping has remained competitive. However, only about one-fourth of Danish ships are registered in the DIS register. Most Danish-owned ships are in foreign registers for political or economic reasons. Some are under Arab flags because they operate in those areas, while others are under the Singapore flag as they operate in these waters. The shipping company Maersk, for example, has such a policy and has ships under US flag for reasons of market access.

The Danish shipping company, Maersk, which is owned by A.P. Moeller, is not only the biggest shipping company in Denmark, but it is also the largest shipping company in Great Britain and Singapore (Lund, 2000). It is also Denmark's biggest liner trading company and is three times the size of the second biggest company. Overall, more than half of Denmark's fleet is owned by Maersk, with around 250 ships in the liner trade. Maersk is also expanding its overseas interests and now owns Sealand, one of the largest US-flag vessel operators. Although Moeller's main business is shipping oil, he has a diverse portfolio including "Netto" supermarkets. He and his company also play a strong role in the Danish shipowners' association.

The Danish's shipowners' association, the *Danmarks Rederiforening* (DAS, 2000) not only has 20 of the biggest shipping companies as its members, but it also includes owners of small vessels. According to Lund (2000) "the association's strongest members are Denmark's five biggest shipping companies: Maersk, Nordon, Torn, Lauritzen, DFDS". Ganzhorn (2000) adds that "... the Danish shipping industry is run by Moeller (Maersk) with 3.02 million tons, followed by Torn (0.4), Norden (0.29), Scanlines (0.24), DFDS (0.22), ELSAM (0.18), Elite (0.15), Lauritzen (0.09)".

In an effort to balance the impact of the powerful Maersk within the shipowners' association and to maintain the level of Danish-flagged ships and Danish employment on those ships, the association has pushed for more governmental assistance. According to Lund (2000) the unions are also in agreement with the aspirations of the Danish shipowners' association as they too want maintain the level of Danish employment in the shipping industry. He added that "... on the whole, Denmark has a tradition of a close working relationship between unions, the state and employers; they seek mutual agreement on

employment issues". Kelly (1998: 93) and Thelen (2001: 102) further acknowledge this view and state that Denmark's cooperative and centralised industrial relations indicates a *Cooperative Market Economy approach*.

The militant ratings' and general workers' union, the *Specialarbejderforbundet i Danmark* (SiD), has been critical of Danish policies, although there are some strong elements within SiD that see the DIS as positive. SiD is the biggest union in Denmark organising ratings and manual workers. The ratings' union used to be an independent sailors' union but in the 1990s it merged with SiD. SiD also has a strong political character representing Danish seafarers in all political issues at national and international levels. Recently the unions have secured a new agreement with the shipowners. The agreement between unions and owners extends the unions' right to negotiate wages for overseas seafarers (section 10). It is designed to produce understandings between owners and unions before the owners go to the Philippines to negotiate wages with unions there. Shipowners, anxious to avoid any industry trouble, endeavour to comply with ITF standards and will even pay for union observers to travel to the Philippines to assist in negotiations.

The second union is the Danish officers' union, known as the Danish Navigators Union or Dansk Navigatorfoening. This officers' union organises mostly navigators or deck-officers (around 5,000) and some masters, mates, pilots, harbour masters, and captains. It also organises chief engineers, engineers and on-shore engineers. Among its 5,000 members, the *Dansk Navigatorfoening* has 3,100 active members who work on ships in which approximately 500 to 600 members work for Maersk. The union has a standard agreement with Danish shipowners, including Maersk. *Dansk Navigatorfoening* has also begun to negotiate on behalf of the foreign officers in an effort to stem its declining union membership amongst the Danish officers as a result of their declining employment, and to narrow the pay and benefits gap between Danish and foreign officers.

Apart from trade unions and employers, Danish shipping policy and industrial relations are also influenced by the third actor, the Danish Maritime Authority (DMA) which is part of the Ministry of Trade and Industry. Founded in 1988 by a merger of six different governmental shipping agencies, today DMA is the sole state authority for shipping. DMA is the agency that registers ships, oversees safety, provides training and is involved in industrial relations. Traditionally DMA has had a close working relationship with unions and employers in tripartite committees that operate inside a long established cooperative framework common to Danish industrial relations. According to a representative from DMA (2000):

"... for many years DMA has a memorandum of understanding with trade unions and employers. We seek to enhance high standards in shipping within our cooperative framework based on common understandings but without written rules of conduct."

In summary, Danish shipping policy and industrial relations includes three actors, the state (DMA), the employers, with Maersk as a strong dominant company, and a trade union for ratings and one for officers. Traditionally, trade unions and employers operated within a cooperative and tripartite framework supported by the state in the form of the Maritime Authority (Lind & Knutson 2001: 65). By the mid-1980s Denmark's shipping industry felt more and more exposed to low-cost international competition. Utilising Denmark's tradition of cooperative industrial relations, the state successfully introduced a new shipping register that has subsequently become Denmark's main ship register. Initially, the ratings' union strongly criticised the introduction of the second register because of a fear of job losses among ratings. However, the introduction of the second register did not lead to a dramatic loss of employment but rather it seems to have slowed its downward trend. Overall, industrial relations in the Danish shipping industry have been cooperative despite conflicts over the introduction of the second register.

Discussion

As we look at the industrial relations in the liberal (LMEs) and the coordinated (CMEs) market economies, we find that both have been responding to the same external stimuli brought to their economies through increased competition under globalisation. While the responses have differed based on national industrial-relations traditions and systems, the range of responses is limited by the similarity of the challenges faced. Our findings support the LMEs and CMEs theory because the variations in employment patterns and industrial relations we found in the LMEs and the CMEs, are reflected their industrial relations policy which in turn are a response to strong competition in the global shipping industry. Australia and the USA (LMEs) as well as Germany and Denmark (CMEs) found two distinctly different ways of responding to the increased competition based on their institutional foundations. That is, while the two LMEs have responded in a deregulated fashion, the two CMEs have introduced detailed changes to their institutional foundations in shipping industry' industrial relations.

Accordingly, the CMEs, Germany and Denmark, have created "second registries" as new institutional foundations for industrial relations in international shipping while the LMEs, Australia and the United States, have deregulated or reduced direct and/or indirect state support and subsidies to vessel operators. However, initially Australia, as a country under a Labour government, tended towards a cooperative solution reflecting a CME approach much in the same way as Germany. Denmark also opted for somewhat stronger corporatist solutions to the challenge of globalisation as a classical institutional solution for industrial relations under CME conditions. While Denmark has had some success with their approach, Australia has abandoned its cooperative IR policy. This shift in policy occurred when a change of government brought a change in industrial relations supporting a deregulatory approach favouring highly deregulated industrial relations emblematic for a LME's approach to IR. Germany's regulatory approach

favoured a second register supported by a coalition composed of government and employers indicates a cooperative - not corporatist - CME solution, even though there was strong opposition from the trade unions. As an example of a LME's approach to industrial relations in the shipping industry that has had to respond to increasing global competition, is the USA, in which the key parties in its shipping industry – namely the government, employers and unions – have shown very little cooperation. Instead the state has deregulated the industry and decreased subsidies which in turn increased the hardship of employees in the shipping industry.

Conclusion

Neither the CME's nor the LME's approach to employment and industrial relations were able to stop the increased appearance of 'crews of convenience' under globalisation. However, the crucial difference between LMEs and CMEs lies in the different levels of protection for each of the different levels of employment. The introduction of 'second registers' by the CMEs has, to some extent, protected the core employment in off-shore shipping because masters, captains, and officers have received limited protection by being on such registers. While neither LMEs nor CMEs have been able to stop increased competition in ocean going shipping, LMEs have exposed their shipping industries to these forces without protection, while CMEs have sought to protect core sections of off-shore employment. The two CMEs achieved this by a coordinated approach to industrial relations policy in shipping. In sum, while all four countries were faced with the same competitive forces brought to them by globalisation in the world shipping industry, the two coordinated market economies maintained their competitiveness by developing innovative employment strategies that protected core employment while at the same time securing the continuation of their coordinated pattern of industrial relations.

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Organisational Downsizing and Redundancies: The New Zealand Workers' Experience

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Abstract

This paper explores the experiences of organisational downsizing and redundancy for a national population sample of 440 workers. Most were found to have experienced redundancy or downsizing either directly and or by knowing someone who had been made redundant. Males, older workers and those with more years in the workforce were found to be disproportionately represented among those made redundant. Older workers were also found to spend longer out of work due to redundancy and, perhaps realistically, to have poorer perceptions regarding the length of time it would take to obtain reemployment. Employers were found to have used few of the range of downsizing practices known to ameliorate its adverse impacts. In general, workers who had experienced a downsizing or redundancy were dissatisfied with both the management of the downsizing process and with the support provided to the survivors and victims by their employers.

Introduction

Organisational downsizing is a deceptively complex construct that is conflated with a variety of other terms, including restructuring, redundancies, delayering and rightsizing (e.g., Ryan & Macky, 1998). While lacking precise theoretical determination (Littler, 2000), downsizing is at its most fundamental a deliberate reduction by management to reduce a firm's size in terms of the number of employees it has. There are many ways in which this can be done, including outsourcing some of the work previously done by employees, eliminating functions, cutting hierarchical levels or 'delayering' (Tomasko, 1987), eliminating business units, using the natural attrition of employees combined with hiring freezes, offering early retirement incentives and, most commonly, via redundancies.

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Research Notes: Cultural Diversity and Organisational Efficiency

JAKOB LAURING* AND COLIN ROSS**

Abstract

The expected positive link between diversity management and organisational efficiency is often used as a reason for pursuing diversity management and equal employment opportunity programmes. However, this positive link is only supported to a limited degree by in-depth empirical research and therefore it is often based on normative expectations. Recent research has further indicated that the link between diversity and efficiency may be more complex and cannot *a priori* be taken for granted. This article argues that some theoretical rethinking of the issues is necessary and suggests that the combination of more theoretical cross fertilisation and in-depth research may be the way forward. Based on our own empirical research, barriers preventing a positive link between diversity and efficiency can come in different forms and our case studies illustrate situations where both containing and constraining patterns have to be overcome.

Introduction

Diversity management has become very important in most OECD countries over the last 20 years. This has often been driven by a range of factors such as internationalisation of business, legislative reform and demographic changes (including higher growth rates of minority groups and changing immigration patterns). At the same time, there has been a shift in justification for pursuing diversity management and equal employment opportunity (EEO) programmes. The debate on diversity management has moved from an initial focus on overcoming discriminatory employment practices to a 'business case' view which justifies diversity management and EEO programmes predominantly through, increased organisational efficiency and competitive advantage. Currently, the business case view features strongly (Wrench, 2002) where the 'real' benefits of diversity are seen as: an increase in organisational efficiency, improved staff morale, and better access to new market segments through the application of diverse knowledge and knowledge synergies (Thomas and Ely, 1996).

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This article questions the normative postulation of a positive link between diversity management and organisational efficiency found in the business case view. Instead, it argues for a more complex understanding grounded in empirical research, which opens up a range of possible efficiency outcomes. It is suggested that the business case view of diversity management is mostly built on assumptions, with only a limited amount of research; therefore diversity management literature fails to address the potential difficulties arising from implementing diversity programmes. Besides emphasising a more complex, research based understanding, it is also suggested that it is necessary to widen the literature base and draw on other strands of research such as international business and strategic human resource management. It is a real problem that diversity management and EEO programmes have long debated the issues in relative isolation with little communication and cross fertilisation with other strands of research. Therefore, it is suggested that in order to get a greater understanding of diversity, organisational context and group dynamics need to be taken into account.

While we acknowledge that diversity management and EEO programmes encompass a wide range of factors such as ethnicity, gender, age, disability and sexual orientation – and that these factors cannot be treated in isolation – we are confining our discussion in this article to ethnic and cultural diversity. As well as discussing recent academic research, we also present the findings from two case studies. These indicate the existence of both containing and constraining obstacles to the flow of knowledge within culturally diverse organisations, due to social structures arising from diversity. It will be argued that knowledge sharing within diverse organisations could benefit from recognition that these barriers restrict the flow of cross-cultural knowledge.

From Equal Opportunities to Organisational Efficiency

The rising interest in organisational diversity has mainly come from demographic changes found in many OECD countries, due to faster growth rates of minority groups, immigration and business internationalisation. Cultural diversity has changed from being an optional choice or legal obligation to being an inevitable reality in many organisations (Smith, 1998; Fernandes, 1991). This can be illustrated in countries such as Australia and New Zealand, which have some of the most culturally diverse workforces in the world (Tung and Thomas, 2003). Thomas, Ravlin and Barry (2000) identify some Australian manufacturers who employ as many as 35 different cultures within their workforce. Likewise, the general internationalisation of business has made the ability to understand ethnic and cultural differences an important aspect of running a business (Henkoff, 1993).

In the 1980s, workplace diversity management focused mainly on giving all employees equal opportunity in the labour market, regardless of group affiliation, leading to a revision of meritocracy and its acclaimed neutrality towards race and gender (Kirtton and Greene, 2000). This prompted a concern with structural discrimination in the labour market and

it was argued that to provide the same opportunities for all employees would require them to be treated differently, in regard to recruitment, retention and promotion (Kirton and Greene, 2000). But the growing political critique of affirmative action gave rise to oppositional arguments from the beginning of the 1990s (Hall, 1995). It was stated that equal opportunity and affirmative action programmes were stereotyping dominant groups (Denton, 1997; Linnehan and Konrad, 1999; Konrad, 2002), causing them to lose interest in seeking management positions (Hemphill and Haines, 1997). Initiatives have also been criticised as being ineffective in introducing real organisational change, and for focusing on a single minority group without any wider coordination (Hall, 1995). Finally, a substantial issue associated with diversity management was the lack of organizational benefits in terms of the 'bottom line' and competitive advantage. This point was tackled head-on by Thomas (1991) when he presented a move to a more business-oriented position. He argued that social responsibility, legal compliance, and better community relations might be sound reasons for learning to manage diversity but, given the nature of today's competitive challenges, only business reasons would supply the necessary long-term motivation for diversity.

It has subsequently been suggested that the potential business gains from diversity and diversity management are extensive and go much further than the classical benefits ascribed to equal opportunity programmes. Some researchers focus on cultural diversity leading to more diverse approach to business resulting in better problem solving (Harrison, 1995; Adler, 1997). Others, such as Smith (1998) and Burton (1992), argue that culturally diverse groups produce more creative and innovative solutions. Broader market intelligence and internationalisation are also mentioned as some of the benefits of cultural diversity (Cox and Blake, 1991). Diversity management can enhance international product development, improve subsidiary management and facilitate global networks and alliances (Hogg and McGarty, 1990; Stanley and Ingram, 1990; Fujimoto, Hartel *et al.*, 2000; Lau and Nicholas, 2001), and also offers an advantage in the selection, development and circulation of expatriates (Zeira and Adler, 1980; Tung, 1981; Torbiorn, 1982; Thomas, 1990). Intuitively, these arguments sound both desirable and plausible, but comprehensive, in-depth evidence to support the business case argument has yet to be presented. Until research shows unequivocal support for a general link between diversity management and organisational efficiency, the business case argument remains unsubstantiated.

Furthermore, it is more than just a matter of insufficient research since some of the available research must also be questioned. The business case argument is often built on empirical evidence gathered from a number of laboratory and classroom experiments conducted during the 1960s (Cox and Blake, 1991; Nkomo and Cox, 1996; O'Flynn, Ricciotti *et al.*, 2001). Much of this research refers to studies conducted by Hoffman and Maier (1961), which showed that groups with mixed backgrounds and gender - as opposed to more homogenous groups - produce better quality solutions to problems. However, a closer examination of these studies reveals mixed outcomes, limitations and

reservations, overall they vaguely conclude that organisational diversity will produce both benefits and difficulties. Subsequent research has had mixed results: some researchers found a positive effect on organisational efficiency from group diversity in well-integrated groups (Maznevski, 1994; McGrath, 1984), while others found that heterogeneous groups can be damaging to organisations due to the social conflicts that occur within them (Stephenson and Lewin, 1996). Further studies showed evidence of conflict in diverse groups but at the same time gains in innovation and creativity (Jehn, Neal & Northcraft, 1999; Williams & O'Reilly, 1998), while others found no effect from diversity at all (Campion, Medsker & Higgs, 1993). As well as mixed results, the problem with many of these studies is that by being conducted in an isolated situation, they cannot be related directly to diversity issues in everyday organisational life. To a large extent they do not include a time perspective, conflict of interest and power relationships. Even though these studies have been used to support the business case argument, the results show that attaining competitive advantage from organisational diversity cannot be taken for granted. Benefits and drawbacks seem to be highly dependent on context. Based on these studies, it would be very hard to predict the specific cultural effect of organisational diversity within an organisation. Until now, some proponents have argued that even if the results of laboratory experiments were ambiguous, any negative outcomes could be explained by the absence of 'real' diversity management. This has given further impetus to the idea that some of the slightly positive results could be dramatically enhanced by more extensive implementation of diversity management programs (Cox and Blake, 1991; Nkomo & Cox, 1996).

The superficial evidence for the business case argument has meant there is a requirement for more in-depth research. A recent study by Kochan *et al.* (2003) could shed some light on the relationship between diversity and bottom line results. Since 1997, this research group has worked on documenting the connection between diversity management and organisational efficiency and innovation, based on a quantitative and qualitative investigation of four large American companies with 'well-deserved reputations' for their longstanding dedication and commitment to building a diverse workforce and working with diversity management (Kochan *et al.*, 2003). Although these companies have different characteristics such as size and type of business, the results were strikingly similar. Kochan *et al.* (2003) found that diversity does not have the positive influence on organisational efficiency suggested by some of the more optimistic line of research, but neither does it have the negative effect on group processes which some identify. The only positive correlation found between organisational diversity and improved efficiency was in working environments where cross-cultural learning and knowledge sharing were actively promoted. Kochan *et al.* (2003) suggest that organisational culture; business strategy, human resource policies and practices could facilitate the influence of organisational diversity. This study highlights organisational context and group dynamics as the two most influential factors linking diversity management to bottom line success. However, the study also suggests that in some cases racial diversity can have a negative impact on organisational efficiency, but this can be mitigated by training and development

focused initiatives (Kochan *et al.*, 2003). These results should motivate researchers to look further towards solving the problems that arise from diversity.

Is it Possible to Develop a More Sophisticated Understanding?

In order to develop a more sophisticated understanding of the link between diversity management and organisational efficiency, it is probably necessary to re-conceptualise the business case view and draw on other theoretical fields. In the following, we draw on research in international business, strategic human resource management and management strategy as a way of illustrating the possibilities for theoretical cross fertilisation. However, there are probably other research fields that could add to our understanding.

The field of international business has worked extensively with problems arising from cultural interaction with market knowledge, with cross-cultural communication and multi-cultural teams being major research areas. Diversity could provide an obvious advantage if the organisation has a workforce that reflects, and has knowledge of the market that it serves. The internationalisation of business along with the rapid development of communication channels (internet and video conferencing) has led to a rapid development of cross-cultural teams. The sharing of knowledge amongst team members is a process where knowledge is created and maintained through human dialogue and interaction; therefore it cannot be disconnected from the social system. Knowledge is seen as intertwined in the negotiation and development of social structures and 'communities of praxis' (Lave & Wenger, 1991; Brown and Duguid, 1991). The achievement of knowledge synergies has been one of the most discussed arguments supporting the business case for diversity management (Thomas and Ely, 1996), but this argument needs further exploration. Knowledge synergies can be described as the development and improvement of creativity, innovation, learning and problem solving through the cross fertilisation of knowledge resources (Cox and Blake, 1991; Thomas and Ely, 1996). Researchers such as Eisenberger, Fasolo, and Davis-LaMastro (1990) note that cultural diversity can facilitate a more differentiated perspective when working with creative assignments. Adler (1997), by drawing on a range of international studies argues that multicultural teams have the advantage of an increase in innovation and creativity due to knowledge synergies within them.

However, there are also disadvantages associated with cross-cultural workplaces and work teams. A common theme is that team learning processes can give rise to interpersonal and inter-group tensions (Bloor, 1987; Lave and Wenger, 1991; Bloor, 1991; Wenger 1998). Thompson and Gooler (1996) argue that while diversity issues lie at the heart of team functioning and effectiveness, successful diverse teams do not happen by themselves without effective design, implementation and management (which we discuss further in our two case studies). Several studies - for example, Linnehan and Konrad (1999) and Konrad (2002) - suggest that reducing conflict may be the most

profitable gain from diversity management and therefore more research is needed on how to avoid the negative consequences of diversity.

Diversity management is discussed in human resource management literature and similar arguments to the business case view can often be found (Macky and Johnson, 2003). Based on the resource based view of the firm, one strand of strategic human resource management (SHRM) argues that it is possible to gain competitive advantage on the basis of talented employees and their organisation-specific interactions (Barney, 1991, Barney and Wright, 1998; Boxall and Purcell, 2000; Wright and McMahan, 1992). For example, Richard (2000) argues that the value created from a large number of diverse individuals is high, difficult for competitors to imitate and acts as a source of sustained competitive advantage. Furthermore, he suggests that organisations with diverse perspectives have more resources to draw on, enabling them to be more creative and innovative. There are clear links to the current discussion of 'knowledge economies' and 'learning organisations' and Sammartino *et al.* (2001) argue that organisations have become increasingly aware of the importance of knowledge as a source of competitive advantage. Overall, this has led organisations to implement strategies and structures that increase learning and knowledge management, including the management of cultural diversity (Tenkasi and Boland, 1996; Senge, 1990; Becker, 2001).

Conversely, writers such as McMahan, Bell and Virick, (1998) point out that much SHRM research uses tacit assumptions about the similarity of workers which may not be appropriate for the future study of diversity as a source of competitive advantage. For example, the application of incentive pay systems developed for employees in individualist cultures (as opposed to those from collectivist cultures) can become counterproductive. It may also be a problem that a homogenous organisational culture is often seen as an integrated part of business strategy for many multinational enterprises (McGraw, 1998). This can create tension between standardisation of human resource management practices across business units and attempts to effectively accommodate a diverse workforce.

Whereas diversity management is often treated as a specific area of study ultimately it may become 'business as usual' by being totally integrated into management strategy and processes. Writers such as Kramer (1997) argue that diversity management, rather than being seen as the next generation of affirmative action, should be seen as an approach to management. Kwak (2003) advances this further by saying that there is little point in arguing whether the effects of diversity are good or bad as it is a reality of the modern day labour force and the focus should be on maximising the positive benefits while minimising the negative effects.

Case Studies – Dan Foods and Pharma

One of the authors conducted two case studies in an attempt to understand more about the accepted practice of knowledge sharing and the development of knowledge synergies in culturally diverse organisations. The studies attempted to answer questions on how cultural diversity relates to organisational efficiency, especially in relationship to the achievement of knowledge synergies. In other words, how does cross-cultural communication and knowledge sharing apply in an organisation that has the opportunity to gain competitive advantage from employing a culturally diverse knowledge resource? The empirical investigation revealed some of the barriers that culturally diverse environments may experience when trying to utilise diverse knowledge resources and knowledge synergies. The case studies were generated as ethnographical fieldwork in two Danish multicultural and international corporations. To gather and generate the data material, participant observation and interviews were applied as methodological tools. The two organisations shared a common need for internationalisation and an enhanced knowledge of non-Danish markets. They each had a very different approach to culturally diverse knowledge as a resource. (For a more detailed discussion, see Lauring, 2001a; 2001b; 2003; or the case description on www.employment.org.nz).

Case Study 1 – Dan Foods

Dan Foods Saudi was a Saudi-Arabian subsidiary of an international Danish corporation and the most profitable subsidiary in the corporation. At the time of the study, Dan Foods employed 500 third country nationals from thirteen different countries. All employees were men with the biggest number of employees' coming from India, Egypt and the Philippines. The company employed twenty Danish expatriate managers and the same number of Saudi-Arabian nationals. The parent corporation had a formal policy of sending expatriates to subsidiaries, which aimed primarily to increase knowledge sharing across cultural boundaries. This cross-cultural interaction was intended to develop international skills such as language, market knowledge and cross-cultural knowledge. However, it was found that group dynamics within Dan Foods Saudi had a negative influence on knowledge sharing: the Danish employees developed a very tight and integrated group structure with intense internal socialisation which allowed fast, extensive internal knowledge sharing, but little dialogue with other nationalities. Interaction with other nationality groups was conducted as one-way communication or as instructions given from one nationality to another. Over time, the Danish management fostered an ethnical hierarchy where managers tended to be Danish and supervisors tended to be Egyptian. Strong internal group socialisation created suspicion between the different nationalities and over time vicious circles of antagonism developed, keeping them even further apart. These organisational and group dynamics contained knowledge sharing and they negated the potential positive effects of having a multi-cultural workplace. Whereas the corporation had formulated a need to develop the international understanding of its

staff, the expatriate Danish managers failed to develop cross-cultural communication skills, tolerance, openness and flexibility. They developed what they themselves termed as 'sound scepticism', although some would interpret it as ethnocentrism or even as racism.

Case Study 2 - Pharma

Pharma International Marketing is a marketing department within a large international Danish corporation staffed by 150 highly educated employees - twenty percent having non-Danish nationality. Among the foreign employees there were employees from overseas subsidiaries, and foreign immigrants (Lauring, 2001; 2003a; 2003b; 2003). In Pharma, recruitment for cultural diversity and internationalisation arose from a requirement to gain both 'multi-local' – that is, a range of individual perspectives on different national markets - and global knowledge resource. Within the multi-local perspective, Pharma needed local societal, legal and cultural knowledge of their market and links to their subsidiaries through the knowledge and contacts of the inpatriates. Pharma wanted to develop a true global perspective through facilitating knowledge synergies and achieving cross-cultural innovation, creativity and learning. Through cultural diversity, management tried to erase the inherent Danish ethnocentrism and develop multiple perspectives to daily tasks. In many ways, Pharma succeeded in creating a truly multicultural organisational environment, few social conflicts between different cultural groups were observed and there was interaction between staff of different cultural backgrounds.

However, the collection of so many nationalities meant the creation of a formal work environment and, due to cultural and language differences small talk vanished from the organisation. Social activities were initiated but often failed due to lack of support from staff. Being staffed by predominantly young, ambitious people, with a culture that supported intense focus on personal assignments there was little time for or interest in outside social activities. While the company culture created minimal conflict it left individuals with little knowledge of their colleagues' personalities, competencies and qualifications. Furthermore, the project focus did not allow staff to have a wider knowledge of other projects and company matters. Many activities were not coordinated and different teams would conduct the same task simultaneously. It proved difficult to utilise the potential knowledge synergies from diversity because of insufficient knowledge of strengths and weaknesses of other projects and team members. Management achieved a sustained balance in the multicultural environment and avoided interpersonal or inter-group conflicts but it lost a great deal of the potential benefits from the culturally diverse knowledge resources. The sharing of knowledge was not confined to certain groups of employees, as in Dan Foods, but the formal environment and limited interaction generally *constrained* knowledge synergies and thereby reduced the potential level of organisational efficiency.

The two case studies illustrate two different types of barriers in culturally diverse environments: the Dan Foods case study shows the way that knowledge can be *contained* while the Pharma case study highlights the *constraints* of knowledge sharing. They also highlight situations where knowledge resources are not being applied efficiently and while management may consider that cultural diversity and knowledge synergies constitute a superior strategy, the actual benefits really depend on whether management understands how to facilitate them. The cases also demonstrate how social interaction can create barriers for cross-cultural knowledge sharing and that organisations need to be focus on applying knowledge resources to corporate strategy. In other words knowledge synergies in culturally diverse environments cannot be taken for granted, sharing of knowledge is promoted only when openness and trust exists between employees. For knowledge synergies to manifest themselves there has to be the right balance between differences and similarities in people's knowledge and praxis in the community (Gudykunst and Young, 1997; Brisling, 1981; Brisling, 1990). Knowledge sharing is restrained if people are too similar to come up with new ideas or if people are too different and fail to communicate properly.

Conclusion

There is no doubt that diversity management is a difficult and complex discipline, which sits uneasily with other management functions. Therefore, it is tempting to argue that diversity management will facilitate organisational efficiency and we have discussed several reasons why this is an intuitively plausible outcome. Unfortunately, the business case for diversity is not the easy proposition argued by many researchers, consultants, and practitioners as the bottom line benefits of diversity are varied. While there are potential gains from diversity the business case has not been supported by empirical research, no substantial proof has been published that cultural diversity has a positive influence on organisational efficiency and it must be accepted that in some situations there are no benefits or even a reduction in efficiency. It has also been argued that the main benefit of diversity management is to avoid or limit problems associated with diverse environments. In short, the business case for diversity management cannot be taken for granted, the link is questionable and varies across different contexts.

This does not mean that diversity management should be readily dismissed. The initial focus of diversity management on overcoming discriminatory employment practices is still very valid. Diversity is a reality in the labour markets of most western countries and this creates a need for organisations to understand how diversity affects organisational efficiency and innovation. Diversity management will have been helpful even if it just helps managers rethink strategies developed for more homogenous organisations and labour markets.

Finally, we have argued that further empirical studies need to be aligned with improved theoretical conceptualisation of the business case view. This could, for example, be

through more cross fertilisation from other research areas such as international business and strategic human resource management. Our case studies have indicated that management of diverse cultures is a balance between organisational integration and differentiation. Both containment and the constraints of knowledge sharing can hamper the development of knowledge synergies. Cultural diversity carries the potential for both embedded creativity and conflict, which cannot be separated. Whereas cross-cultural communication is now often regarded as crucial for the constructive utilisation of diverse knowledge resources, the potential for conflict and misunderstanding can be difficult to avoid. In some cases, it may even be counterproductive to avoid conflict and misunderstanding since it is often the social interaction and constructive conflict that creates the potential for innovation, creativity and learning.

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CHRONICLE

October 2003

Several settlements of collective agreements were reported in the media. Around 400 senior nurses in the lower North Island ratified a new multi-employer collective agreement after 15 months of negotiations between the nurses' union and seven district health boards. The agreement will increase salaries by 3% to 11%, including annual salary increments for service and merit pay. However, negotiations between district health boards and the senior doctors' union, the Association of Salaried Medical Specialists, had to be referred to mediation after a negotiation stalemate. Quarantine and Services staff at the Ministry of Agriculture and Forestry (MAF) ratified a new collective agreement which included a 3% pay rise plus allowances for each of the next two years. Members of the Professional Firefighter Union also ratified a new collective agreement which gives them a 3% wage increase in each of the next three years.

Minister of Education, Trevor Mallard, responded to complaints from the Secondary Principals Association and announced that both union and non-union members amongst primary and secondary school principals would automatically receive three months back pay of their 5% salary increase. The salary increase was part of the primary and secondary principals' collective agreement which was finalised in September and was originally only backdated for union members. Principals on individual agreements would have had to negotiate their own arrangements. The Post Primary Teachers Association expressed its anger that non-union members had been able to free-ride on the union-negotiated agreement.

The Employment Relations Authority agreed with two unions - the Service and Food Workers Union and the Nurses Organisation - that the Employment Court should decide whether it is legal for employers to indicate to non-union members that any benefits arising from collective bargaining would automatically be passed on to them. According to the *Dominion Post*, Authority member Greg Wood stated that it was an important question of law whether such indications were in breach of an employer's duties of good faith to the union and its members.

The Council of Trade Unions (CTU) held its biennial conference in Wellington, with over 200 delegates representing 300,000 members from 34 affiliated unions. Minister of Labour, Margaret Wilson, was expected to announce changes to the Employment Relations Act, but disappointed the conference by merely outlining the background thinking behind the amendments. This included: making it more difficult for non-union members to 'free-ride' by discouraging employers from automatically passing on settlements from collective bargaining to employees on individual agreements, and clarifying the expectation that collective bargaining would lead to settlements. The conference was advised that

amendments to the Act would be introduced this year, and should take effect from the middle of next year. Prime Minister Helen Clark gave a strong signal that legislation for four weeks annual holidays would be introduced – but not until after 2005, with earlier reports stating that this was to allow time to phase in the economic consequences.

The *Dominion Post* reported that another major topic at the CTU conference was New Zealand's dismal occupational safety and health record – 73 workplace deaths were recorded in the year ending June 2003. CTU President, Ross Wilson, was quoted as saying the solution to this problem lies in improving workers' ability to bargain collectively. The need to promote for all workers better work-life balance was also discussed, with calls being made to lobby for protection of the 'precarious nature of part-time employment' and for a change to a 35-hour working week.

Minister of Labour, Margaret Wilson, announced a new consultation round where the Government would contact community groups to find 'champions of work-life balance' to understand how New Zealanders cope with increasing work demands. Recent Cabinet briefing papers pointed to the shrinking working-aged population and New Zealand's ability to compete for international talent as key considerations behind various legislative attempts to lift working conditions.

Auckland hosted a special International Labour Organisation (ILO) forum on 'decent work' which discussed how to improve working conditions in the Pacific and South-East Asia. The conference was attended by government, employer and union representatives from 10 different countries.

The *Dominion Post* reported that jobs losses were predicted in the Kapiti and Horowhenua hub of clothing and footwear industries, following the planned reduction of import tariff rates on these items. However, Chief Executive of Norsewear, Paul Spicer, commented that the 2% tariff reduction was unlikely to make much of an impact as a small movement in the dollar would offset the reduction.

Various surveys painted a picture of a strong labour market. Statistics New Zealand annual survey of labour costs showed a 2.2% rise in the year to June 2003 - the highest rate for six years. The monthly *ANZ-Business New Zealand Performance of Manufacturing Index* reached 59.6, the highest point this year and indication of a manufacturing activity expanding strongly (an index score above 50 suggests that manufacturing activity is expanding). The quarterly survey of business opinions by the NZ Institute of Economic Research showed that employment intentions were at the highest level since 1994, and 16% of firms reported that labour shortages were the most important factor constraining their ability to increase output.

Air New Zealand announced plans to cut 1,500 jobs from its 10,000 strong workforce over the next four years, and although most of these would be achieved through natural

attrition, around 300 compulsory redundancies in back office support areas were expected. *NZ Herald* reported that the Council of Trade Unions (CTU) expressed its anger that the airline had not given unions advanced warning of the media announcement, given the significance of the announcement and the good faith obligations in both the Employment Relations Act and its collective employment agreements.

In a landmark case, six unions challenged Air New Zealand's plan to introduce random drug and alcohol testing for all of its 10,000 employees in the Employment Court (see August Chronicle). According to the *NZ Herald*, union witnesses in the case focused on the effectiveness of tests as a measure of impaired performance, arguing that there are no substitute for efficient performance management to identify unsafe workers. Furthermore, drug tests were described as breaching fundamental rights such as the right to privacy and the right to refuse medical treatment. However, Air New Zealand focused on the safety aspects, the positive effects that random drug testing has on reducing usage levels, and the fact that impressions of people's performance were often unreliable. The case was adjourned until December for other interested parties, including the Privacy Commissioner and Business New Zealand to make submissions.

The *Dominion Post* reported that a restaurateur was ordered to pay \$35,000 arrears in minimum pay and holiday pay to a cook who had been working without proper pay whilst he was in breach of his immigration entry permit. The Authority highlighted the importance of enforcing minimum codes and noted that breaches of Immigration Law were matters for the Immigration Service. It also imposed \$14,700 in penalties on the restaurateur for breaching the Minimum Wage Act and the Holidays Act.

November 2003

Several media reports speculated that the Holiday Bill would retain the following key changes: a minimum of time-and-a-half pay for work on public holidays, as well as time off in lieu; the provision of three days leave for bereavement leave and five days leave for sickness; an allowance for sick leave to be accumulated for up to 15 days; provision for 'pay as you go' for annual leave entitlements for workers employed for less than a year so that they can forgo holidays for extra pay; and increased enforcement penalties for offences against the Act. Four weeks paid annual leave were likely to be introduced in 2007, rather than a phased introduction since this would lessen compliance costs for businesses. The law change would be passed this electoral term as part of the review of the Holidays Act due back before Parliament in December.

The media reports highlighted the controversial nature of the Holiday Act changes. Following strong objections by employers groups, the Bill would be amended to allow an employer to request proof of sickness when an employee had been absent for three consecutive days, rather than the original proposal of five days. Speculation about the cost and effect of the change was rife. The *Dominion Post* reported that government

officials had estimated that the maximum cost would be \$500 million if *all* employees on leave were replaced while economist Brian Easton had estimated that the cost would more likely be around \$350 million. These estimates were much less than the \$908 million estimated by Business New Zealand who feared that staff who already had four weeks leave would attempt to negotiate more (see July Chronicle). It was estimated that one-third of state sector workers and two-thirds of private sector workers currently received only the minimum 3 weeks annual leave entitlement.

The amendments to the Employment Relations Law Reform Bill were delayed further. The *NZ Herald* reported that the Bill would not come into Parliament until shortly before Christmas. The sticking point appeared to be Cabinet disagreement over the 'transfer of undertakings' clause, which had been altered to include 'succession contracts' – when work already contracted out is moved to another contractor.

Around 650 special education field staff ratified a collective agreement giving them two pay rises of 2.5% each plus a \$500 lump sum. Special education workers include psychologists, counselors and other therapists who work with preschoolers, and primary and secondary school children.

The *Dominion Post* reported that around 4,000 nurses, midwives and health assistants from seven North Island health boards began pay negotiations in a bid to gain pay levels equivalent to their Auckland counterparts. Meanwhile, Oamaru Hospital nurses accepted an offer that gave them parity with their South Island colleagues (see September Chronicle). According to the Nurses Organisation, while there were 2000 nursing vacancies around the country it was still difficult for many graduate nurses to find jobs because many public hospitals favoured experience and specialisation.

Around 300 Service and Food Workers Union members at 15 Presbyterian Support Central rest homes went on strike for 24 hours as their pay negotiations had failed. However, lockout and strikes notices issued by the IHC and the Service and Food Workers' Union were lifted as the parties agreed on back-pay of the 2% wage rise previously settled (see September chronicle).

The financial sector union, Finsec, entered pay talks with TSB Bank after a 12-year gap between collective agreements. According to the *Dominion Post*, a Finsec spokeswoman said that the union had now rebuilt sufficient membership to start negotiations.

An Employment Court ruling could impact on other collective agreements. The Court ruled that the *NZ Herald* journalists' collective agreement, which allowed workers to leave the collective but remain members of the union, breached the Employment Relations Act and International Labour Organisation conventions. The case was brought by the Engineering, Printing and Manufacturing Union after managers told senior journalists that they could only receive pay rises if they left the collective agreement. The Court ruled that

people covered by a collective agreement could not change to an individual agreement unless they resigned from the union. Furthermore, the Court stated that any offer of a pay rise that was conditional on an employee leaving the collective agreement would fail to promote collective bargaining and would be 'inimical' to promoting the observance of freedom of association principles. It would undermine voluntary union membership and violate prohibitions on giving preference to workers on the basis of whether they were or were not union members.

The Employment Court case involving six unions against Air New Zealand's random drug-testing plans was postponed to early February, after unionists requested more time to assess recent changes proposed by the airline (see October Chronicle). Meanwhile, the *NZ Herald* reported that the Dairy Workers Union had negotiated a non-punitive drug and alcohol program with New Zealand Dairy Foods, which eliminated the need for invasive drug testing by encouraging employees to seek help for abuse problems.

Following the death of one man and the serious injury of another on an Auckland construction site in January, a property developer and two of his companies were fined \$89,000. The site foreman was fined \$5000, which was described by the Judge as being consistent with his means.

An employee who was dismissed for calling his supervisor a 'dumb arse' and drinking beer minutes before the 5 o'clock time that was allowed, was awarded \$3000 for humiliation and stress, plus compensation for lost wages. However, this was reduced by half since his behavior was found to have contributed to his unjustified dismissal. According to the *Dominion Post*, the Employment Relations Authority found that the worker's behavior did not amount to serious misconduct. In addition, the employer had conducted a deficient investigation into the worker's actions – it was revealed that the employer had not ascertained that the worker had been called 'bloody pathetic' by the supervisor. Furthermore, the worker was not properly advised of the reason for the disciplinary meeting and did not have the chance to gain representation.

The job market was described as exceptionally strong. Unemployment was at 4.4%, the lowest level since the share market boom of 1987 and, after Switzerland, the second lowest unemployment rate amongst OECD countries. According to the *Dominion Post*, wage and salary rates rose 0.8% in the September quarter, which was the highest rate since Statistics New Zealand began assembling statistics in 1992. The annual rate was 2.3%, compared with an annual inflation rate of 1.5%. Still, business groups expressed concern that wage increases were not enough to stop New Zealand workers from being lured overseas. Chief Executive of Business NZ, Simon Carlaw, pointed out that Australian average weekly wages were already \$200 ahead of ours because of faster economic growth. Alasdair Thompson, Chief Executive of the Employers and Manufacturers Association (Northern), noted that most of the latest wage and salary increase had originated from the public sector, with private sector average hourly earnings

only rising 0.5% in the last three months.

An Otago University study revealed that 29% of workplace deaths were caused by car accidents. OSH inspectors visited 62 construction sites and 82 businesses in Taupo and found that half did not have a health and safety system. The inspectors issued 355 improvement notices and 10 prohibition notices.

December 2003

The long awaited release of the proposed changes to the Employment Relations Act – the Employment Relations Law Reform Bill - brought widespread reaction from various interest groups. The main changes included: preservation of jobs and conditions of vulnerable employees when a business changes hands; a ban on employers from discouraging employees to bargain collectively, including forcing employers to front up for the first round of multi-employer talks, inhibiting free-riding by stopping employers from automatically passing on union-negotiated collective deals to non-union workers; the courts being empowered to set employment conditions if good faith bargaining provisions were seriously breached and to impose heavy fines. Predictably, these proposals were labelled a backward step by the Opposition and business groups but they were welcomed by unionists. While the President of Council of Trade Unions (CTU), Ross Wilson, called the changes a 'modest' improvement, he also regarded them as a genuine attempt to address union concerns.

A number of business groups called for more time to consult their members about the Employment Relations Law Reform Bill as the 27th February deadline for submissions to Parliament's Select Committee did not provide enough time because of the holiday interruptions. Lobbyists for 7,500 employers threatened to ignore the deadline for submissions.

Parliament passed the Holidays Act 2003 which provided for four weeks annual leave from 2007 (see November Chronicle). Leader of the National Party, Don Brash, vowed to repeal the legislation if the National Party got into government.

Kindergarten teachers covered by a new employment agreement would be paid a salary rather than an hourly rate. Their union, the Educational Institute, said 800 teachers and support staff working in 150 non-profit private early childhood education centres were covered by the new agreement.

A dispute between supervisors and the Corrections Department went to mediation after the supervisors had threatened with strike action and the Corrections Department had had to send 700 offenders home. The supervisors, who were in charge of groups of periodic detention trainees, were objecting to the Corrections Department sending them home when offenders did not turn up to do community work as ordered by the courts.

The ongoing issue of skill shortages featured prominently in media reporting. The Minister of Social Development and Employment, Steve Maharey, announced a four-year strategy, costing more than \$21 million, to help Auckland's migrants and refugees find work. It would also help close the 'skills gap' faced by Auckland businesses. The *Dominion Post* reported that the continuing boom in the construction industry had resulted in a shortage of qualified tradespeople which had created an expansion of job opportunities and lifted new apprenticeships by 30% in the Auckland Region alone. Some construction companies were forgoing hundreds of millions of dollars in contracts because they could not find skilled tradespeople to do the work. Nearly half of the 594 businesses, who took part in Auckland Chamber of Commerce's latest quarterly economic survey, reported that it had become even harder to find the right people over the last three months. Finally, the Industry Training Federation, which coordinates New Zealand's 42 Industry Training Organisations, began a campaign to attract young people into 'on-the-job' training. The campaign, called *Skill Bill*, encouraged young people to consider industry training instead of studying at universities or other tertiary institutes.

An Auckland doctor, who was accused by the Employment Relations Authority of treating it with contempt, was told to pay an award of \$14,000 within a fortnight. This was related to a case where the Authority found the doctor's dismissal by email of a part-time receptionist and office manager "abrupt, harsh and unjustified on any basis it is looked at". The doctor had made no attempt to pay the money and the Authority had issued a compliance order requiring her to do so.

The Court of Appeal has cleared the Auckland City Council of breaking an obligation of good faith to some of its unionised staff. The finding was tempered, however, by the proposed employment law changes, which lawyers believed would neutralise the effects of the verdict.

The *Dominion Post* reported on a study that found men took the loss of a job harder than women, probably because of an ingrained belief that they should be breadwinners. It was also found that older people faced major obstacles, particularly the perception they were 'over the hill' and unable to cope with change.

The Organisation for Economic Co-operation and Development (OECD) called for stronger policies to encourage welfare beneficiaries into paid employment. The proportion of New Zealanders of working age who are employed was above the OECD average, but matching the OECD's best performers would go a third of the way towards the goal of returning New Zealand to the top half of the OECD's income rankings. The report claimed that "The labour market works well for the easily employable majority but outcomes are less favourable for marginal groups such as the young, the less skilled and especially single parents, who have one of the lowest employment rates in the OECD". The OECD also noted the wide gap between different ethnic groups, which it said partly reflected the low average education levels among Maori and Pacific Islanders, who were

expected to make up a quarter of the working age population by 2020.

A study released by Retirement Commissioner Diana Crossan noted that a growing numbers of people were working past the age of 65 years and that employers would have to adjust to the changing face of the labour force or risk hurting their businesses. The initial groups of New Zealand's baby-boomer generation were now in their late 50's and half the workforce would soon be over the age of 40. Inevitably, employers would find that there are fewer young people to fill vacancies. The Retirement Commissioner predicted that the need to keep older people in New Zealand's workforce would become a real urgency over the next decade as the baby-boomers moved through their mid- to late-60's. The study showed that flexible work arrangements would be vital in encouraging people to work longer. Many workers had reducing their hours gradually rather than retiring abruptly and some large employers were getting the best out of their older staff by assisting that.

Carter Holt Harvey confirmed that it would close its Tokoroa sawmill leaving 90 salaried and waged employees without work. It also announced that it would also cut more jobs at its plywood and remanufacturing plants.

Former Auckland probation officer Chris Gilbert was awarded more than \$940,000 for work-induced heart disease, but more than one third of this would go in legal costs. Mr Gilbert made legal history three years ago when the Employment Court indicated that it would award close to \$1 million after finding that the Corrections Department did not provide a safe workplace at its Otahuhu probation office. After the Crown challenged the award, the court had taken until now to deliver a judgment which calculated the loss of past and future earnings.

January 2004

The proposed amendments to the Employment Relations Act (ERA) - the Employment Relations Law Reform Bill - were debated throughout January, with many business advocacy groups crying foul of insufficient time to consult constituents and prepare submissions (see December Chronicle). The changes found little popularity amongst employers, particularly proposals regarding personal grievances, restrictions on passing on benefits to individual workers, greater penalties and the strengthening of good faith provisions. New rules aimed at protecting employees deemed vulnerable during the sale of the business or the contracting out of services were particularly unpopular.

Prime Minister Helen Clark hit back at criticism by business groups as 'silly rhetoric', while Labour Minister Margaret Wilson defended the proposals as necessary fine-tuning. Reports by Treasury and the Ministry of Economic Development expressed concerns that the accumulative effect of the Bill's proposals could have significant economic repercussions. While the CTU supported the new Bill, it argued that it did not adequately

support multi-employer bargaining, nor restricted sufficiently employers from passing on union-negotiated settlements to employees on individual agreements. CTU President Ross Wilson suggested that employers resisted to implement the principles of the ERA as they desired to continue employment practices allowable under the previous legislation.

NZ Herald published three business surveys which confirmed the overwhelming opposition to the Employment Relations Law Reform Bill, especially its proposals to promote multi-employer collective contracts and to discourage individual contracts. The surveys found that employers considered that the Employment Relations Act had had a negative effect on both businesses and employment relations. In particular, the surveys found negative business reactions to several pieces of legislation: the Employment Relations Act, the Employment Relations Law Reform Bill, the recently passed Holidays Act and potential moves on the pay equity front.

On the other hand, the three surveys found a neutral reaction amongst employers to the recent occupational safety and health changes, compared with other workplace law changes. Overall, businesses believed that it would take some time before the new regulations made an impact. However, small businesses were slightly more concerned about the effect of the new safety provisions than larger firms. In regard to the recent inclusion of work-related stress in the Health and Safety in Employment Act, employer fears that the laws would prompt a rash of stress claims had not eventuated. Meanwhile, newspapers reported that the Council of Trade Unions and employer groups had been running training programmes for health and safety representatives.

The Holidays Act 2003, coming into effect in April, also attracted substantial media discussion (see December Chronicle). A number of employers and employer groups arguing that its associated, additional compliance costs would have major adverse effects, particularly for small businesses. According to the *NZ Herald*, the cost of adapting payroll software to the new rules was estimated by the Employers and Manufacturers' Association (Northern) to be as much as \$75 million. Upcoming compulsory penal rates also raised concerns, with one Blenheim hospitality group arguing that opening on public holidays would not be sufficient profitable to meet the increased labour costs, and that a number of small businesses would probably opt to close for the day, or charge an additional 10% to 30% surcharge for services. Minister of Labour Margaret Wilson conceded that understanding the new Act could be difficult and there had been a 22% increase in inquiries to the Infoline of the Department of Labour.

It was suggested by business groups that the increase in the use of the drug 'P', perceived to have reached epidemic proportions, would lead to widespread workplace drug testing. Although the focus would primarily be on maintaining safe workplaces, security consultants suggested that it could also be used to prevent theft and disruptive behaviour.

Part of the Government's *Jobs Jolt* plan to reduce numbers of unemployment beneficiaries had been delayed due to some Mayors' concern that their districts would be declared as 'dead' economic zones. The \$104 million 10-point *Jobs Jolt initiative* was revealed, and it involved drawing up a list of 'low-unemployment zones' to which beneficiaries would not be able to move and still collect the unemployment benefit. According to the *NZ Herald*, Minister of Social Services Steve Maharey stated that the list of affected areas had been finalized but he declined to reveal those areas before the end of the year. Although Northland and the Bay of Plenty had relatively higher unemployment rates, other areas would also be targeted. The Deputy Chairwoman of the Mayors Taskforce for Jobs Sukhi Turner viewed the policy as punitive and based on stereotypes of the unemployed.

Many small exporters were forced to lay-off staff, extend holidays and reduce working hours as a result of the rising value of the New Zealand dollar. According to Export New Zealand's Gilbert Ullrich, the falling value of the US dollar had seriously damaged the competitiveness of New Zealand exports because the majority of export sales, including those throughout Asia, were made in US currency. While big exporters such as Fonterra were able to run long-term currency hedging policies, this was not an option for smaller businesses. The rising dollar had also forced some boat builders to reduce staff numbers. However, the labour market was still buoyant, with the number of jobs ads rising between November and December and several reports of labour shortages.

The latest biennial *CubikSurvey* of salaries found that more general staff than top executives had received pay rises last year, though pay rises were higher for executives. However, top executives and general staff received smaller pay rises than for the previous years. According to the *NZ Herald*, the *CubikSurvey* covered 23,000 individuals working in 389 job titles across 449 companies in 21 industry groups. While the average top executive salary increased by 5.6%, average general staff salaries increased by 4.5%. Survey manager Kevin McBride commented that the increase in the rate of base salary appeared to be stabilised.

Australian hospitals adopted more aggressive recruitment tactics in New Zealand because of a chronic shortage of doctors and doctors were offered free airfares and accommodation, generous penal rates and the ability to work on either a temporary or permanent basis. According to the *Dominion Post*, the Resident Doctors' Association estimated that between 200 and 400 doctors had left for Australia's greener fields.

The New Zealand Nurses Organisation (NZNO) began a campaign pushing for pay equity and argued that nurses were grossly underpaid, earning \$8,000 to \$14,000 less than the comparable professions of teachers and the police.

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