



CONVERGENCE AND DIVERGENCE: NOTES ON COMPARING AUSTRALIA AND NEW ZEALAND EXPERIENCES OF INDUSTRIAL RELATIONS

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Abstract

This paper attempts to explain the divergence of paths in the field of industrial relations between Australia and New Zealand under Labour in the eighties. Key themes in the paper concern state autonomy, the relationship between the union movement and the Labour party in each country, and the different strategic contexts within which policies were formulated and pursued. This paper has its origins in a joint project undertaken by Mark Bray¹ and myself, which will eventually come out as a chapter of a book comparing Australia and New Zealand under Labour governments in the eighties². The chapter attempts to explain why there has been increasing divergence between Australian and New Zealand industrial relations regimes in the eighties and nineties. This paper takes up some themes of divergence and convergence which arose while working on the chapter but could not be developed in that forum.

While comparative studies have become an increasingly important area of academic study, those contrasting Australia and New Zealand are relatively sparse (Castles 1985; Brosnan, Burgess and Rea, 1992; Bray and Haworth, 1993.) Comparative work that has been done in industrial relations has tended to emphasise similarities between the countries, talking of an Australasian model, at least up until eighties (Brosnan, Burgess and Rea, 1992.). The Brosnan et al paper, and the Bray and Haworth book, do provide useful comparative analyses of the experience of the eighties, and both identify areas of difference. Overall, though, there has been little attempt to *explain* the divergence tendency between the two countries in recent decades.

Until the 1980s, there would seem to be good grounds for maintaining the similarity argument. But a similarity argument is slightly different from a convergence argument. Convergence implies that similarity is increasing; while divergence implies that similarity is decreasing (or difference is increasing). The literature has not taken up the more dynamic question of convergence and divergence.

This emphasis on similarity is in keeping with the other noticeable trend in New Zealand Industrial Relations discourse: which has been to emphasise continuity and to see change primarily as incremental within the context of an established and unchanging set of foundation principles. Within that mindset, given their common Industrial Relations heritage, the differences between New Zealand and Australian experiences have tended not to be emphasised. The introduction of the Employment Contracts Act has undermined that tendency. But it would be a mistake to see

continuity and similarity between the two regimes as something which characterised experience up until this recent legislative change. An approach that emphasises similarity and continuity might fail to appreciate that divergence between Australia and New Zealand Industrial Relations systems began much earlier, and one needs to look back much further so that the Employment Contracts Act can be seen in the context of a steady divergence between Australia and New Zealand, which has its roots from at least the early seventies.

Since the introduction of the Employment Contracts Act, divergence between Industrial Relations contexts in Australia and New Zealand has become much sharper. However, the impulse has been to show how the greater continuity of direction in Industrial Relations in Australia has produced more desirable economic and social outcomes (Brosnan, Burgess and Rea, 1992). The social democratic agenda appears to be that New Zealand's departure from a centralised and state regulated form of industrial relations is the cause of less desirable economic and social outcomes.

This paper comprises a brief discussion of some central theoretical issues of comparison and then offers a short explanation of diverging trends in Australia and New Zealand.

Studying national differences

Reasons why the observer may want to emphasise difference or similarity when comparing national experiences is itself a tricky question, and there are many agendas. For

example, a structural Marxist tends to exaggerate the extent of national convergence because s/he wants to be able to highlight the explanatory power of certain key structural variables which are common to all capitalists countries. A Thompsonian historian, on the other hand, emphasises difference because, after all, people make their own history in culturally unique environments. Similarly, a social democrat emphasises state autonomy because this is in keeping with social democratic ideology; while Marxists emphasise long term economic determination of outcomes in keeping with Marxist ideology. Explaining convergence and divergence between Australia and New Zealand Industrial Relations regimes centrally relates to these themes. In this paper, I examine the extent to which state autonomy and particular conjunctural³ variations between countries might explain convergence and divergence.

State autonomy refers mainly to the extent to which the state is able to pursue its own agenda free from the pressures of key interest groups in society. "States conceived as organisations claiming control over territories and people may formulate and pursue goals that are not simply reflective of the demands or interests of social groups, classes or society" (Skocpol, 1985: 9). State autonomy theorists do not propose a general theory of state autonomy, but seek to *explain* levels of state autonomy within the context of "historical studies that are sensitive to structural variations and conjunctural changes within given polities" (ibid). State autonomy is therefore also about the choices open to a government, and choices will be centrally related to the social configuration of interest groups and their relative powers, but also related to economic viability.

In short, 'state autonomy' is not a fixed structural feature of any governmental system. It can come and go. This is true not only because crises may precipitate the formulation of official strategies and policies by elites or administrators who otherwise might not mobilise their own potentials for state action. It is also true because the very structural potentials for autonomous state actions change over time, as the organisations of coercion and administration undergo transformations, both internally and in their relation to societal groups and to representative parts of government (Skocpol, 1985: 140).

Skocpol's position lends itself to further claims. Certain conjunctural similarities, especially those which result in high levels of institutional, legislative, and normic similarity, increase the likelihood of convergence between two countries. Similar modes of regulation imply the likelihood of similar patterns of reproduction over time, implying convergence. Continuing convergence in this environment is due to a low level of state autonomy. The opportunity for radical structural change to a regime is unlikely to arise, in other words, there is limited 'potential for autonomous state action, when a mode of regulation is operating within a context of balanced growth. We only try to fix things, i.e., change things, when they are breaking

down. Insofar as balanced growth depends on the fit between a national mode of regulation and the international economic framework, then changes to the external economic environment influence 'structural potentials for state action'.

Divergence would seem to be a more likely outcome when the opportunity for state autonomy is highest. That is, when the state has more choices divergent outcomes are more likely. The opportunity for state autonomy increases when an existing 'mode of regulation' is in crisis. A crisis of a mode of regulation implies the need, and growing economic and social pressure from interest groups and voters, to change, and there are always different potential paths for change. However, economic imperatives and the state's relation to different interest groups always constrain the choices available to any set of political actors. Choices may in fact be more constrained if an economic crisis is very deep. For example, in both New Zealand and Australia in the late seventies there was a growing realisation of the need to restructure the political economy. In other words, the choice of continuing with the given mode of regulation was increasingly not a choice. The choice was more about which path of restructuring to pursue. In some cases of external economic dependence, choices about the path of restructuring may also be very limited.

However, state actors may be able to ignore such pressures and constraints, for a time, contributing to conjunctural variations between countries and subsequently different outcomes. For example, Prime Minister Muldoon managed to continue down the path of the status quo regardless of the economic imperatives. It is probably the case that the wilfulness of this individual politician is important for explaining the greater divergence of subsequent developments between Australia and New Zealand. That is, the need for economic restructuring in New Zealand in 1984 was more pressing and would require more drastic measures than in Australia, because of Muldoon's entrenched conservatism. More generally, though, Australia's comparative advantage in terms of natural mineral resources and a bigger market probably meant a less severe economic decline than New Zealand anyway. Certainly, Australia had maintained a higher OECD rating than New Zealand. The point here is that the degree of decline and the size of the crisis influence which choice political actors make in a time of economic decline and impending crisis.

This line of argument does not appeal to social democrats since they want to be able to argue that Australia is a more economically viable society because it didn't follow the New Right path of economic restructuring. I would rather argue it the other way around. That is, New Zealand's worse economic situation and its comparative disadvantage may partly explain the greater divergence in subsequent industrial relations policy outcomes. A defensible thesis is that the greater the economic crisis, then the greater the likelihood of a departure from the established mode of regulation or institutional and policy frameworks. That is, New Zealand moved further than Australia in the

opposite direction of the old regime because in New Zealand the old regime appeared to be more of a loser and therefore required a more radical remedy.⁴ Choices made by governments are likely to be influenced by the extent and seriousness of economic decline. However, voter preferences, which determine which political party becomes government in the first place, also influence political outcomes.

Perhaps I am overstating the economic divergence argument for explaining different state actions? Explaining divergence as a result of relative differences in the intensity of economic decline and crisis is essentially a functionalist explanation that does not identify the actual political processes that more directly account for the differing directions of policy change. We might therefore ask a slightly different question: given a similar economic imperative, why did each country respond differently?

Even more precisely, if one accepts that the central choice for Australia and New Zealand, in the face of serious structural economic difficulty, was between a corporatist-strategic restructuring and a more direct and radical free market restructuring, then the explanation devolves on to the respective forces in each country that would tend to push in one or other of these two principle directions. Differing economic environments only provide a potential motivating purpose for understanding why New Zealand moved more radically down the free market road than Australia, but this type of explanation does not identify specific political forces and struggles that differentially define and explain the process itself. And this brings us back to the state autonomy argument.

State autonomy theorists have tended to emphasise the extent to which the state can impose its policy agenda regardless of vested capitalist interests (Poulantzas, 1980; Skocpol, 1985). The other side of state autonomy, which links in much more closely with the New Right agenda for a minimal state, is where the state divests itself of institutional obligations to the welfare state and organised labour (Schwartz, 1994). Regarding organised labour, governments pursue institutional reorganisation that places the industrial relations framework more directly in the hands of the protagonists themselves, and thereby distances itself from outcomes; i.e. achieves more autonomy. A weakening of the bargaining power of unions further enhances this autonomy. The ability of government to pursue such a policy direction depends on the extent to which the government is autonomous from organised labour. The ability of the state to pursue the distancing exercise may depend on such factors as the extent of prior commitment to organised labour and the extent of trust between government and the union movement.

However, while this greater autonomy of the state from organised labour and employers seems to imply greater overall state autonomy, this could be misleading. Institutionally both employers and organised labour are distanced from the state. However, such distancing is bowing

to the pressures and interests of capital when organised labour is weak. That is, greater autonomy from interfering state regulation is in the interests of employers. In turn, the state is compelled to follow the interests of capital, at least the interests of capital conceived collectively, in a time of crisis restructuring because economic viability depends ultimately on capitalist viability that is being threatened.

Explaining convergence and divergence between Australia and New Zealand in the field of industrial relations raises a range of tricky questions. The establishment of similar modes of regulation combined with stable growth would strongly indicate convergence, or at least high similarity with only weak divergence over time. Opportunities for political actors to make different political choices would seem to be central for explaining the likelihood of divergence. However, opportunities for state autonomy depend not only on the breakdown (and type and extent of breakdown) of a 'regime of accumulation'; but also on the relation of political actors to key interest groups, and therefore to the dynamics of the interest groups themselves. Moreover, the role of particular individuals and the timing of particular political and policy changes within parties and governments, and within and between key interest groups in society 'overdetermines' the conjunctural dynamic of a social formation. The conjunctural dynamic of a society provides that unique and specific dimension to any explanation of national convergence or divergence.

Convergence and divergence: The Australian experience

A comparison of Australian and New Zealand Industrial Relations experiences might try to explain, first, why there have been relatively high levels of similarity (and a degree of convergence) between Australia and New Zealand until the seventies, and, second, why after such a long period of relative similarity, the Industrial Relations regimes of each country have begun to diverge noticeably in the eighties and nineties.

The establishment of very similar conciliation and arbitration systems in both countries at around the same time late last century (New Zealand) and early this century (Australia) is obviously central for explaining consequent industrial relations similarity between the two countries. The common British heritage, the role of William Pember Reeves in drafting both sets of legislation, geographical proximity, the shared experience of the 1890 Maritime strike, and relative similarity in the social culture of the two populations are obvious factors for explaining the similarity of industrial relations frameworks. In short, the establishment of a similar legislative framework, combined with other cultural and historical similarities, help to explain subsequent similarity of industrial relations regimes. The shared philosophy of the first Labour governments of Australia and New Zealand fostered continuing similarity. And the general convergence of experience related to the boom of the fifties and sixties, and within this, the broad acceptance of welfare principles, relativity

bargaining and Keynesianism, helps to explain similarity until the seventies.

Similar early legislation, first Labour government reforms, and international convergence of economic regulation in the post war period all tended to have the effect of narrowing differences and enhancing the similarity of the two regimes. However, during periods of similarity and convergence, subtle differences that would lead to future divergence were also emerging. One key difference has been the different political systems. The unicameral parliamentary system of New Zealand has made it much easier to implement radical change, while the Australian federal system has tended to moderate that ability. Certainly this difference is relevant at least to the experience of the eighties, making it much easier for a New Zealand government to implement radical change.

The labour movements of each country have a number of similarities; but differences, which had been developing from an earlier period, were becoming more obvious by the seventies. I emphasise two differences here:

- * the continuation of more stable and enduring links between party and union in Australia than in New Zealand.
- * the earlier movement of the Australian union movement beyond 'labourism' towards a more strategic-corporatist perspective.

These differences in the relationship between political actor (party that became government) and interest group (unions) influenced the ability of the state to pursue autonomous action. However, the experience of the seventies - differing levels of economic decline, different political responses to economic decline in the seventies, and differing legislative modifications, and resulting experiences, of the industrial relations regimes - magnified the significance of these differences.

The key points that are relevant to explaining divergent outcomes after the election of the respective Labour governments of Australia and New Zealand in 1983 and 1984 are directly to do with state autonomy and conjunctural differences in the seventies, and then, subsequently, were related to the consequences of differing economic strategies of Labour governments once in power.

The New Zealand Labour Government could move (tentatively) in the direction of decentralisation of industrial relations and labour market de-regulation because it was relatively autonomous from the union movement, since there was no framework agreed on before the election, and because there were relatively high levels of trust on the side of the union movement. Once in power it pursued policies that led to increased unemployment which undermined union bargaining power, and began the process of removing itself from responsibility for specific industrial relations outcomes through the Labour Relations Act. The increasing influence of Big Business, and the New Right

disposition of Treasury encouraged the government to move further in this direction. The increasing unity and influence of employer-business interests, especially the Business Round Table and the Employers Federation, have meant that while the state achieved increasing autonomy from labour, it came more and more under the influence of the employers' agenda.

In comparative contrast, the Australian Labour Government (ALG) pursued a corporatist direction, the Accord, which it had negotiated with the Australian Council of Trade Unions, and was thereby committed to this course of action. The Accord framework, placed the government at the centre of the industrial relations framework. This framework constrained the ability of the government to distance itself from industrial relations outcomes, and more specifically, from the demands of organised labour. However, a trusting union leadership and rising unemployment towards the end of the eighties has made it easier for the ALG also to pursue steady decentralisation. Although Australian employers were relatively disunited through the eighties, which made the Accord easier to put in practice (state autonomy from capital), they have been able to put increasing pressure on government to move towards a more decentralised framework.

Explaining diverging levels of state autonomy centrally concerns why the wings of the labour movement in Australia were able to construct an agreed framework, and why this did not occur in New Zealand. The greater unity and co-operation of the labour movement in Australia made an agreed corporatist plan more feasible and likely to occur. In New Zealand, the relatively late movement of the New Zealand union movement to adopt a clearly corporatist agenda and to develop the organisational conditions conducive to corporatism, combined with a lack of close constructive relations between party and union, undermined the possibility of a common agreement before Labour took power.

Differing 'conjunctural' dynamics also influenced the divergence in policy directions of the respective labour movements. Similar policy directions, but which occur within different time frames, often imply differing strategic contexts, and therefore can result in very different policy struggles and outcomes. Three examples follow:

First, the earlier attachment of conservatives to a monetarist direction in Australia, or at least the perception of this direction by the Labour Party and the union movement, combined with a relatively positive experience of centralised wage fixing, framed the oppositional response of the labour movement away from monetarism towards corporatism. The late movement of conservatives in New Zealand towards the free market (not till the mid eighties), and the negative experience of the state-led wage fixing system under Muldoon, pushed the New Zealand union movement in the opposite direction towards the principle of 'free collective bargaining', and the Labour Party towards the free market.

Second, while the Employers Federation in New Zealand was open to some elements of a corporatist framework by the early eighties, and was relatively united, neither the union movement nor the Labour Party was ready for such a path. By the time they were starting to reach this point by the late eighties, the employers' agenda had moved more emphatically to a New Right position. In Australia, the relative disunity of employers meant they had little influence over the direction of industrial relations. They were unlikely to be able to stand in the way of a bi-partite corporatism between the Labour Party and the ACTU, but their disunity undermined the possibility of a full tri-partite corporatism. It might be the case that the more aggressive free market approach of New Zealand put more pressure on capital, than the looser fiscal policy of Australia. As a result, we might expect that New Zealand capital would put more pressure on the government to introduce labour market flexibility, than in Australia.

Third, the pursuit of a corporatist agenda by the NZCTU once Labour took power in New Zealand implied a radically different strategic terrain, than the pursuit of such an agenda in Australia before Labour took power. The adoption of a corporatist framework under a reasonably unified union leadership in the late seventies enabled the construction of the Accord and was fundamental to setting the direction of policy under the Hawke government. The adoption by the NZCTU of such an outlook in the second half of the eighties served to reinforce the ability of government to ignore the corporatist plan while the Rogernomics agenda was firmly in place.

The difference between a government with high levels of state autonomy, seeking, once in power, to enhance its autonomy over labour still further; and a government that had agreed to work with the union movement is central for explaining divergent industrial relations outcomes between Australia and New Zealand in the eighties. Here is the basic explanation for the growing divergence in industrial relations directions during the eighties and nineties.

Back to convergence?

The divergence of the eighties, however, should not blind us to a counter-tendency that has been gathering force until the present. That is, there are other arguments that might suggest that Australia is moving more clearly towards the flexible labour market of New Zealand. That is, Australia is being forced down such a road as economic factors become more pressing. Within the present economic environment, countries are compelled to pursue an 'export regulation' model and to seek international competitiveness.⁵ As the viability of capital depends more and more on such international competitiveness, capital is likely to push for greater labour market flexibility.

Whether New Zealand moves away slightly from its present direction towards more intervention and concertation is perhaps less easy to judge. It depends largely on who gets into government. Nonetheless, if New Zealand's eco-

nomic growth continues, and brings with it increasing employment and increasing expectations; then the government (whatever political hue) may well be forced to move in a more corporatist direction.

Conclusion

This paper has presented a state-centred analysis of reasons for convergence and divergence between the different national regimes of Australia and New Zealand, with particular emphasis on industrial relations. It has focused as a basis for explanation on the factors that open up the possibility for autonomous state action; and factors that constrain such autonomy.

Convergence has been encouraged, first, by the extent to which international or global economic factors have forced governments down a particular path (such as the experience of the post-war boom, or the pressure to be 'export-competitive' in the nineties). Second, as long as Australia's and New Zealand's similar modes of economic regulation delivered stability and growth then similarity is likely to continue. In turn, a range of historical, geographical, political, cultural factors of similarity between Australia and New Zealand at the turn of the century loosely determined the establishment of similar modes of industrial regulation.

Divergence between the two countries was encouraged when the breakdown of the international economic pattern and the related breakdown of an internal mode of economic regulation opened up a greater range of opportunities for autonomous state action. However, different responses by political actors in each country in the seventies, Muldoon's conservatism versus Fraser's 'monetarism', set up different strategic terrains and encouraged different viewpoints for political actors in the eighties. For example, the subsequently worse economic situation of New Zealand in the eighties, which was probably related also to comparative disadvantage with Australia, encouraged a belief in the need for radical change. Which direction a government pursues, in the situation of greater opportunity for autonomous state action, also crucially depends on the relation of governments and parties to interest groups. In this case study, how far and how quickly state action at odds with the unions' perspectives could be pursued depended on the differing stability and closeness of relations between the wings of the respective labour movements.

Future research

This paper has only introduced briefly some thoughts about comparative explanation, and about comparing Australia and New Zealand industrial relations experiences. Future research could develop these themes in a number of ways. The underlying questions: 'why difference?' and 'why similarity?' need further consideration. It is one thing to describe difference and similarity, another thing altogether to explain them. It is an old theme but one

that is crying out for further re-examination in the nineties. There are at least four elements to the analysis: economic factors, relationship of government to the political system, interest groups, and to voters, conjunctural factors, and the effects of particular individuals. These different elements that explain similarity and difference, the relationship between the elements, and their relative importance needs to be developed within a more historical and empirical context. This case study requires a more detailed comparative examination of the whole historical development of Australia and New Zealand.

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