VIEWPOINT

In this section of the journal we present discussion papers and opinion pieces of a provocative, speculative or informative nature. The views expressed in this section are those of the respective writers and do not necessarily reflect the views either of the editor of the journal or of the Industrial Relations Society of New Zealand.

VIEWPOINT

(1) WAGE DETERMINATION IN THE STATE SERVICES

* BARRY TUCKER

In any consideration of recent developments in wage determination in the State Services there are three important landmarks. First, the report of the Public Service Consultative Committee on Salaries, 1945-46; second, the State Services Act 1962; and third, the State Services Remuneration and Conditions of Employment Act 1969. There is, perhaps, one further landmark emerging in the form of the State Services Conditions of Employment Act 1977 on which I will have something to say later.

PUBLIC SERVICE CONSULTATIVE COMMITTEE ON SALARIES

This was a joint committee representative of the PSA and the Government. The committee gave the first acknowledgment to the principle of fair relativity when it reported:

> **"In the interests of an efficient and contented Public Service and with due regard for equity as between the people and their employees, Public Service salaries should be on a basis comparable with the rates paid to people in corresponding classes of private employment."**

Formulation of the principle in these terms was seen to be a step forward in State pay determination but action to give the principle practical reality was indeed sluggish. At this particular time New Zealand was emerging from war-time conditions and wage and salary earners were experiencing a policy of post-war economic stabilisation. As State employees have learned to their cost, the Government finds it convenient to depress State pay rates as part of any stabilisation policy and the middle to late 1940's provided no exception. At that time the PSA was transforming itself into a modern and more militant trade union and was determined that the Government should be thwarted in its efforts to make State employees bear an unfair burden of stabilisation measures. There were threats of direct action, for example, in the Printing Office, which brought the first ruling rates survey which was for some years to be the tool for determining fair relativity in pay between the public and private sectors.

1962 ACT

The State Services Act 1962 consolidated many of the features of the old 1912 Act but also added two new and significant features. It gave statutory recognition to the ruling rates survey as a means of determining fair relativity in State pay rates with those of the private sector and also provided the statutory framework for the introduction of occupational classification. Hitherto the Public Service had comprised three main divisions, viz, the Clerical Division, Professional Division and General Division. This broad-brush approach to classification made it difficult to provide in any scientific way for the various occupations in the Public Service to be rewarded on the basis of fair relativity with their counterparts in the private sector. Following the passage of the 1962 Act the Public Service Association and the State Services Commission entered into detailed and exhaustive negotiations to classify the Service upon the basis of the nature of duties performed. These negotiations led to the establishment of approximately 130 occupational classes covering such occupations as accountancy, legal, medical, nursing, clerical, executive, investigating and so on. Status quo determinations setting out pay and conditions were issued by the State Services Commission for each of the occupational classes established.

* BARRY TUCKER is the General Secretary of the N.Z. Public Service Association. This is the text of an address to the Industrial Relations Society, Auckland Branch, in August 1977.

1969 ACT

The State Services Remuneration and Conditions of Employment Act 1969 was negotiated between the Combined State Service Organisations and the Government following the Royal Commission of 1968. Among other things the Royal Commission considered complaints, emanating from the Employers' Federation, of State pay leadership arising out of the ruling rates survey system and considered Government complaints at the impact on the economy of large pay settlements involving substantial back pay.

One of the elements of fair relativity is that pay adjustments must first occur in the private sector before the public sector can reap the benefit of them. Recognition of this fact, together with the need for lengthy negotiations between the parties and administrative delays that inevitably occur, meant that back pay was an integral part of the principle of fair relativity if State employees were not to be disadvantaged vis-a-vis their counterparts in the private sector. Pay settlements on this basis did, however, mean that substantial sums of money were injected into the economy following significant pay movements in the public sector to enable the public sector to catch up with the private sector.

The ruling rates survey system was based on surveys undertaken by the Department of Labour of rates paid in the private sector to tradesmen and labourers. Many critics of the system claimed that it was wrong for the pay of all State employees to be adjusted on the basis of movements in tradesmen's and labourers' rates. The Royal Commission's examination demonstrated, however, that tradesmen's rates had in fact moved very closely in sympathy with movements in pay of other segments of the community which was, in the Association's view, sufficient answer to the critics. Nevertheless, the Government decided, in writing the 1969 Act, to adjust only tradesmen's, labourers' and related groups' pay on the basis of the ruling rates survey and to base the movement in other parts of the State Services on the half-yearly survey regularly undertaken in April and October by the Department of Labour to show over-all movements in pay rates in the private sector. The Government also decided that these "general adjustments" should be made to State pay rates at regular six-monthly intervals to reduce the amount of back pay payable to State employees.

It was decided also to refine the pay system to take account of occupational classification, and the 1969 Act provides in very detailed form for "specific" adjustments of pay rates for occupational classes based on external relativity or, for groups not represented in the private sector, horizontal and vertical relativity. The Act also stressed the importance of ability to recruit and retain staff as a measure of the adequacy of pay scales for occupational groups. The Act also envisaged a system of scientific pay research.

The Act worked well for a short period but was overtaken in the early 1970's by wage restraint regulations. The regulations have led to considerable bitterness among State employees and have led directly to direct action being taken by groups who have not formerly contemplated such a step. For example, Amendment No. 10 of the Wage Adjustment Regulations 1974 provided that there must be agreement between the parties before a wage increase could take effect and made no provision for arbitration. This was an invitation to direct action for those groups who could not secure the employer's agreement to fair pay adjustments and could find no haven in arbitration. Furthermore, the one year rule cut right across the 1969 Act and was quite inappropriate for pay determination in the State Services involving as it does both general adjustments and specific adjustments to occupational class pay scales to ensure fair relativity with the private sector.

1977 ACT

A Bill to amend the 1969 Act is still under negotiation with the Government and any comments on it must be tentative. It seems, however, that the pay provisions are to be amended yet again:

(a) To reduce increases to State employees arising from the half-yearly survey system;
(b) To go back to annual pay adjustments;
(c) To reduce the effectiveness of recruitment and retention of staff as criteria for pay determination.

Penal provisions will be introduced for so-called unjustified industrial action. The law will decree that certain actions on the part of a public sector union and its members will be unlawful and the law will be

backed by grotesque penalties. I have described the law in other forums as "draconian" and have no doubt that this description is wholly justified.

It is a sad commentary on the Government's understanding of industrial relations that it obviously believes that the way to quell conflict is to use the might of the State to contrive offences and to back those up with severe penalties. In the whole history of industrial relations in the public sector the Government can find no justification for legislation of this sort.

The Government would demonstrate better understanding of industrial relations and better leadership if it were to attack the causes of conflict and adopt positive measures to improve the industrial climate. The methods proposed in its Bill have been tried in other countries and have failed dismally. Since the Government is clearly quite unenlightened on these matters, the CSSO does not expect to be able to persuade it of the errors of its ways. The only alternative for the CSSO is to oppose the legislation as vigorously as possible and to draw to the public's attention the futility of the Government's approach. At this stage the Government's proposed legislation poses an interesting question about the future of State pay determination. If it proves to be impracticable to negotiate satisfactory legislation, the CSSO would need to consider whether the system of fixing pay on the basis of fair relativity is in its long-term interests or whether it should insist on determining pay levels under a system of collective bargaining. The months ahead in this area will be interesting to observe. ⊙

VIEWPOINT

(2) INDUSTRIAL RELATIONS IN A PLURAL SOCIETY

* J. W. ROWE

INTRODUCTION

In the course of this address I shall be using terms which, though familiar to many of you, may not in fact be known to all of you or understood by you in the way I understand them. It is therefore appropriate to begin the evening with some definitions which I hope will help clarify what I have to say.

The first and most obvious is the term industrial relations itself, a term which can be used broadly or narrowly according to the background and beliefs of a particular speaker. Tonight I shall be giving it the widest interpretation — that is to say when I speak of industrial relations, I mean the whole gamut of everyday relations between employers and employees, i.e. "how they get on at work."

This is in contrast to the ideological interpretation which a member of the S.U.P., for example, might give the words. It is also a different concept from that of a trade union official who said in my hearing that he was not interested in improving industrial relations since bad industrial relations were a means of getting at and ultimately destroying the capitalist system.

I do not believe that all or most trade union secretaries feel like this and certainly it in no way reflects the attitude of rank and file workers any more than most employers see themselves as having despotic authority in the work place. At the right wing end of the ideological scale there may be elements of this attitude remaining but its adherents are a dying race.

To me industrial relations refers to experiences at work. These may or may not be affected by who owns the enterprise, where they live and who manages it, but these are essentially different issues. Good and bad industrial relations, in my sense, can be found in all sorts of enterprises in all parts of the world. There is no elixir for industrial relations — certainly not putting union officials on boards of directors or management by committees of delegates.

Let me now turn to the meaning of the term "plural society." To me this is a society in which individuals and interest groups co-exist without getting in each other's way. It is a society which practises self regulation rather than legislative regulation, in which people are guided rather than directed. A key feature of a plural society is freedom for individuals and groups to do their own thing subject only to this not preventing others from doing their thing. A plural society is the antithesis of totalitarianism either right or left wing — where complete power lies with the state and where it is seen as desirable that existing institutions be reconstructed in accordance with a preconceived plan.

It is, in effect, an open society where

* J. W. ROWE is Executive Director of the New Zealand Employers Federation. This is the text of an address to the Industrial Relations Society, Auckland Branch, in March 1978.