

In recognition of skill: the growth of qualification payments, 1960-1980.

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The initial development of qualification payments was related to efforts by craft unions to overcome the decline in margins for skill. During the 1970s, the emphasis widened to include a campaign to use qualification payments to evade wage controls. As a result, some non-trades groups pressed successfully for qualification payments or their equivalents to restore lost relativity with tradesmen. Their successes, most notably at Tasman and Kinleith, worked against the initial craft union strategy of using such payments to restore skill margins.

Get as many qualifications as you can, my boy. You don't need them now, but one never knows — Francois Mauriac.

Introduction

One of the most significant developments in the New Zealand bargaining system between 1960 and 1980 was the swift growth in the importance of payments other than the basic hourly or weekly wage. In 1960 most workers were automatically entitled to the basic wage only, although there was also a limited range of special payments applicable where certain specified conditions of work prevailed. Over the next 2 decades, however, the bargaining focus widened considerably to include payments other than the basic wage. By 1980, for many workers these payments comprised a significant proportion of total income. The most important of these were qualification payments for skilled tradesmen, service entitlements, and other uniformly applicable payments such as site or disability allowances, special payments, travelling money, bonuses and industry allowances. In addition, the scope and size of variable payments for particular working conditions were substantially greater by 1980 than had been the case 20 years before.

These changes necessarily altered the character of wage bargaining in New Zealand. No longer were union and employer negotiators concerned almost exclusively with the basic wage. By 1980 this was only 1 decreasingly important component of a total remuneration package. As a result, wage bargaining acquired a complexity absent in earlier years, and conflict over payments other than the basic wage became a prominent feature of the industrial relations system. This article examines the development and implications of 1 of these changes in the bargaining system — the growth of qualification payments to skilled tradesmen. During the 1960s, qualification payments became established for the first time in almost all trades awards and industrial agreements. The initial introduction and spread of these payments stemmed from the growing dissatisfaction expressed by

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craft unions with the gradual erosion of the margin between the wages paid to skilled tradesmen and those paid to semi-skilled and unskilled workers. This factor remained important during the 1970s. However, in that decade, the further growth of qualification payments and the extension of comparable payments to groups other than skilled tradesmen became part of a wider trade union strategy to circumvent official wage controls.

The decline in margins for skill

By the 1960s, the operation of the arbitration system had led to a levelling out of the wage structure in terms of both skill and inter-industry differentials (Carpenter, 1969 ; Martin, 1974). The position with regard to skill differentials was well summarised by the Federation of Labour in 1965 when it took a case (see below) to the Arbitration Court requesting that it make a general pronouncement on the percentage margin that should apply between skilled and unskilled workers (Fol, 1965). In its submission to the Court, the FOL identified 4 occupational categories : skilled tradesmen ; unskilled workers in the wholesale and retail trade ; other unskilled workers ; and general labourers. The FOL's data revealed that between 1909 and 1965 the wages of skilled tradesmen had increased at by far the lowest rate of these 4 occupational categories. As a result, the skilled craftsman's margin over the general labourer had declined from 34.9 percent in 1909 to 19.4 percent in 1965, whereas the other 2 unskilled categories, both of which had been paid at rates below the general labourer in 1909 had improved sufficiently to establish margins of 11.1 and 9.1 percent respectively above the general labourer in 1965.

The Arbitration Court's Standard Wage Pronouncements (SWPs) had been crucial in accounting for this erosion in margins for skill. Between 1919 and 1952 the Arbitration Court issued 8 SWPs in which it indicated the wage levels it considered appropriate for skilled, semi-skilled and unskilled workers. Unlike General Wage Orders (GWOs), these had no immediate effect on wage levels, but served as a clear guideline to union and employer negotiators in conciliation councils as to what settlement the Court would issue, should an award go before it. The effect of SWPs was two-fold. They fixed a stable hierarchy of relative wages which became the central consideration in all wage bargaining, and, secondly, they enabled the Court to exercise a high degree of control over wage negotiations. As Martin observes, SWPs "effectively placed conciliation proceedings in a strait-jacket : a settlement was virtually pre-determined" (1974, p.261). SWPs compressed percentage margins for skill. They set monetary margins between the 3 skill categories, and as wages increased over time, these became a decreasing proportion of the total wage (see Table 1). Due to the influence of SWPs on wage negotiations those monetary margins were reflected in the wage levels set in awards and industrial agreements.

Table 1 *Percentage margin between skilled and unskilled rates specified by Standard Wage Pronouncements*

Year	Percentage margin
1919	25.8
1920	26.3
1925	22.7
1937	17.9
1945	15.9
1947	14.7
1949	14.6
1952	16.5

Source: Margins between wage rates paid for skilled and unskilled labour (Federation of Labour, August 1960).

In the 1965 margins for skill case, the FOL noted also that the margin of 25.8 percent set by the first SWP in 1919 had been unusually low, following an average pre-World War I margin of 36.4 percent. It further observed that the practice of maintaining the linkage between the skilled worker and the general labourer, whose wages had fallen considerably below those of other unskilled categories, had compounded the unfavourable treatment accorded to the skilled craftsman. The FOL concluded that as a result of those two factors, "skilled workers have suffered the double disadvantage of a contracted margin calculated on a depreciated base" (FOL, 1965, p.24). Other factors had also been important in eroding skill margins. These included the money ceiling upon the application of GWOs, the practice of increasing award wages by a fairly uniform monetary adjustment rather than by a percentage amount and, in the post-World War 2 period, the competitive bidding by employers for scarce semi-skilled and unskilled labour. It is also likely that tradesmen were disadvantaged by the less aggressive bargaining approach of the craft unions compared with those unions representing less skilled workers.

The decline in margins for skill had been a cause of concern to the craft unions for some time before the 1960s, and it is evident that the Arbitration Court shared this concern. But such efforts as it engaged in during the 1950s to remedy the situation were singularly ineffectual and lacking in initiative. The 1952 SWP, for example, made only a minor difference to margins for skill, and failed to restore the margins prevailing before World War 2 (see Table 1). As criticism grew in the early 1960s, the Department of Labour defended the Court, claiming it had addressed the issue in the 1956 metal trades award (*Labour and Employment Gazette*, November 1962, p.28). However, as the memorandum to that award makes plain, (56, BA, 165), the Court had in fact confined itself to following the settlement already reached in conciliation in the motor trades award (56, BA, 97), and had failed to take any initiative itself. In July 1960, in response to the alarm being expressed at the continued compression of margins for skill, the FOL convened an *ad hoc* committee of representatives from craft unions to examine the issue (FOL Conference minutes, 1961, pp.48-9). The campaign to reverse the declining position of the skilled tradesmen became the central issue of concern to the craft unions during the 1960s.

Trades certificate and advanced trades certificate

However, it was 6 years before the craft unions were able to achieve a partial restoration of skill margins by securing a substantial increase in the basic wage rate for skilled tradesmen. Their initial successes were confined solely to obtaining qualification payments. In 1960 these were rare. No award included a payment for trades certificate, while only 2 major awards recognised advanced trades certificate. The first payment for advanced trades certificate had been included in the Marlborough, Nelson, Westland and Canterbury Electrical Supply Authorities' (ESA) award in 1956 (56, BA, 303). This payment (2.5 cents or 3d per hour) was extended to the Marlborough (etc) Electrical Workers' award in 1958 (58, BA, 865). Then, in 1961, a payment for advanced trades certificate was included in the Northern, Taranaki, Wellington and Otago and Southland awards for electrical contractors and electrical supply authority workers (61, BA, 1857 ; 61, BA, 1829). In addition, the Arbitration Court responded to the growing concern. In the 1961 motor trades award (61, BA, 527), the Court noted that some semi-skilled wage rates had increased at a faster pace than those of skilled workers. The Court made a substantial adjustment to skilled rates in the award to compensate for this, and indicated in its memorandum to the award that it was primarily motivated by a need to recognise the examination qualifications obtained by skilled workers employed under the award (principally motor mechanics). This statement pointed the way to the Court's future policy on this issue. It appears that the Court subsequently decided that the most appealing means of meeting the clamour from craft unions for an increase in skill margins lay in special payments for qualifications held by tradesmen rather than in any significant

increase in the basic trades wage rate. The Court felt itself to be in a difficult position, and viewed the relativity implications of the issue with considerable anxiety. It is evident from its memoranda to subsequent margins cases that it feared any substantial increase in the basic trades rate, in recognition of skill, would flow out through all the different trades awards into the whole wage structure, and would have the same effect as a GWO.

Accordingly, in 1962 the Court granted the first payment for trades certificate. Since trades certificate had no parallel in non-trades awards, there was reason to expect that such payments could be confined to skilled workers, and thereby serve to subdue the rising tide of hostility from the craft unions without triggering a relativity-based increase throughout the wage structure. In February 1962, the Court awarded a payment of 1.67 cents (2d) per hour to all those tradesmen employed under the factory engineers' award who held a trade certificate issued by the New Zealand Trades Certificate Board (62, BA, 129). The employer representative on the Court, Hewitt, issued a strongly dissenting opinion, arguing that trade certificate was not necessarily a post-apprenticeship qualification, but merely a certificate of competency which should be recognised in the basic tradesman's rate. Nonetheless, the payment spread quickly throughout other trades awards and industrial agreements, since (as had always been the case) there was little for employers to gain in resisting the payment once the Court had made its policy known.

The payment also spread almost immediately to the state sector. In June 1962, the Railways Industrial Tribunal followed the Court's lead and granted an application by the Railway Tradesmen's Association for a 2.08 cents (2½d) per hour payment for indentured tradesmen (Railways Industrial Tribunal, Order 435, 21 June 1962). This was a more generous award, in that it applied to all indentured railways tradesmen, regardless of their possession of any additional qualifications. Although the Tribunal intended that the payment should be confined to railways tradesmen, it soon became a standard payment for all state sector tradesmen, including many non-indentured craftsmen (Railways Industrial Tribunal, Order 462, 24 July 1963). The growth of qualification payments gathered further momentum in 1964. In that year payment for advanced trades certificate was extended for the first time to an occupation other than electricians following an agreement in conciliation council to include it in the factory engineers' award (64, BA, 865). As had happened 2 years earlier over trades certificate, the breakthrough by factory engineers was quickly transmitted through to other occupations. As a result, the second half of the 1960s, payments for trades and advanced trades certificate, which had been rarities at the beginning of the decade, were standard allowances in most trades awards and industrial agreements.

The margins for skill cases and the tradesmen's sixpence

The achievement of a special payment for trades and advanced trades certificate did little to diminish the craft unions' discontent with the compression of skill margins. Although welcome in themselves, these payments failed to remedy the major problem — the long-term decline in the tradesman's award wage rate relative to that of the unskilled worker. Craft union resentment at this was intensified by the existence of greater margins for skill in industrial agreements negotiated directly with employers. The most significant feature of the bargaining system in this period was the shift to direct bargaining. A variety of factors accounted for the growth in importance of direct bargaining and the associated decline of the conciliation and arbitration system as the principal forum for the determination of wages and working conditions. These factors included the severe shortage of labour (of greatest importance), the pace and direction of industrialisation, the related emergence of new workplace technologies, changing managerial practices and the reconstruction of the trade union movement following the 1951 debacle. Direct bargaining established actual rates of pay substantially above prevailing award rates. Tradesmen's wages reflected this general trend. Indeed, those tradesmen able to negotiate separate agreements with

their employers fared much better with regard to skill margins than those whose wages were still determined by the award.¹ For the most part, the award margin did not approach the margin for skill in directly-negotiated agreements until 1966 or 1967, by which time the Court had been reluctantly prodded into action to restore award margins.

Unions responded to this disparity in 2 different ways. Successive FOL conferences endorsed remits urging unions to secure adequate margins for skill through direct bargaining (FOL Conference minutes, 1962, p.116 ; 1963, p.84 ; 1964, p.82). But, at the same time, craft unions were encouraged into renewed efforts to secure improved award margins for skill. The national award remained, as it always had been, the basis of the conditions of employment for any occupation, and the benchmark from which above-award agreements flowed. The craft unions had reason to fear, if low award margins for skill were to become entrenched, and even decline further, that this would eventually be reflected in agreements negotiated directly with employers. This fear was encouraged by the continued refusal of employers and the Arbitration Court to incorporate above-award rates of pay into awards. This could only be interpreted by unions as a warning that those rates, and the margins for skill associated with them, were regarded as temporary phenomena to be tolerated only as long as the labour market required. In addition, there were still significant numbers of tradesmen, especially in provincial areas, employed at or near the award rate, and consequently receiving award margins for skill.

The focus of the campaign to restore award margins was initially the printers' award. A fierce battle was fought over the reclassification of skill categories in the 1963 printers' award (63, BA, 2177), and in its amendment in 1964 (64, BA, 345). The printers' union viewed the outcome of this as most unsatisfactory, and in March 1965 the FOL Executive agreed to take the printers' award to the Arbitration Court as a test case to restore award margins for skill. After the conciliation council preliminaries were disposed of in April 1965, the FOL had discussions with the employers and the Court on a suitable hearing date. However, the judge of the Court insisted that it would not be possible to decide a matter of such general significance on the basis of one occupation only, and requested instead that the FOL bring a general case to the Court in September 1965. But before that case could be heard, the North Island Electrical Workers' Union presented a case to the Court, in which it applied for a margin of 28½ percent between the rate for electrical journeymen and the average unskilled rate in a variety of awards (65, BA, 1423). The application was opposed by the employers, who argued that electricians should receive the prevailing rate of increase for trades awards, particularly in view of the forthcoming general case. To do otherwise, they claimed, would break the existing relativities between electricians and other occupations, and set off a chain of subsequent claims to re-establish that relativity. The Court accepted this argument, noting that the electricians' case could not be treated in isolation, and that it would be futile to establish in one individual case a margin for skill that would not hold, but would spread to other awards.

Accordingly, the FOL then proceeded with the general case agreed to earlier in the year. The FOL's case was based upon the data referred to above which set out the decline in the relative position of the skilled worker since World War 1 (FOL, 1965).² The President of the FOL, Tom Skinner, asked the Court to set a wage differential of 36 percent between the skilled and the unskilled worker as a broad principle to serve as a guideline in negotiations. Skinner argued that this would restore the margins that had prevailed before the intervention of SWPs. Furthermore, it would provide a satisfactory return to the craftsman in compensation for training, qualifications and responsibility, and offer an incentive to school-leavers to take up apprenticeships. The New Zealand Employers

1 For a further analysis of the shift to direct bargaining in the 1960s, and for supporting data, see Walsh (1984).

2. The FOL's data showed that, on 1965 wage rates, an indentured carpenter, who had completed 5 years at apprentice rates, would need to work a further 18 years to break even with an unskilled dairy factory worker (FOL, 1965, p.4).

Federation warned the Court that it would be taking up a "grave and unwarranted risk" if it ignored the economic implications of setting a 36 percent margin, and that in view of the continued shortage of unskilled and semi-skilled labour, the new margin for skill would not hold, as employers would be compelled to meet demands for a restoration of relativity (NZEI, 1965).

The Court rejected the application (with the worker representative Archie Grant strongly dissenting) on the grounds of its relativity implications (65, BA, 2188). On the basis of the economic data made available to it by the Department of Statistics, the Court decided that to grant the application would have "a disastrous effect upon the economic health of the country", since a general pronouncement by the Court would flow through the wage structure. Instead, margins should be based on merit, and this could best be achieved through negotiations in individual awards between unions and employers, with the Court in the background.

The decision was an extraordinary about-face by the Court. It had asked the FOL to bring a general case as the issue was of such far-reaching significance that it could not be decided on the basis of one award. Its subsequent decision in the electricians' case had been consistent with that view. But it had then rejected the general application on the grounds that the issue should be dealt with on an individual basis in the negotiation of particular awards. In addition, the Court had treated the case as a General Wage Order, and had been heavily influenced by the data it had obtained on its own volition from the Department of Statistics. But this data had not been presented at the hearing, and the FOL had had no opportunity to evaluate it. The craft unions were baffled and angry. They condemned the Court's refusal to accept its responsibility to arbitrate and indicated that margins for skill would now be a matter for union militancy.

In 1966 the Court finally moved to restore skill margins in awards. When the FOL again took the printers' award to the Court to seek a 36 percent margin, the Court indicated that it considered a 28 percent margin for skill to be appropriate, and referred the dispute back to conciliation for the parties to settle (66, BA, 157). In March 1966 the Court followed this policy in arbitrating the metal trades award, where it set a 28 percent margin between the basic unskilled rate and the rate for a craftsman with trade certificate (66, BA, 257). The same 28 percent margin was awarded by the Court when the printers' award was again referred to it for arbitration, after the parties failed to settle in conciliation (66, BA, 769). Other awards followed suit once the Court's policy had been made clear, with some trades awards recording their highest increase in many years — see, for example, electricians (66, BA, 946), factory engineers (66, BA, 1217) and boilermakers (66, BA, 545).

The first effect of the margins for skill controversy was to undermine the confidence of craft unions in the Court and the arbitration system. The campaign to restore margins had been long and tedious for craft unions. The 28 percent margin extracted from a reluctant Court in 1966 could not completely counteract the effect of its previous unwillingness to act, its search for palliatives through qualification payments, its refusal to recognise the margins prevailing in above-award agreements, and the remarkable inconsistency of its decisions in the margins cases of 1965. Above all, the craft unions were confronted throughout with the disparity between award margins for skill and what they could achieve in direct bargaining. In this sense the margins for skill issue was important in giving a boost to the loss of trade union faith in the arbitration system during the 1960s, and in contributing to the eventual breakdown of the system at the end of the decade. Craft unions had long been the great defenders of the arbitration system, but in this period they too turned against it.

The second effect of the margins for skill issue was more immediate but less visible. In January 1967, the Railways Industrial Tribunal again followed the lead set by the Arbitration Court. It granted an extra payment of 6.25 cents (7½d) per hour to indentured railway tradesmen in order to restore margins for skill amongst railways employees to a level comparable with that prescribed by the Arbitration Court in the previous year (Principal Order, No. 539, 10 January 1967). This payment became generally known as

the tradesmen's sixpence' (non-indentured — or acting — tradesmen were eligible for 1.25 cents (1½d) of the payment ; hence the gain made by indentured tradesmen amounted to 5.0 cents or 6d per hour). As had happened with the Railways Tribunal's 1962 decision, the tradesmen's sixpence was quickly extended to all state sector tradesmen. Its wider impact was felt through the linkages between state and private sector wages and was expressed in combination with an *ex gratia* survey allowance granted to state sector tradesmen following the ruling rates survey in February 1970. This survey allowance was in compensation for a similar payment made to a minority of private sector tradesmen (almost exclusively those living in Auckland and Wellington), supposedly for travelling time but in fact purely an *ex gratia* payment (Report of the Royal Commission of Inquiry, 1972, pp.50-1). Although the bulk of private sector tradesmen did not receive this payment, the practice of paying all state sector tradesmen the same rate ensured its application throughout the state sector.³

The combined effect of the tradesmen's sixpence and the survey allowance became a key factor in the operation of the bargaining system. Both payments were added to the wage rate that had been revealed by the ruling rate survey in order to establish the appropriate wage rate for state sector tradesmen. This necessarily placed state sector tradesmen ahead of many private sector tradesmen. To the extent that private sector tradesmen were then able to secure these rates, these two extra payments became included in the new basic rate negotiated in the private sector. The next ruling rate survey then established a new rate for state tradesmen that included *both* the effects of the tradesmen's sixpence and the survey allowance *and* the similar payments already added to the basic private sector rate. Despite this, the tradesmen's sixpence and the survey allowance were then added *again* to the rate revealed by the ruling rates survey to set the new state sector rate. Private sector unions then set about the task of securing this new rate, and the circle began once more.

This circle was most directly expressed through the relationship between wages for private sector and state sector electricians. The wage rates paid by local electrical supply authorities were closely related to the increase achieved by state sector electricians ; but, in turn, the award for private sector electricians was closely tied to the wage rate set by local authorities. This came to be called the electricians' ratchet, and since the electricians' award was a key trendsetting award for other private sector rates, the effects of this ratchet became transmitted throughout the national wage structure. These 2 payments were prominent factors in the confusion that arose out of the leapfrogging relativity-based bargaining spiral of 1969-70 (and the wages spiral associated with this), and the effort to deal with them were matters of central concern to the administration of the wage restraint policies implemented from 1971 onwards (Boston, 1980 ; Walsh, 1984).

Registration allowances and indenture payments

Thus by the beginning of the 1970s there were 3 recently established payments in recognition of skill widely applicable in the private sector. Most tradesmen who were qualified received an allowance for trades or advanced trades certificate, while for the majority of tradesmen their basic wage rate incorporated compensation for the state sector tradesmen's sixpence. In addition, basic trades rates had been increased substantially by the general improvement in margins for skill. In 1971 a fourth payment for skill was established — an allowance for registered electricians and plumbers.

3. The nature of the state sector wage-fixing system and its interaction with the private sector pay rates had been a matter of concern to employers and the Government for some time (Interdepartmental Officials Committee, [1966]). The 1972 Royal Commission did not support the accusations of state sector responsibility for the emerging inflation of this period. Although it found instances of state pay leadership, it attributed this principally to the pressures placed upon the state system by the rapidly changing wage rates in the private sector, especially after 1969.

The origins of this payment lay in the relativities crisis of 1969-70. This crisis was triggered by a 6-week strike by Auckland electricians in the winter of 1969 in pursuit of a substantial increase in their regional ruling rate. The Government appointed a Committee of Inquiry, chaired by Sydney Armstrong, an industrial conciliator, which upheld the electricians' claim. The consequences of the Armstrong decision were immense. It led to a flood of claims by unions throughout 1969 and 1970 to restore relativities disturbed by the electricians' settlement. A series of chain reactions ensued, with agreements being negotiated and renegotiated in a bewildering series of leapfrogging adjustments as each subsequent settlement upset existing wage relativities with other agreements.

As a result the focus of bargaining shifted decisively away from the national award structure and towards agreements directly negotiated between unions and employers on a regional, company or enterprise basis. The chaotic way in which this was being done persuaded the NZEF and the FOL of the need to restore the predominance of awards as a basis for re-establishing an orderly bargaining environment. In 1970, they secured the Government's agreement to an amendment to the Industrial Conciliation and Arbitration Act (IC,A) which authorised the Arbitration Court to amend awards during their currency following a joint application from the union and employers who were parties to the award. The purpose of this was to facilitate the updating of award rates of pay to the levels being established in directly negotiated agreements, and thus to put an end to the rash of leapfrogging adjustments and the conflict and instability associated with this.

Most awards were amended along these lines during 1970 and the early months of 1971. However, the North Island Electrical Workers' union made use of the amendment to secure a special qualification payment for registered electricians. Electricians had been seeking a registration allowance for some time. They justified their claim by reference to the statutory responsibilities and possible penalties imposed upon registered electricians by the Electricians' Act, 1952. A registration allowance for electricians and plumbers (who shared similar obligations under the Plumbers' and Gasfitters' Act, 1964) had been included in a variation of the Manapouri Power Project Employees Industrial Agreement in February, 1968 (68, BA, 7). However, electricians had been quite unable to extend this allowance to any of the major electricians' awards. Indeed, in 1970, the Northern etc. electrical contractors' award specifically stated that the wage rates prescribed there took into account the qualifications, responsibilities and penalties imposed by the Electricians' Act (70, BA, 3091). Nonetheless, in March 1971 by a joint union-employer application to the Arbitration Court under the terms of the 1970 amendment to the IC & A Act, this award was amended to provide a special allowance for registered electricians in compensation for the obligations imposed on them by the Electricians' Act (71, BA, 1018). This payment was subsequently included in other awards for electrical contractors, electrical workers and supply authority electricians (71, BA at : 1485 ; 1808 ; 2589 ; 3280 ; 4252). In addition a similar registration payment was included in the national plumbers' award settled in December 1971 (71, BA, 3690).

The Engineers' union was immediately galvanised into action by the electricians' success in obtaining a registration allowance. Throughout the 1960s a registered electrician had held a small but consistent margin over a fitter with trades certificate, which was the pivotal occupational category within the jurisdiction of the Engineers' union. However, the relativities crisis had eroded that margin, and by the end of 1970 a registered electrician and a fitter with trades certificate were on the same rate (70, BA, 3091 ; 70, BA, 4955). The Engineers' union was unwilling to accept the partial restoration of the electricians' margin through the registration allowance. The situation was made more complicated by the provisions of the Stabilisation of Remuneration Act which came into effect at this time. The Act required all wage increases of more than 7 percent to be approved by the Remuneration Authority. In April 1971, the Remuneration Authority approved the insertion of a state linkage clause in the Northern etc. electrical supply authorities' award (71, BA, 1485). This ensured that supply authority electricians would receive not only the 7 percent increase they had negotiated, but also any increase granted

to state electricians as a result of the April 1971 half-yearly survey.

Private sector electricians (represented by the same union that covered supply authority electricians) immediately set about restoring their relativity with the ESA award. Although the Remuneration Authority rejected their application for a state linkage clause, it granted them a wage increase of almost 13 percent which effectively protected them against the anticipated increase to ESA electricians as a result of the April survey (71, BA, 2554). Thus not only had fitters fallen behind electricians as a result of the registration allowance, but they faced the bleak prospect of falling even further behind as a result of the new electricians' award. The Engineers' union was determined to prevent this return to the 1960s relationship with electricians, and it successfully negotiated a wage rate in its two key awards (metal trades and factory engineers) to restore the fitter's parity with the electrician. After protracted consideration, the Remuneration Authority granted a wage increase in both awards that compensated the fitter for the state linkage component of the electricians' increase, but rejected the registration allowance component (71, BA, 4020 ; 71, BA, 4135).

Throughout 1971 and 1972 the Engineers' union made it plain that it did not regard this alteration in the relativity between a fitter and an electrician as permanent (e.g. see *Dominion*, 11 February 1972). After the Labour Government lifted wage controls in December 1972, the Engineers' union immediately instituted a campaign for an indenture payment to compensate its tradesmen for the electricians' registration allowance. The campaign began in February 1973 with strikes by engineers in the pulp and paper industry and soon spread to several firms in Auckland (*Dominion*, 15 February 1973 ; *New Zealand Herald*, 27 February 1973). The Electricians' union disputed the basis of the engineers' claim, maintaining that fitters would only be entitled to a payment similar to the electricians' registration allowance if they were required to shoulder the same statutory obligations as those imposed upon electricians (*New Zealand Herald*, 28 February 1973). The dispute was referred to an independent arbitrator who rejected the fitters' claim for an indenture payment. The arbitrator observed that the electricians' registration allowance did not affect fitters any more than it affected dozens of other occupations, and that to grant an equivalent payment to fitters would set off a chain reaction of similar claims throughout the wage structure (*Auckland Star*, 1 May 1973).

In 1974, the Engineers' union tried again. On this occasion it was also motivated by a desire to find some way of circumventing the wage controls prescribed by the Wage Adjustment Regulations. The union secured their employers' agreement to the payment of an indenture allowance in the negotiation of the 1974 metal trades' award. Despite this, the Industrial Commission rejected the joint application from the union and the employer for an exemption from the Regulations to permit its inclusion in the award (74, BA, 577). However, in 1975 the 4 year campaign by fitters to restore their relativity with electricians finally bore fruit. The Industrial Commission allowed an equivalent payment in the factory engineers' award (75, BA, 51), and then explicitly recognised the indenture allowance in the metal trades' award later in the year (75, BA, 8849). This opened the way for the indenture allowance to become a generally applicable payment. Other unions and employers were able to cite the metal trades' case as having disturbed existing relativities with their own awards and agreements. The Industrial Commission, which was bound by the Wage Adjustment Regulations to recognise serious (i.e. relativity-based) anomalies, was unable to reject their claims for an indenture allowance. As had happened with previous qualification payments, and as had been predicted by the arbitrator who had rejected the Engineers' union claim in 1973, the indenture allowance subsequently became a standard payment in all trades awards and agreements.

However, the logic behind this differed from that which had prevailed in the 1960s. Then, the emphasis had been placed firmly upon the inadequacy of skill margins. This remained important in the 1970s, but was coupled with a new trade union strategy to overcome the limits on wage increases imposed by the incomes policies implemented from 1971 onwards.

Towards Kinleith : the extension of qualification payments to unqualified workers

The second half of the 1970s saw a considerable expansion in the scope of qualification payments. This was still related to efforts to evade wage controls, or forestall their reimposition, but also to the increasing complexity of workplace technologies and the higher levels of skill these demanded of workers. In the road transport industry, a comprehensive review of the award for oil tanker drivers led to the inclusion of special capacity and ability to perform payments in the award (75, BA, 7565). A similar review of the general drivers' award by a joint union-employer restructuring committee recommended the payment of an industry allowance. As a result, a flat rate above-award payment was included for the first time in the 1977 award (77, BA, 6887), although this was offset against similar payments already being made in local ruling rate agreements. Electricians responded to the spread of the indenture allowance by obtaining a further payment for tradesmen holding a second advanced trades certificate (76, BA, 5511 ; 77, BA, 7509). This payment had been made to electricians employed by Tasman Pulp and Paper Company and by New Zealand Forest Products Ltd since 1968 (68, BA, 1096) and 1970 (70, BA, 3894) respectively. However, these electricians also gained an indenture allowance in 1975 (75, BA, 8931 ; 75, BA, 7995), despite already receiving the registration allowance equivalent of the indenture payment. A special payment for holders of a Marine Department welding certificate was included in a national award (factory engineers) for the first time in 1978 (78, BA, 4241), after having previously been included in agreements applying to particular companies or sites, especially those for contractors at the Kinleith and Kawerau pulp and paper mills (e.g. 77, BA, 717 ; 77, BA, 999). These payments were part of a remarkable expansion in this period of payments other than the basic wage. These became known as "industrial cosmetics" and included not only these, but other qualification payments, as well as a wide variety of special allowances for particular working conditions.

However, the most significant development in the area of qualification payments stemmed from the effort to extend such payments to occupational groups not normally recognised as being equivalent in skill to tradesmen. Qualification payments had necessarily disturbed the existing wage relativities between tradesmen and other groups. These relativities were further disturbed in 1977, the first year of free bargaining after the lifting of wage controls, when tradesmen obtained very substantial increases in their qualification payments. The registration allowance for electricians, first introduced in 1971, had risen by 36.25 percent by 1976. But in the 1977 Northern etc. electrical contractors' award (77, BA, 7203) the allowance increased by 73.40 percent (from \$2.18 weekly to \$3.78 weekly). Similarly, the indenture payment, which had remained steady at 5.0 cents per hour in 1975 and 1976 doubled in most awards and agreements in 1977 and 1978 [e.g. see metal trades' award, (77, BA, 7203) ; carpenters' award (77, BA, 8801) ; factory engineers' award (78, BA, 4241)]. Additionally, payments for trades and advanced trades certificate leapt by 50 percent at the same time.

These increases were designed, at least in part, to reward tradesmen for the negative effect that 6 years of wage controls had had upon skill differentials. Nonetheless some non-trades groups began to press for compensation for qualification payments to skilled workers. One such group was the Engine-Drivers' union. In 1978, it launched a campaign to obtain a registration allowance for boiler-attendants holding a certificate issued under the Boilers, Lifts and Cranes Act, 1950. Employers, fearful of the relativity implications of the issue, resisted the claim, arguing that the boiler-attendants' certificate could not be compared with the examination qualifications held by skilled tradesmen. The Government supported the employers. In 1979, it threatened to reimpose wage controls if the Engine-Drivers' union continued its effort to secure a registration allowance in the award, and in 1980, it issued regulations under the Remuneration Act to prevent this (Roper, 1982). However, the union was able to press its claim successfully in negotiations with individual employers. The ability of a small number of boiler-attendants to close down an enterprise gave them a strong bargaining weapon which they exploited to obtain the regis-

tration allowance on a company-by-company basis.

Developments within the pulp and paper industry were of much wider significance than the claim by boiler-attendants. In 1978, pulp and paper operators at Tasman's Kawerau mill lodged a claim for the restoration of the relativity they had lost with tradesmen as a result of qualification payments.⁴ A 6 week strike in support of the claim was unsuccessful. But in 1979 Tasman agreed to pay its pulp and paper operators an equivalent payment to the indenture allowance and to incorporate this in the operators' basic rate. Predictably, Tasman's tradesmen were unhappy at this, and they immediately sought an increase in their basic rate to compensate them for the payment to the operators. The ensuing strike was resolved by the extraordinary "Anzac Day settlement" of 1979. In this, Tasman agreed to incorporate the percentage equivalent of the indenture allowance in the company's basic trades rate, as well as to continue paying an additional indenture allowance. In addition, Tasman agreed to a "grandfather" clause, by which all tradesmen (and senior pulp and paper operators) were deemed to be indentured and to hold trades certificate, regardless of their actual qualifications.

The Anzac Day settlement disturbed traditional relativities in 2 different ways. First, it shattered the horizontal relativity between companies within the pulp and paper industry. This relativity had kept the basic trades rate at Tasman and New Zealand Forest Products (NZFP) within 1 cent of each other throughout the 1970s. The Anzac Day settlement created a Tasman margin of 37 cents per hour over NZFP. Secondly the settlement upset vertical relativities within Tasman. Tradesmen with indenture and trades certificate were brought down to the level of lesser skilled workers. The settlement rendered their trades qualifications worthless to them.

It was inevitable, given the sacred nature of relativity in New Zealand's bargaining system, that the 2 groups affected would insist on the restoration of these traditional relativities. The subsequent course of events at Tasman and NZFP, which culminated in the major confrontation between the Government and the combined unions of tradesmen at NZFP's Kinleith mill in 1980 have been well described elsewhere (Statutes Revision Committee, 1980 ; Roper, 1982 ; Walsh, 1983 ; Brosnan, 1983 ; Williams, 1984). The outcome of these events was to reestablish the traditional parity between the 2 companies, and to re-introduce the margins for trades qualifications within Tasman itself. Furthermore, the intensity and the magnitude of the Kinleith confrontation prompted a recognition by the Government, the FOL and the NZEF of the need to institute tripartite negotiations to overcome the problems in the bargaining system. These negotiations began in 1980 and have continued since then.

Conclusion

For the purposes of this article, the important consideration is the way in which the Kinleith confrontation, and the related events at Tasman which provoked it, derived, in a sense inexorably, from the interaction of 2 key characteristics of the New Zealand bargaining system, 1 of them – wage relativities – of longstanding duration, the other – qualification payments – of only 20 years standing.

The operation of the arbitration system, and in particular the crucial role played by SWPs, had consolidated wage relativities as the determining factor in wage settlements. However, it had also gradually compressed margins for skill. The latter problem could not easily be remedied without bringing the first issue into play and generating a flow-on throughout the wage structure. Accordingly, in the 1960s, qualification payments were introduced to overcome the decline in skill margins. The force of entrenched relativities ensured that any qualification payment, once granted to 1 group of workers spread quickly

4. The following account is drawn largely from the report of the Statutes Revision Committee (1980) on the Remuneration (New Zealand Forest Products) Regulations 1980.

to other comparably skilled workers. The long period of wage controls in the 1970s gave a further boost to the search for qualification payments, which had increased greatly in significance by the second half of the 1970s. By then, however, qualification payments were being used not just, as earlier, to restore skill margins, but also to circumvent wage controls. This led to efforts by non-trades groups to obtain similar payments to those received by tradesmen. This was achieved in some instances, such as in the road transport industry, where a convincing case could be made on technological grounds and where it was unlikely the payment would spread to other groups. In other cases, most notably the boiler-attendants and at Tasman's pulp and paper mill, workers not traditionally regarded as equivalent in skill to tradesmen pressed directly for compensation for the latter's qualification payments. Although both sets of claims were partly justified on skill grounds, their major justification was relativity and the motive behind them was to recover ground lost during the period of wage controls or to secure wage increases that would not provoke further Government intervention. The immediate result of the Tasman case was the Kinleith strike of 1980, one of the major strikes in New Zealand's history. But, in the long-term, the Kinleith strike derived logically from a series of events set in motion early in the 1960s when qualification payments were introduced as a strategy to overcome the relativity dilemmas posed by the need to restore margins for skill. The lesson of Kinleith, 20 years on, was that this strategy had been unsuccessful. But its lack of success derived in turn from the changing imperatives imposed on trade unions by the wage restraint policies of the 1970s. The long-term campaign to restore skill margins through qualification payments fell prey to the more urgent short-term consideration of defeating government efforts to control wages. The priority given to the latter issue necessarily prejudiced the other.

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APOLOGY

In the August 1982 edition of the *New Zealand journal of industrial relations* (Vol 7 No 2) there was published an article written by Mr Pat Walsh entitled "Commentary: Myth and reality in industrial relations: moderates, militants and social contracts".

This article, a report and commentary on the 1982 FOL conference, included a reference to comments made about Mr R G Trott by the Secretary of the New Zealand Meat Workers and Related Trades Union Mr A J (Blue) Kennedy.

Mr Trott, a qualified lawyer, had been consulted by the Oringi Meatworkers committee for advice on the establishment of a separate branch of the Union at Oringi.

In describing Mr Trott's involvement as "his role in organising the anti-union faction at Oringi", Mr Walsh's article may have made it appear that Mr Trott organised or was one of those who organised an anti-union faction, and that Mr Kennedy had stated this.

In fact, Mr Kennedy referred to Mr Trott in his position as advisor to the Oringi meatworkers during their campaign for separate branch status.

Mr Walsh accepts that Mr Trott was retained as legal advisor by the Oringi workers, and that those workers were not an anti-union faction since they held or sought union membership at the time.

An apology is accordingly given to Mr Trott for any false impression created by the report.