Governing Social Protection in the Long Term

Social Policy and Employment Relations in Australia and New Zealand

Gaby Ramia
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The intervention of states in fields such as health, social security and work, dates back to the nineteenth century, and became more dynamic over time. Imperial Prussia, a social policy pioneer, first showcased its progress at the Paris World Fair in 1900: the Prussian exhibit drew large crowds eager to find out more about state pensions. Clearly, social policy had become a matter of great interest to states and citizens alike.

Other nations soon embarked on implementing discrete social policies, thus turning the twentieth century into a time of remarkable welfare state expansion. The end of World War II marked a new departure, as an increasing number of countries outside the Western hemisphere began to introduce social policy measures. States not only copied established forms of welfare, but often developed measures *sui-generis* to meet their specific needs. While episodes of policy retrenchment and ruptures can be observed over time, recent developments point to an expansion of social policies in low-to-upper-middle-income countries of the Global South. Social policy has thus become a global phenomenon.

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The series is published in memory of Stephan Leibfried to whom our research on state and social policy at the CRC is indebted in countless ways.

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Gaby Ramia

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To the Ramias; the newest, the youngest and those more long-standing
As I write this preface on the grounds of The University of Sydney, much of the greater city of Sydney is clouded in smoke and the surfaces of the built and natural environments are covered in dust. We live in unprecedented times, and researchers, governments and policymakers need to think outside disciplinary boxes if we are to solve the problems we face. In *Composing a Life*, a comparative biography of five women, Mary Catherine Bateson (1989: 73) observed that ‘the most creative thinking occurs at the meeting places of disciplines’. In extending the point she clarifies that ‘[a]t the edges, where lines are blurred, it is easier to imagine that the world might be different’.

A university education is most often synonymous with training in and around a single discipline, or two, or maybe more than that after one undertakes postgraduate coursework and research. Yet, despite an enormous push for scholars to combine the traditions and domains covered in their training, seamless interdisciplinary and multidisciplinary research is still relatively rare in the social sciences.

In this book I cannot and do not claim to have achieved seamlessness, though I have combined two disciplinary traditions, and I humbly invite readers to see the results of doing so. To be sure, it is all but impossible to not have a wrinkle between long-distinct traditions, and we all work in environments that provide great incentives to ‘stick to our knitting’. We are human. We know—yes, from research—that many of our actions and
decisions are responses to the incentives provided to us from external as well as internal forces.

What I have tried to do in this book is to come as close as I can to an analysis of social protection over time, through two policy domains, in the case of two countries. Doing so required me to consider two disciplines with equal weight. Readers will see that I am not concerning myself with whether social policy and employment relations actually count as ‘disciplines’ as such. It would hardly be productive to do so. It should be clear, however, that as we move forward in a world which presents us with unprecedented problems, working across countries and across traditional domains is a must.

I argue here that we only understand social protection, within and across national policy regimes, when we allow employment relations to be dynamic in the same way that we have always allowed social policy to be dynamic in these kinds of studies. This means allowing the two institutional spheres to be equal partners, which raises interesting questions about what kind of scholar one ‘is’. Is one a political scientist, a sociologist or something else? Does policy analysis come more naturally from either of the two domains? Do the distinctions between them matter? My answer would be that they do, in the sense that they may influence the methods and the scholarly materials utilised. What matters more, however, is to seek to address the meaning, and the minor and major transformations over time, of social protection institutions. As well as treating disciplines as equals, it is important to provide equal emphasis on each of the two countries of interest.

The results are hopefully clearly manifest within the covers of this book. The perception of similarities and differences between Australia and New Zealand are affected. I hope readers will find the narrative interesting, and the implications for other countries novel. Comparative research of book length ought to promise no less than that.

Sydney, NSW, Australia

Gaby Ramia

References

Academic writing is made easier with significant periods of research-focused time. I prepared this book mainly in 2019 while on a Visiting Professorial Fellowship in the Social Sciences Division of the Research Institute of the University of Bucharest (Institutul de Cercetare al Universitații din București, or ICUB) in Romania. I would like to acknowledge the extraordinary generosity of my host and ICUB Social Sciences Director, Professor Marian Zulean. Diana Dumitrescu, ICUB manager (soon to be awarded the title of ‘Dr’), was also generous in her advice and guidance in administration. I appreciated the comradery of fellow ICUB/University Fellows: Frank Elbers, Dr Mihai Popa and Professor Elizabeth Lightfoot. The office I used in Sociology provided a wonderful, solitary place to read, write and drink coffee. I thank Professor Cosima Rughiniș, Sociology Doctoral School Director, for the provision of my Cișmigiu office, in that most excellent corner of central Bucharest.

Though 2019 was the year that I mainly wrote the book, it leans heavily on frameworks and ideas that have driven me throughout my career. I thank my early mentors at UNSW Sydney, Emeritus Professor Peter Saunders of the Social Policy Research Centre and Dr Ian Hampson of the (then) School of Industrial Relations and Organisational Behaviour. I also thank the colleagues I worked with closely at my first post-PhD institution, Monash University in Melbourne, especially Dr Paul Kalfadellis and Dr Sam Kovacevic, and the late and much missed employment relations...
academic, Dr Sandra Cockfield. I will never forget the excellent Friday institution of a post-work drink and dinner with these and other friends.

At my current workplace, The University of Sydney, I acknowledge Department and School colleagues and mentors, too many to mention but especially Professors Ariadne Vromen, Allan McConnell and Geoff Gallop. I also thank Graduate School of Government colleagues, Drs Joanne Kelly and Stephen Mills, and Leanne Howie. I have appreciated the mentorship and advice of the Dean of Arts and Social Sciences, Professor Annamarie Jagose. I worked very closely with Annamarie in my roles as Associate Dean and Interim Head of School.

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On a personal note I want to pay tribute to the large and wonderful family that I come from, especially my late parents, Saada Ramia and Ramia (George), who were taken too soon many years ago. They gave up so much for us, including time with their own parents, sisters and brothers. So much of what they taught their children is still clearly in evidence. We all moved to Australia from Lebanon in difficult circumstances. I was still a child. Like many migrant families, we had very little when we migrated, and in fact my parents were in debt for our plane fares (they paid them back because the promise of social capital theory is real). Of all of my siblings—Michael, Salam, Hind, Diana, Maggie, Marcel and Edmon—I have been the most fortunate, and I acknowledge the love and support of all of them. In a similar category I put the many close friends who have been like family to me and stuck with me through various stages in life. Some of them have been there since primary school days.

Last, but most, I pay tribute to my wife Dr Ioana Oprea Ramia, who is also an academic. Nearly a decade ago she decided to forgo a life that would probably have taken her to a different part of the world, to be with me. Ioana is the most capable, caring and loving partner I could have hoped for in life. As well as an accomplished researcher and teacher, she is also a wonderful mother to our daughters, Elena and Georgiana. I am filled with admiration for her and them. The world may currently be riddled with policy crises, but I am convinced that the girls Ioana and I are raising will in the future be among the many women who will lead and guide us to something better.
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It is tempting to think, as many do, that people are either in employment or ‘on welfare’. That is too simplistic. Those who are in employment are paid for their labour time, but they, like everyone else, also benefit from much of the spending undertaken by the state. Many workers, despite their status as workers, also benefit specifically from the welfare state. On the other side, many welfare recipients perform work and work-like activities in order to receive their government payments. The categories of work and welfare are intertwined. More of one does not necessarily mean less of the other.

A large part of the complication stems from the profound economic and demographic changes that have unfolded over the last few decades (Armingeon and Bonoli 2006; Bonoli and Natali 2013; Hausermann 2010; Jordan and Drakeford 2012; OECD 2018; Pierson 2006; Sarfati and Bonoli 2002). Consider the now long-term absence of full employment and the growth of underemployment, due in part to ‘de-industrialisation’ and the associated decline of the trade union movement. Associated with that there has been a proliferation of the ‘working poor’ in many countries. There have been increases in vulnerable and ‘atypical’ employment, including the rise of ‘gig work’ and the broader
phenomenon of casualisation. On the positive side there is an ongoing increase in women’s labour market participation. Yet changing fertility rates in what are ageing societies offer up challenges to policymakers, including questions of migration amidst calls to address ‘skills gaps’. There has been increasing need for workers, employers and social security systems to address work–family life conflicts. Family composition has been changing, with increases in sole-parenthood and one-person households. There is also a growing need to recognise care work throughout the life course, particularly as life expectancy increases.

Many of these phenomena interrelate in complex ways, but they all challenge researchers to consider the meaning of ‘work’; how ‘work’ can differ from ‘employment’; what welfare actually means; who receives welfare; at what stages of life work is more or less important; and which categories of people—whether workers or not—are more reliant upon the welfare state.

Consider also that in many countries a growing proportion of welfare state beneficiaries have been subjected to what is called ‘conditionality’, as part of the ‘welfare-to-work’ policy agenda (e.g. Considine et al. 2015; Dwyer 2019; Watts and Fitzpatrick 2018; Wright 2016). As part of conditionality, those who receive government payments need to regularly meet strict eligibility criteria and often perform actual work or activities that resemble work in order to receive monetary assistance. The difference between officially unemployed people and wage and salary earners in terms of the expectation to be ‘productive’ is shrinking. The unemployed are compelled to be more demonstrably active in job-searching in ways that mirror employees’ need to demonstrate enhanced conventional efficiencies in their workplace. Of the continuing differences between employees and those not in paid employment, however, the most striking is that the unemployed face a social stigma attached to their perceived welfare dependency.

Finally, technological change also complicates attempts to classify people as either workers or beneficiaries of the welfare state. The growth of artificial intelligence and robotics is raising questions on how the nature of work is changing and will change as the labour market and the workforce evolve (e.g. Baird et al. 2018; OECD 2019). Who will do what work? What are the gender implications and the ramifications for other
disadvantaged members of the labour market? What will be the roles of the welfare state for people who are continually in and out of paid work? Some analysts argue that people will do different work from what they do today, and in roles that often cannot be predicted or named now. Some have argued that in a world of artificial intelligence and robots, a state-guaranteed minimum income, or what is often called a ‘basic income’, will be inevitable as labour market opportunities shift (Downes and Lansley 2018). Though reliable prediction or even projection is extremely difficult, it is likely that work and welfare will increasingly need to be considered by scholars in the one analytical frame, rather than as separate spheres to be analysed by different disciplinary communities of scholars.

There are concepts which sit in and between different disciplines that help us. An important one in this book is ‘social protection’.

**Social Protection**

In the everyday life of people in capitalist societies, employment and welfare lie at the centre of what Karl Polanyi (1944) called social protection. Social protection represents the totality of public policies and institutions designed to shield individuals from social harm. In his *Great Transformation*, Polanyi (1944) contended that the institutions of social protection were a prerequisite to market society’s continuous self-recreation. Capitalism, he argued, was governed by a ‘double-movement’, and the interaction of ‘two organizing principles’:

The one was the principle of economic liberalism, aiming at the establishment of a self-regulating market, relying on the support of the trading classes, and using largely laissez-faire and free trade as its methods; the other was the principle of social protection aiming at the conservation of man and nature as well as productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market – primarily, but not exclusively, the working and the landed classes – and using protective legislation, restrictive associations, and other instruments of intervention as its methods. (Polanyi 1944: 132)
Social protection defends workers through minimum employment standards, and it defends welfare state beneficiaries through state-provided income assistance and services. In order to clarify, however, Polanyi (1944: 72) expanded beyond these two institutional arenas. This was necessary because he was writing during World War II, and so before the construction of the post-War welfare state. He argued that land, labour and money were all bought and sold in markets as if they were commodities, but in fact their status as commodities was ‘fictitious’. They were not constructed as products for sale by the forces of nature. Labour was not produced, being merely a name given to a human activity. Marx (1867) had argued similarly and much earlier in relation to ‘labour power’, which was treated as a commodity under capitalism, by capitalists. Polanyi also argued that land was not produced, though it was a factor of production. Similarly, money was merely a token of purchasing power, having come into being as an outcome of monetary institutions. In short, the self-regulating market ‘commodified’ labour, land and money.

Yet, consistent with the double-movement, this commodification process had to have its limitations. Polanyi recognised that the market could not be let loose entirely and indefinitely, because this would be injurious to society as a whole, not only to the working classes, but to the capitalist classes who whole-heartedly supported and relied upon market recreation and maintenance. Unrestrained commodification would have disastrous market consequences, including the exploitation of labour to the point where it would be unproductive. Labour, after all, is only as efficient as the individual who performs it is able to be. As a result of extreme social dislocation, humans would die from poverty, vice, perversion and crime. Resulting from environmentally irresponsible production, land would be robbed of its beauty and its economic usefulness. Due to extreme money market volatility, purchasing power would be subject to radical shifts between shortfall and oversupply. In short, ‘no society could stand the effects of such a system of crude fictions even for the shortest stretch of time unless its human and natural substance as well as its business organization was protected against the ravages of this satanic mill’ (Polanyi 1944: 73).

The contents of social protection are thus crucial to the ‘de-commodification’ of humans, whether worker or not. This includes
protections in the labour market in the form of minimum labour standards. Minima typically apply to standards on wages, workplace and occupational health and safety, hours of work, employment protection, and paid and unpaid leave. Social protection also calls for the consideration of policies which constitute attempts to equitably redistribute labour market rewards, ordinarily established by the operation of trade unions. Social protection within social policy includes all of the ‘de-commodifying’ aspects of welfare states. This includes income poverty alleviation and income maintenance measures, which form the basis of traditional social security systems; welfare services in health, housing, education and employment; and human and community services in the public, semi-public and private spheres.

Social protection’s two main branches are employment relations and social policy.

**Employment Relations**

It is important to analyse protective institutions in the labour market, but it is equally important to understand how those institutions are formed. The processes which determine labour standards form the core of the field of employment relations are treated in this book as interchangeable with the older and more established concept of ‘industrial relations’ (Bray et al. 2018). The term industrial relations is believed to have been used for the first time in 1885 by British parliamentarian Lord Thomas Brassey, in a speech delivered to the Co-operative Movement’s Industrial Remuneration Conference at Oldham (Morris 1987: 532). In the United States it was first used in 1912, when (then) President Taft established the Commission on Industrial Relations (Kaufman 1993: 3, 200), though another source cites first usage in the context of an industrial strike in 1894 (Spates 1944: 6).

Several perspectives are helpful in understanding the term. Beatrice and Sidney Webb, who are widely seen as founders of the academic field of industrial relations (Kaufman 2014), contributed the pioneering research on the interaction of collective bargaining and trade unionism, and on how these contribute to the determination of minimum labour
standards. In social protection terms their perspective was best laid out in the highly influential volumes, *Industrial Democracy* (Webb and Webb 1897) and *History of Trade Unionism* (Webb and Webb 1894). The former work was the most influential, defining the field in terms of how workers encroach upon the free will of capitalist employers through legally defensible, state-guaranteed and irreducible minimum and above-minimum standards in wages and other working conditions.

Before *Industrial Democracy*, Marx (1849: 17) had focused on the importance of the broader political economy that governs employment relations, which he referred to as the ‘economic relations which constitute the material foundation of the present class struggles’. For Marx, the relations that underpinned production shaped politics and labour market institutions. As the field of industrial relations developed, the reverse perspective became dominant. That is, institutions would shape the relations, and thus would determine employment conditions. Definitions of industrial relations have varied, some focusing squarely on the dynamics of the ‘employment relationship’ (Keenoy 1985; Keenoy and Kelly 1996). Older conceptions had emphasised the formation of ‘rules’ in the employment relationship, and ‘job regulation’ (Flanders 1965). Dunlop (1958) took the ‘systems’ that sit above the employment relationship as the core; where systems were made up of the state, employers, employees, and the institutional representatives of each. Still other traditional focal points included the importance, and the orientations and ‘types’ of trade unions (Hoxie 1924), industrial conflict, and unions’ long-term struggles and strategies (Hyman 1975). With working-class struggle as the underpinning, Hyman (1975: 12) defined industrial relations in neo-Marxist terms. For him it reflected ‘the processes of control over work relations; and among these processes, those involving collective worker organisation and action are of particular concern’.

In recent decades, the field has concentrated more on the workplace itself, a focus which is seen as necessary in the context of the decentralisation of employment relations, the increased importance of enterprise- and workplace-level negotiations, and the individualisation of relations between employee and employer (Howell 2019). It is in that context that the term ‘employment relations’ has gained greater usage (Giannikas 2004). This book uses employment relations rather than industrial
relations though, as stated earlier, the two are used interchangeably and industrial relations are referred to where more historically appropriate. Using employment relations avoids the unhelpful connotation that the subject is overly focused on industrial conflict, or on collectivist social relations to the exclusion of more meso- and micro-level dealings between employees and employers (Bray et al. 2018).

At the same time, the book borrows in its various sections from the other ‘industrial relations’ conceptions already discussed. Thus, employment relations are taken to refer generically to the institutional and political factors, and policies, which shape wages and other conditions of work. This borrows from the Webbs (1897), who defined the concept in terms of how workers encroach upon the free will of employers through legally enforceable minimum standards. It borrows also from Hyman’s (1975) conception that employment relations involves continuous struggle for control over the terms of the employment relationship. It is a study in social, economic and political dynamics, the processes being inextricably tied up in broader institutional arrangements. Borrowing also from Dunlop (1958), employment relations is referred to in some places as representing a ‘system’. Based on Flanders (1965), employment relations are also about employment regulation and the formulation of laws and formal and informal ‘rules’. The book also demonstrates that some rules and laws are protective of the employee, though equally they can be anti-worker, or they may be intended purely to maximise efficiencies and thus based on employer preferences (Kochan et al. 1986). The primary means to determine working conditions is the process of industrial and political negotiation and contest between the primary protagonists—employees and their representatives, employers or their associations, and various organs of the state.

Despite the fact that the employment relations concept adopted here portrays the domain as vitally linked to social protection, the subject of employment relations by itself has relatively little to say about social protection beyond the labour market. For that, an understanding of social policy is required.
Social Policy

Contributions to the understanding of how work and employment relate to welfare have come more from the field of social policy than from employment relations. There are three main, somewhat overlapping, historical stages in intellectual development. All of them are relevant to the remaining chapters of the book.

Integration: Before the Welfare State

The kinds of social policies commonly associated with the welfare state were first introduced in Bismarckian Germany in 1883, taking the form of social insurance schemes covering health, accident, old age and disability (Baldwin 1990: Chapter 1). The foundational English-speaking literature from this period, however, was predominantly British, though the United States, Australia and New Zealand also feature. Britain lagged behind Germany, Australia and New Zealand, but intellectually the period between the late nineteenth century and World War II was most fertile in Britain (Caine 1992; Lewis and Davies 1991).

In the context of rapid industrialisation and a growth in free-market ideologies, British political agitators engaged in the defence of human welfare, insisting on active state intervention to combat growing social and labour market dislocation. The analysis of social problems typically took interdisciplinary forms. Work and welfare were seen in that light, and integrated understandings of commercial employment and daily life were fostered, including for women, both in the household and in the community (Harris 1992; Rowbotham 1994; Caine 1992).

Policies on poverty alleviation through the Poor Law, labour market protections in the form of the Factory Acts, and state health and education measures formed the main subjects of what was later to be termed the field of ‘social administration’ (Walker 1981). Fabian socialists, who founded the London School of Economics (LSE) in 1895 and established the social administration tradition (Mishra 1989), conducted rigorous empirical research as a basis to stimulate public policy debate and to lobby government to improve standards relating to work, employment
and community life. With this as the backdrop, Beatrice and Sidney Webb, who have often been cited as the parents of academic social policy (Williams 1989; Pinker 1971), provided the first blueprint for a comprehensive welfare state in *The Prevention of Destitution* (Webb and Webb 1911). This was in addition to their pioneering role in the employment relations field, as discussed earlier. *Prevention* was based on their two-volume Minority Report of the Royal Commission on the Poor Laws (1909a, b).

At the heart of their work was the concept of a ‘national minimum’ (on which, see also Hobhouse 1911, 1922; Hobson 1901), outlined most succinctly by Beatrice Webb in 1918 when she and Sidney were on the War Cabinet Committee on Women in Industry. Beatrice argued that the national minimum should incorporate opportunities for daily rest and recreation; considerations of sanitation and safety in both the home and the place of employment; educational opportunities for all; minima in relation to wages and the full range of employment conditions including allocations for sickness and holidays (Webb 1919: 274). Further, she argued that minima were most important for elevating the rights of women workers who toiled in ‘sweated work’. Before the 1888 House of Lords Select Committee on Sweating (1898) Beatrice argued that the typical sweated worker was a woman, attributing this mainly to the gender segregation of the labour market. Women were more likely than men to be found in the low-paid, poorly conditioned sector of the labour market (see also Cadbury and Shann 1907). In this way Webb drew a direct link between ‘reproduction and production’ (Rowbotham 1994: 25–26). Since most sweated workers were women, and since sweated work most often involved the employee taking work home after the ‘official’ workday came to an end, this would bear upon the domestic welfare roles which were most often ascribed to women: care work, the hygiene and upkeep of the home, and the nourishment of the family.

In the 1920s, interest in the gender dimension of welfare furthered the understanding of the inseparability of welfare from the world of work. However, research by this stage took on a more specific focus on the family unit in the context of worsening economic conditions which culminated in the Great Depression (Lewis and Davies 1991). In her call for the endowment of the family in England, Eleanor Rathbone (1924)
argued that policy had to recognise the dual role of women as paid and unpaid workers. The family needed to be provided for, either in the wages system through family-based remuneration or through the income security system in the form of state benefits. Her method involved an examination of the prevailing British system of providing for families, as she traced its history, its effects on the distribution of wealth, national expenditure, the productivity and well-being of the workforce, and ‘on the status of women as mothers and as wage-earners’.

From the 1940s, social reformism was to undergo a change of focus as new welfare institutions were formed and new possibilities imagined as the welfare state was taking shape. With this came a focus squarely on social policy through the delivery of state-provided programmes and social services, to the partial exclusion of the labour market. Essentially there was a partial decoupling of work and welfare.

**Partial Decoupling: Enter the Welfare State**

In his highly influential wartime reports on unemployment, social insurance and labour exchanges in the 1940s, pioneering welfare state figure William Beveridge (1942, 1944) offered a largely welfare state-based policy framework. This is despite subsequently also ascribing an important role for non-state or ‘voluntary action’ (Beveridge 1948). In the first three decades after the War, there was a pervasive ‘welfare unitarism’ (Pinker 1993), which reflected a relative absence of work and employment and a state-centrism in social policy analysis (Walker 1981; Wilding 2009).

It was on this basis that social policy—or social administration, as it was more often referred to at the time—became an established academic field focusing on the welfare state. This was justifiable on the grounds that the welfare state had progressed to the stage where it could address the main social needs of the national populace. As Glennerster (2007: 4) argued, at the time, ‘[t]he central state apparatus … was seen as having won the war with the support of the people … [and] had done so while securing a basic food supply, clothing, emergency medical care and jobs for the whole population’.
For the most famous post-War social policy theorist in the English-speaking world, Richard Titmuss (1951/1976: 13), the focus on the state did not totally preclude consideration of employment or, to a lesser extent, unpaid work. In his most celebrated essay, ‘The Social Division of Welfare’, Titmuss’s (1956/1976) purpose was partly to demonstrate that welfare had more institutional and policy sources than many subsequent scholars recognised. In the same era, T.H. Marshall’s (1950/1963) widely cited essay on ‘Citizenship and Social Class’ situated the ‘social element’ of citizenship as the final of a three-staged evolution, after ‘civic’ citizenship, which emerged mainly in the eighteenth century, and ‘political’ citizenship, which saw light in the nineteenth. Within the civic stage, Marshall included ‘industrial citizenship’, associated with the right to work, or in Marshall’s words, ‘the right to follow the occupation of one’s choice in the place of one’s choice’, as well as the right to strike.

Titmuss’s (1956/1976) concept of ‘occupational welfare’ was one of the three institutional domains within ‘the social division of welfare’. The two other central domains were ‘social welfare’, indicated by the conventional welfare state, and ‘fiscal welfare’, which referred to welfare gained through the taxation system. Titmuss (1956/1976: 52) highlighted that reliance on occupational welfare was increasing over time and that it was being offered disproportionately to higher-income earners. Despite the fact that it served as a similar policy instrument geared towards ‘welfare’ per se—albeit one administered by state and non-state organisations alike—its effect was to ‘divide loyalties’ and to ‘nourish privilege’, even if it did promote ‘good human relations in industry’ and allowed organisations who offered it to be ‘the “good” employer’.

Finally, Titmuss (1974: 15–16) also considered domestic work and paid employment as part of the ‘essential background for the study of social policy’, which included ‘a knowledge of population changes, … the family as an institution and the position of women; social stratification …, social change and the effects of industrialisation, urbanisation and social conditions; the political structure; the work ethic and the sociology of industrial relations; minority groups …; social control, conformity and deviance …’. Yet, that these were contextual and not central to social policy is indicated by the sheer volume of Titmuss’s work on state-provided social services. This greatly overshadows his lesser known essays
featuring integrated discussions of the work–welfare nexus with equal emphasis on both, the two principal examples being the essays on ‘The Position of Women’ (Titmuss 1955/1976) and ‘Industrialization and the Family’ (Titmuss 1957/1976).

Not long afterwards, social policy was partially recoupled with work and employment.

Partial Recoupling: Poverty, Gender and Comparativism

The almost unquestioned public legitimacy of the welfare state in the post-war period began to be challenged as early as the 1960s. Scholarly research started to recognise the work–welfare nexus more keenly in the context of unprecedented policy pressures on the welfare state.

First, poverty was ‘rediscovered’, and was to be found in rich countries, whether or not households were headed by a person in full-time employment. Following important post-War works by Peter Townsend (1954, 1962) and later T.H. Marshall’s (1950/1963) recognition that poverty had not been eliminated, Abel-Smith and Townsend (1965) published their report *The Poor and the Poorest*. By the 1970s governments not only in Britain but across the English-speaking world accepted the need to examine the problem of poverty officially through public inquiries (Townsend 1979; Henderson et al. 1970; Australia 1975; New Zealand 1972). Townsend’s (1979) *Poverty in the United Kingdom* was the most remarkable piece of research in relation to the work–welfare relationship. It contained in-depth examination of how poverty related to or stemmed from disability, ageing, unemployment and ‘sub-employment’, ‘working conditions’ and ‘the character of the job’, as well as sole-parenthood, low pay, employment insecurity, and unfavourable occupational health and safety conditions.

In complementary developments, feminist scholars increasingly emphasised the male-centredness of the policy assumptions underpinning social policy scholarship. In doing so they reasserted the importance of the welfare role of women’s care work and questioned the assumption of the male breadwinner household model as the sole basis for the welfare
state. It was problematised that the poverty literature assumed a family financed primarily or solely by a male head who was in paid employment (Blackburn 1995). Feminist writers began to address the problem from the 1970s, highlighting the importance of women’s contributions to household welfare both through paid work in the labour market and through care work provided in the home (McIntosh 1981). In providing the first book-length critique of the traditionally male-centred approach, Elizabeth Wilson’s (1977) *Women and the Welfare State* analysed the development of social policy from the Victorian era to the 1970s. She argued that only through a feminist historical approach can an effective portrayal of the aggregate distribution of life opportunities be formed, and that such an approach must place at its centre the woman’s role as the ‘linchpin’ of the family.

The struggles of feminists during the late 1960s and through the 1970s made their mark on the social policy field, particularly in relation to women’s right to income security, adequate housing and accessible childcare. A literature emerged which placed work, both paid and unpaid, at or near the centre of social policy analysis (e.g. Land 1971; Pascall 1986; Williams 1989; Wilson 1977; Lewis 1983; Lewis 1994). Hilary Land’s (1971) analysis of ‘Women, Work and Social Security’ is emblematic of the earliest of this research, arguing that the British social security system was largely based upon an outdated and discriminatory assessment of gender inequalities in the labour market. Pascall (1986) contended similarly that the welfare of women is strongly shaped by the combination of responsibilities, which for the most part they bear alone: for housework, care of children and other relatives, and over time increasingly paid market work as well. Even when they do engage in paid employment, she argued, they must face the reality that the labour market is gender-segmented. Women’s jobs were (and in many cases still are) largely segregated from those which men occupy, the former on the whole enjoying less pay, often less paid hours and lower job security and occupational welfare in the Titmuss (1956/1976) sense. With these factors in mind, Pascall argued that if it is to be understood more truly, social policy should be seen as a bridge between production and reproduction, paid work and unpaid work. In doing so, she reinvigorated the tradition established by Beatrice Webb (1919) and her contemporaries.
In a third important body of literature, the emergence of comparative social policy as a major sub-specialisation has also aided the integration of work with welfare. Like the poverty and feminist literatures, comparativism emerged in the late 1960s and the 1970s. By the 1990s comparativists began debating the welfare role of labour market institutions across countries, and how those institutions relate to and interact with the welfare state. In its formative years comparativism was predominantly state-centred in the manner of the post-War writers (Rogers et al. 1968; Kaim-Caudle 1973). It accelerated from the 1980s onwards as a means to understand transitions and transformations in welfare states, often explicitly or implicitly through national responses to globalisation (e.g. Esping-Andersen 1996; Ellison 2006; Pierson 2001, 2006).

The relationship between work and welfare more specifically has been subject to comparative analysis through the need to deal with the kinds of demographic, social and economic changes which were discussed at the outset of the chapter. Theoretically many of these are combined by political economists and political scientists under the category of ‘post-Fordist’ labour markets (Amin 1994; Jessop 1995) and ‘post-industrial’ societies (Armingeon and Bonoli 2006; Pierson 2006). The comparative political economy framework of ‘varieties of capitalism’ (Hall and Soskice 2001; Hancke 2009) represents a complementary approach. It separates developed countries into ‘liberal market economies’, which are represented by the English-speaking nations, and the ‘coordinated market economies’ of central and western Europe plus Japan. The separation point between the two is based on how firms operate within their institutional and market contexts, though the variety of capitalism approach is actor-centred and less specific to the institutional relationship between employment relations and social policy.

The role of labour market institutions in providing welfare is a major theme in ongoing research inspired by the welfare state ‘regimes’ concept, specifically in response to Esping-Andersen’s (1990) Three Worlds of Welfare Capitalism (e.g. Castles and Mitchell 1992; Goodwin et al. 1999; Lewis 1992; O’Connor et al. 1999). In identifying three developed-country welfare state regime types—‘liberal’, ‘conservative-corporatist’ and ‘social democratic’—Esping-Andersen elaborated on underdeveloped categories first proposed by Titmuss (1974: 30–31), though with
different terminology. Each regime type had relatively distinct institutional characteristics, but it was important within each to look beyond ‘the traditional approach’ to social policy analysis, which mainly covered ‘income transfers and the social services, with perhaps some token mention of the housing question’. In the preferable ‘broader view’, Esping-Andersen (1990: 1–2) argued, ‘issues of employment, wages, and overall macroeconomic steering are considered integral components in the welfare state complex’.

Yet, as argued here, there is considerably more work to do if these issues are to represent an equal relationship between social policy and employment relations.

The Conundrum

In arguing that social protection is necessary for the maintenance of the market mechanism, and thus for the benefit of society as a whole, Polanyi (1944) effectively showed the importance of social protection as a fixture through time in capitalist society. The literature of social policy has demonstrated a need for understanding the interaction of work with welfare, particularly for economically vulnerable people. A conundrum is presented, however, by two phenomena that have been revealed by examining the work–welfare literatures just discussed. First, there are few conceptions of employment relations—as opposed to work and employment—which allow a detailed focus on the interaction between employment and the welfare state. Second, and more importantly, while the social policy field is relatively proficient at demonstrating the importance of employment to the broader question of welfare, it has been considerably less proficient in revealing the dynamic factors and the forces that shape the conditions of employment.

Other authors have argued similarly, though no firm body of integrative research has resulted. In articulating the case for a ‘welfare economy’ approach to social policy, as opposed to a welfare state one, Martin Rein (1981) argued that state-provided welfare is only part of the story of resource redistribution. A broader picture which includes an analysis of the private–public welfare mix is needed, particularly for comparative
purposes. The welfare economy approach involved a ‘shift [in] our focus from measuring the amount of expenditure in the welfare state to an understanding of the varied institutional forms by which society carries out its welfare function’ (Rein 1981: 22). This was an important recognition.

Rein’s subsequent partnership with Lee Rainwater led to the production of a significant edited volume which argued for a ‘welfare society’ approach to social policy research. There, as that book’s title suggests, a case is made for better recognising Public/Private Interplay in Social Protection:

We believe that the main explanation [for what they see as a ‘narrow focus on the welfare state’] lies in the existence of two intellectual traditions, one conventionally associated with the study of social policy and the other concerned with the analysis of labor and industrial relations. The former focused on state action, believing that nonstate action would be perversely redistributive. The latter concentrated on industrial conflict but neglected the content of these negotiations outside of monetary wages. We believe that the traditions of social policy and industrial relations must be reintegrated if we are to better understand and act on the world in which we live. (Rein and Rainwater 1986: vii)

The chapter authors in that volume provided case studies demonstrating the need to integrate social policy and employment relations by reference to the administration of sickness benefits (Immergut 1986), pensions (O’Higgins 1986) and employee redundancy (Russig 1986).

As important as this research was, however, and as profound as the integrative language of the editors was, it did not result in a framework which conceptually integrated employment relations as the term is commonly understood. Nor did it engender a new or radically changed approach to social policy scholarship on interdisciplinary integration. Finally, rather than the concept of employment or industrial relations, Rein and Rainwater and their chapter contributors focused much more on ‘private’ means or institutions of social protection, which is closer to Titmuss’s (1956/1976) concept of occupational welfare as previously discussed.
Francis Castles (1985), whose long-standing contribution is discussed and critiqued throughout this book, provided evidence of the benefits of integrating employment relations with the welfare state. Utilising the Webbian concept of the ‘national minimum’ as discussed earlier (Webb 1919: 274), he argued that the statutory wage regulation and compulsory industrial arbitration systems that were developed in Australia and New Zealand provided the basis of a ‘unique model that might be described as the wage-earners’ welfare state’ (Castles 1985: 103; his italics). For Castles (1989, 1996) the national minimum in wage regulation constituted ‘social protection by other means’ (see more recently Béland 2019; Seelkopf and Starke 2019), implying that employment relations in Australia and New Zealand history provided a ‘functional alternative’ to the more orthodox welfare states seen in Western Europe and North America. His work inspired a follow-up literature in relation to Australia and to a lesser extent to New Zealand (reviewed in Ramia and Wailes 2006; Watts 1997).

As acknowledged at length here, Castles argued that employment relations institutions interact in important ways with the welfare state. However, while the dynamism of the welfare state was assumed and demonstrated, Castles treated the employment-relations half of the social protection partnership as largely static over time. This, as demonstrated in Chap. 2 onwards, resulted in important omissions which affect the comparative analysis of social protection.

**Objective and Argument**

The central objective of this book is to examine the comparative evolution of social protection over more than a century, focusing on the relationship between employment relations and social policy, using a two-country comparative case study. The two countries are Australia and New Zealand. The analysis starts with the 1890s, when formal social protection first took shape there—which was earlier than any in Europe or the other English-speaking countries—and traces developments to the present day. The argument of the book is that allowing both employment relations and social policy to be dynamic over time, and to be considered
together as part of social protection, produces a somewhat different and more nuanced narrative on comparative policy evolution. The analysis also discusses the implications of the comparative case study for other countries as well as for the contemporary understanding of social protection.

Australia and New Zealand have often been misunderstood by both international and local observers. The importance of history has been underestimated, and as discussed here, those seeking to ‘situate’ them in an international context have missed crucial aspects of their comparative development. Some scholars have placed great faith in the proposition that they were traditionally very similar, with some assuming that the two essentially followed one model. By contrast, those focusing on the 1980s and 1990s—when major restructuring of social protection took place, and what most of the literature focuses on—often overestimate the differences as both undertook major adjustments to common global economic pressures. Finally, their re-convergence in more recent years has gone almost unaccounted for. The book also argues that a long-haul account of the comparative evolution of the two national regimes is needed for revisionist Australia–New Zealand comparison and for the understanding of other countries’ paths.

A recurrent theme through the case analysis is how the international and local policy literatures portray Australia and New Zealand as social protection regimes in relation to different periods. The periodisation guiding the case is fourfold:

1. *The pre–World War I era, 1890 to 1914*, which inaugurated a ‘national minimum’ of arbitrated employment standards, and furnished their institutional context alongside trade and immigration policies, and pioneering if residualist and often discriminatory social security measures.

2. *The period from the end of World War I to the mid-1980s*, which saw the comparatively early emergence of the welfare state, the solidification of its relationship with the employment relations system, and the subsequent expansion of social protection after World War II and up to the 1980s.
3. The restructuring of social protection from the mid-1980s to the mid-1990s, highlighting the markedly different relationship between employment relations and social policy that was formed in Australia as compared with New Zealand.

4. Developments from the mid-1990s to the current time, highlighting the re-convergence of Australia and New Zealand, as each has mainly emulated the other. The significance of the more closely intertwined relationship between employment relations and social policy is constructed as a function of home-grown but transnationally dependent trajectories in workfare. Implications are drawn for other contemporary welfare states.

The Case Study and Its Comparative Context

Social protection is dispensed through ‘regimes’, which provide forums for interaction between institutions. ‘Welfare regime-types’, a concept popularised among social policy scholars by Gosta Esping-Andersen (1990), comprise collections of social protection institutions which are similar, though never exactly the same, across several countries. Regimes also exist at the national and sub-national levels. However, instead of constructing social protection institutions in terms of ‘state, market and family’—as Esping-Andersen (1990: 26) did—the two national regimes in the case analysis are viewed through the lens of the socially protective relationship between employment relations and social policy. The purpose of the remainder of this chapter is to situate scholarly understandings of the two regimes in their international and comparative contexts, and to outline the methodology behind their comparison to each other.

Perceptions of similarity and difference between Australia and New Zealand vary, depending mainly on how many countries are in the comparative analysis, but also on the period being analysed. As might be expected, those who have sought to examine the two within the context of many-country, or ‘large-N’, studies have interpreted the two regimes as constituting basically the same social protection model. Those that have analysed Australia and New Zealand in two-country or otherwise
small-N studies have often emphasised the differences. The two were similar in the late nineteenth century, but diverged markedly in the 1980s and 1990s. There is much more to the story, however, in that it depends also on the implicit definition of social protection which is adopted. With few exceptions, the small-N studies have generally been either from employment relations or from social policy, and rarely have the two perspectives been incorporated in the same analysis.

The most important exception is Francis Castles (1985), whose oft-cited book *The Working Class and Welfare* directly compared Australian with New Zealand social protection while emphasising similarities through a long period in time. Castles essentially constructed them as one model, captured in the concept of a ‘wage-earners’ welfare state’. He argues (Castles 1985, 1996) that the two countries’ welfare states developed earlier than, and were different to, the welfare states of Europe. In terms of substance, the central difference between these two regimes and their Western European counterparts lay in the exceptional role of minimum labour standards in Australia and New Zealand. In qualifying this difference, Castles contended that in addition to employment relations, the overall pattern of social protection relied on a combination of industry protection, restricted and selective immigration, and a ‘residual’ social security system.

That Australia and New Zealand had this four-pronged regime in common through much of their history is not in itself contested here. However, it is argued that there are two main problems with accepting the wage-earners’ welfare state account. First, as argued earlier, Castles’ account treats the employment relations system as largely static. It is barely described, and it is implicitly assumed to be hardly changing over time. Second, it overstates the historical similarities between Australia and New Zealand. The alternate account presented in this book introduces dynamism to the employment relations dimension of social protection. It also yields a different basis for comparative social protection analysis in general.

Having made the argument earlier that the international literatures of employment relations and social policy have developed somewhat separately, it is important to briefly review the state of knowledge on social protection in Australia and New Zealand specifically.
Large-N Comparisons

Examinations of ‘corporatism’ in national policy have generally placed Australia and New Zealand alongside each other. There is nothing innately wrong with doing so. Corporatist analysis involves assessments of the strength and influence of political ties and negotiations among national-level interests, principally labour, business and the state. The policy traditions of Australia and New Zealand are generally both situated in the category of either ‘low’ or ‘intermediate’ corporatism (e.g. Bruno and Sachs 1985; Calmfors and Driffill 1988; Freeman 1988; Siaroff 1999). The existence of compulsory arbitration through much of their modern histories is sited as the main reason. Beyond this, more detail is rarely offered; nor is it required for multi-country comparative studies.

Analyses of welfare regime types have for the most part placed Australia and New Zealand in the same category, as ‘liberal’ welfare states (e.g. Bambra 2012; Esping-Andersen 1990, 1996; Ferragina and Seeleib-Kaiser 2011; Karim et al. 2010; Lewis 1992; Shaver 1990, 1995; Taylor-Gooby 1991). The liberal welfare regime is characterised by highly selective and ‘residual’, as opposed to universal, state welfare schemes, allowing the market significant freedom to determine living standards and the distribution of income and life opportunities with minimal state intervention. This is in contrast to the other two main categories of welfare state: the ‘social democratic’ type, which mainly included the Scandinavian countries, and the ‘conservative-corporatist’ regimes of countries such as Germany, Italy, Austria and France.

Castles and Mitchell (1992, 1993) challenged the welfare regimes approach on the classification of Australia, New Zealand and the United Kingdom, based on their argument that these three constitute a ‘radical’ collection of regimes, with relatively low indirect but high direct taxation, low social expenditures and almost non-existent social insurance contribution systems, and redistributive labour market regulation patterns. Importantly, however, while the welfare regime types and the families of nations scholars have the relationship between work and welfare as
important elements, they do not in any meaningful sense consider the importance of employment relations systems.

This suggests that more specific research on Australia and New Zealand is needed.

**Small-N Comparisons**

More targeted research is available. Direct-comparative or small-N analyses of Australia and New Zealand—which typically include these two countries and may include one or two more—are important because they are naturally able to provide greater institutional and policy detail on each country. Authors in the small-N category are particularly effective in revealing the factors which cause similarity and difference between the regimes of interest. However, given that such studies have emerged mainly since the late 1980s in relation to Australia and New Zealand, much of this work seeks to come to terms with the major divergence which occurred between the two regimes from the mid-1980s and the mid-1990s. There is some research on the period since and to the current time, though there is less of it.

Small-N authors delve into important differences with respect to employment relations change (Ahlquist 2011; Barry and Wailes 2004; Bray and Haworth 1993; Bray and Nielson 1996; Bray and Rasmussen 2018; Bray and Walsh 1993, 1995; Brosnan et al. 1992; Gardner 1995; Sandlant 1989; Wailes 1999; Wailes et al. 2003), social policy (Castles 1996; Castles and Pierson 1996; Castles and Shirley 1996; Deeming 2013; McClelland and St John 2005; Wilson et al. 2013), state reorganisation and change in public administration (Boston and Uhr 1996; Considine and Lewis 2003; Schwartz 1994a, b, 2000, 2010), and economic policy and economic outcomes (Ahlquist 2011; Castle and Haworth 1993; Easton and Gerritsen 1996; Goldfinch 2000; Quiggin 1998). Despite its greater importance to the current book, however, consistent with the comparative literature at large, direct Australia–New Zealand comparativism has thus far largely reproduced the divide between employment relations and social policy (Ramia and Wailes 2006). The effects of that tendency are analysed in Chaps. 2, 3, 4, 5 and 6.
Moving Beyond the ‘Wage-Earners’ Welfare State’ Model

The divide in the literature reinforces the importance of Castles, given that he is something of a lone voice in the existing social protection literature. The separate evolution of the employment relations and social policy fields is partly addressed by his ‘wage-earners’ welfare state’ model, which formed the basis of the predominant framework substantively comparing Australia and New Zealand on social protection. In this sense it is the precursor analysis to this book.

Coming to prominence three decades ago, the model has since been variously reiterated, reified and updated in many scholarly pieces comparing developments in the two countries (Castles 1990; 1993a; 1996; Castles (ed.) 1993b; Castles et al. 2006; Castles and Mitchell 1992, 1993; Castles and Pierson 1996; Castles and Shirley 1996), and in work specifically focusing on Australian developments since the mid-1980s (Castles 1987, 1988, 1989, 1994, 2001, 2002, Castles and Uhr 2007). Castles argued that there are four planks of the traditional Australian and New Zealand social protection pattern. Minimum wages, decided mainly by industrial arbitration tribunals, was the first plank, generally differentiated according to the gender of the worker, such that men were accorded higher rates than women based on the assumption that men were more often financially responsible for the family. Thus gender inequality was a legally institutionalised feature of the system. The second plank of the wage-earners’ welfare state model was industry protection, which was used as a policy tool by both Australian and New Zealand governments to entice—in the case of Australia, to compel—employers to provide comparatively high-level minimum wages.

Third, selective and restrictive immigration policies were utilised as a method to exclude workers from countries where labour was relatively poorly paid, thereby theoretically disallowing the wages of Australian and New Zealand workers from being undercut. The fourth and final plank was the system of state welfare, and social security in particular, which was overwhelmingly selective and mainly ‘residual’, meaning that it was designed to protect only those who could not work. The welfare state as
traditionally understood thus mainly picks up the social protection pieces upon the ‘failure’ of the market and the family.

Castles’ depiction of Australia and New Zealand has been either implicitly or explicitly accepted by most social policy scholars (Bryson 1992, 1994; Bryson and Verity 2009; Carney and Hanks 1994; Cass and Freeland 1992; Deeming 2013; Fenna and Tapper 2012; Jones 1990; Saunders 2006; Saunders and Deeming 2011; Wilson 2017). Some employment relations analysts have similarly accepted it as reflecting the traditional context, or at least a context, within which the employment relations system operated; that is, to the extent that they deal with broader social protection at all (e.g. Barry and Wailes 2004; Bray and Haworth 1993; Bray and Walsh 1993, 1995; Nolan and Walsh 1994; Sandlant 1989; Treuren 2000).

Despite capturing the scholarly community, however, as an explanation of the historical patterns of social protection in the two countries the Castles model has several shortcomings. These fall into two main categories. The first is from the comparative perspective, and the second is from the historical perspective.

From the comparative viewpoint, Castles underplays the differences between Australia and New Zealand through time. Hence, an alternative or complementary comparative approach should more comprehensively set out the factors separating the two regimes while also not underestimating or underplaying the similarities. The second set of criticisms—deriving from viewing the wage-earners’ welfare state model as a historical analysis—relate mainly to its portrayal of how the key institutions underpinning social protection evolved, and the importance of their evolution for deciphering the differences between Australian and New Zealand.

In addition, however, the third problem stems from Castles’ treatment of arbitration. In an almost total failure to acknowledge its importance after being first introduced—in the 1890s in New Zealand and the early 1900s in Australia—his model assumes implicitly that arbitration, once created, remained virtually unchanged. In addition, the nature of its relationship with both state welfare and the broader social protection regime remained relatively constant. This, it is argued here, is the model’s most serious shortcoming.
Castles did not capture the significance of two key institutional departure points on arbitration between New Zealand and Australia: first, the existence of national minimum labour standards outside of the arbitration system in the former, and their effective absence in the latter; and second, the different institutional means by which equal pay regulations were channelled in the late 1960s and 1970s, those of Australia being introduced through arbitration and New Zealand’s being through non-arbitral legislation. As will be discussed further, these differences point to features which helped to shape, and were reflective of, the greater institutional and political commitment to arbitration in Australia. This is the great separator.

That commitment lives in varying forms to today, and it is a central ingredient in this analysis. As demonstrated in several of the chapters which follow, analysing the intricacies of the politics of arbitration is important for understanding the paths taken in both employment relations and social policy since the mid-1980s, as policymakers in New Zealand always had on offer a non-arbitral safety net to fall back on once arbitration waned in importance, as happened in both countries in the first three decades after World War II.

Relating to the second category, the historical perspective, the wage-earners’ welfare state framework failed to explicate the broader institutional configuration of employment relations. In particular, it did not pick up on the embedding of Australia’s arbitration system within a relatively rigid Constitutional framework,1 specifically, the much more modest role for the Australian national government in directly regulating minimum labour standards. This factor allowed New Zealand more institutional and political leeway in relation to minima. This, as argued, shaped other differences through time.

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1 While New Zealand has never had a formal written document called the Constitution, and Australia has, since 1901, all nations and indeed all jurisdictions at least have ‘small c’ constitutions which reflect the way the state is administered or formally regulated in law and unofficially or informally regulated in practice.
The book makes no particular claim to innovation in methodology, and it is more concerned with methodological application. In substantiating its argument, the book utilises long-standing and more recent developments in ‘historical institutionalism’. The analysis relies strongly, though by no means exclusively, on Steinmo, Thelen and Longstreth’s (1992) Structuring Politics, and Mahoney and Thelen’s (2010) ‘theory of gradual institutional change’. Historical institutionalism is particularly useful where the institutions in focus are evolving over time and typically located at the ‘meso-level’. Such applications are well established (e.g. Capano and Howlett 2009; Hall and Taylor 1996; Mahoney and Thelen 2010; Streeck and Thelen 2005; Thelen 1999). That is, they lie between the macro-systems of so-called old institutionalism as represented by scholars such as the Webbs (1897; 1894; 1911), and micro, individual preference-based frameworks, which are less relevant here.

Social policies and employment relations systems are typical examples of meso-level institutional arenas. They present problems of incremental historical evolution and not merely representations of recurring or intermittent ‘exogenous shocks’. The case for this kind of research was made effectively by Mahoney and Thelen (2010: 4):

We have good theories of why various kinds of basic institutional configurations – constitutions, welfare systems, and property rights arrangements [one can add employment relations systems] – come into being in certain cases and at certain times. And we have theories to explain those crucial moments when these institutional configurations are upended and replaced with fundamentally new ones. But still lacking are equally useful tools for explaining the more gradual evolution of institutions once they have been established. Constitutions, systems of social provision, [employment relations systems] and property right [sic] arrangements not only emerge and break down; they also evolve and shift in more subtle ways across time. These kinds of gradual transformations [are] all too often left out of institutionalist work.
The book prioritises the gradual transformations. On the associated question of the causes of institutional change and the need for long-haul history, the same authors argue:

In the literature on institutional change, most scholars point to exogenous shocks that bring about radical institutional configurations, overlooking shifts based on endogenous developments that unfold incrementally. Indeed, these sorts of gradual or piecemeal changes often only ‘show up’ or ‘register’ as change if we reconsider a somewhat longer time frame than is characteristic in much of the literature. Moreover, when institutions are treated as causes, scholars are too apt to assume that big and abrupt shifts in institutional forms are more important or consequential than slow and incrementally occurring changes. (Mahoney and Thelen 2010: 2)

The analysis in the book is simultaneously comparative and historical (Lange 2012; Mahoney 2004). Australia and New Zealand are chosen for the case study because their policy regimes were historically similar, as acknowledged in the comparative literature discussed earlier, but they have taken both divergent and re-convergent paths in recent decades, having undergone both slow transitions and intermittent radical changes. Traditionally they were what some comparativists—inform led by John Stuart Mill’s (1882) ‘method of difference’—refer to as ‘most similar cases’ (Wailes 1999; Wailes et al. 2003). This makes their comparison compelling.

What Follows

Following the current chapter, Chap. 2 discusses the period from the 1890s to World War I, outlining and comparing the British ‘national minimum’–based social protection platforms of Australia and New Zealand as the case study countries. Chapter 3 furthers the comparative history by discussing the consolidation of the relationship between employment relations and social policy over the period from World War I to the 1940s. Chapter 4 covers the 1950s to the early 1980s.
The differences between the two countries became most marked in the 1980s and 1990s. These are captured in Chap. 5, as Australia moved into a new coupling of employment relations and social policy under a quasi-corporatist national wages and incomes ‘Accord’, while New Zealand embarked on a path of decoupling as part of an internationally infamous and radical model of neoliberalism. As outlined in Chap. 6, this picture of divergence gave way to a re-convergence form the mid-1990s to the present time, principally around the integration of employment relations with social policy. The importance of both historical and new or emerging similarities and differences is also emphasised. Finally, Chap. 7 examines the international and conceptual implications of the case study findings for other countries.

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Governing the Work-Welfare Relationship

Welfare in the Late 1980’s: Reform, Progress, or Retreat (Social Welfare Research Centre Reports and Proceedings no. 65) (pp. 91–104). Kensington: University of New South Wales.


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2

A Relationship Dominated by Employment Relations

Introduction

An identifiable relationship between employment relations and social policy began in earnest in Australia and New Zealand before anywhere else, during the quarter-century before World War I. The relationship was not one with equal partners, as the two arms of social protection had different starting points. In his account of the wage-earners’ welfare state, Castles (1985) makes that clear. His narrative misses key aspects of protection, however, which were to prove important both within the period and as each national regime developed into the future. The objective of this chapter is to account for the employment relations and social policy dimensions of social protection in the Australian and New Zealand settings with reference to the period from the 1890s until the Great War.

The importance of this chapter to the book as a whole is underlined by the birth of formal social protection during the period in question. Given this, the similarities and differences between Australia and New Zealand which developed in this era indicate the importance of the institutional inertia which characterises social protection through time. Employment relations were the predominant protective dimension in both countries.
There was one main programme in each country that can be understood to be absolutely at the core to what became the welfare state, and that was the public pension, but there was in actuality no welfare state as such. In this way, the two regimes were similar, as the existing literature finds that they were. However, several major differences were manifested. The historical and comparative significance of these differences has been largely missed by all of the major strands of the comparative literature.

The differences stemmed mainly from two key factors relating to the interplay between politics, policy and institutions. Some of the institutions lay within and some outside of the social protection realm, strictly speaking. First, Australian social protection was mainly influenced by ‘labourism’, in the sense that labour movement strategy was the major driving force behind the institutions developed. By contrast, in New Zealand the government adopted its regime while taking greater notice of the interests of farmers. New Zealand had no political party which grew from the trade union movement. In addition, from its inception the Australian arbitration system was embedded within the Constitution and its function was constitutionally defined, whereas its New Zealand counterpart was established by government, with few if any constitutional guidelines as to its function. The New Zealand system was therefore set to be significantly more vulnerable to challenge by both trade unions and employers. The role and scope of factory legislation during the period were also a source of difference between the two regimes, mainly in that its New Zealand variant was nationally applicable, whereas in Australia its role at the national level was effectively quashed by the federal Constitution, severely limiting the hand of the national government in the direct regulation of working conditions.

Finally, the more explicit relation of arbitrated minimum wage standards to family needs in Australia, coupled with the stronger link drawn in that country between minimum wage determination and tariff protection, made arbitration a more historically entrenched component of social protection. This, when combined with constitutional limitations on national government involvement in state welfare in Australia, set in train a social security system which was less extensive than its New Zealand counterpart was.
The first section of the chapter discusses the social, economic and industrial backdrop within which policy was formulated in both Australia and New Zealand. In doing so it provides the historical backdrop of the remainder of the comparative discussion. The second section covers Australia specifically, and the third discusses New Zealand. Each of the Australian and New Zealand sections outlines the social protection regime as expressed in minimum labour standards, respectively through factory legislation, industrial arbitration mechanisms and their policy accommodations, and state welfare programmes. Finally, the fourth section provides a comparative analysis of the two social protection regimes, pointing to the main similarities but also the major differences in both the substance of policy and the institutional and political backdrop within which policy was formed.

The Trans-Tasman Context

During the late nineteenth and early twentieth centuries, many of the kinds of minimum standards advocated by British and European theorists and social reformers were developed in Australia and New Zealand (Deakin and Green 2009; Macarthy 1969; Palmer 1931). The two countries were separated geographically by the Tasman Sea, on the other side of the world from Europe. Australia and New Zealand began their non-Indigenous histories as British colonial settlements, but at different stages. Australia was settled in 1788, becoming a federation of States in 1901. New Zealand was settled in 1840, though it became a unitary state in 1876. The difference in the structure of the state would prove important, as will be seen later, but in both countries conditions for implementing national minima were more favourable than they were in Britain. Social protection was hard-fought, and reforms, many of them world-leading at the time, were won in the context of major social and economic upheaval.
From a ‘Paradise’ for Workers to Economic Depression

From a comparative perspective, between 1860 and 1890 Australia was economically highly productive. Indeed, in 1870, it boasted a GDP per capita which was almost 75 percent greater than that of the United States, making it the most affluent country in the world (Caves and Krause 1984: 5). This prompted the comment that Australia was ‘born rich’ (Schedvin 1987: 21). British foreign investment in the period was diverted from other countries to Australia, feeding into massive public and private investment projects. The private programmes expanded the pastoral and extractive industries—including gold, silver, coal and base metals—while public investment focused upon the building of transport facilities, and, to a lesser degree, on urban social amenities such as water and sewerage. Macarthy (1967a: 45) argued that the willingness of Australian governments to become involved in economic and social affairs was in turn fed by pressure from pastoralists and business interests, which benefited from the state amenities to service their own enterprises. Industrial infrastructure thus grew relatively rapidly. In the Australian Colonies of New South Wales and Victoria, the government was the largest employer (Markey 1982).

With the exception of the pastoral sector, industry was highly labour-intensive, and there were considerable labour shortages. These shortages in turn furnished relatively high wage rates for Australian workers, and low wage differentials between skilled and unskilled workers (Butlin 1964), given the particularly labour-intensive nature of many industries. Australia was seen as a ‘working-man’s paradise’ (Castles 1988: 111–118). This optimistic view of Australian working life during the period, however, has been questioned by authors such as Patmore (1991) and Lee and Fahey (1986), who argue that such assessments are based upon aggregate statistics and employers’ comments on labour scarcity, and thus do not reflect actual earnings. Further, Patmore (1991: 47–48) argues that earnings were somewhat irregular, largely because work was seasonal, temporary and casual. And in larger city settings, such as those of Sydney and Melbourne, slums developed. Regardless, it is generally agreed that the conditions of Australian workers were favourable on a
comparative basis. Patmore (1991: 67) does acknowledge, for instance, that wage differentials in Australia were lower than they were in Britain, and that the relative position of Australian low-paid workers was comparatively favourable.

Between 1860 and 1890, New Zealand sat alongside Australia, the two being regarded as the richest in the world (Castles 1985: 95; Davidson 1989). During the 1860s and 1870s pastoralism was New Zealand’s most lucrative economic pursuit. As a sign of the growth of the sector, between 1861 and 1870, the number of sheep in in the country increased 350 percent (Gardner 1981). In the 1860s the two staples were gold and wool, but by the mid-1870s wool had become the only staple, gold reserves having been depleted. By 1869 New Zealand had plunged into depression. Its people were compelled to look to the state as ‘the only agency with the power to lift the Colony out if its stagnation’, and ‘to Britain as a generator of Colonial development’, spawning an economic relationship which was to strengthen considerably from 1870 (Hawke 1985).

In consummating ties with New Zealand, Britain sent Julius Vogel, Colonial Treasurer from 1869, to take firm steps to rejuvenate the economy, principally through extended public works. His approach was characterised by a ‘unified framework of national development’, requiring the overriding of sectional interests (Woods 1963: 19). The finance for the development was raised in England, and immigrant labour was brought in to occupy the land after the jobs were created. The relatively harsh conditions faced by English agricultural workers meant that this was a group which was easy to convince to emigrate to New Zealand. From 1871 to 1880, in excess of 100,000 immigrants arrived in the Colony, 50 percent being English, 16 percent Scottish, and the remainder German and Scandinavian (Sutch 1966: 54–57).

Vogel left office in 1876, by 1877 world prices had begun to fall, the government began to limit its borrowing and spending, and New Zealand entered a period of industrial depression which lasted until 1890 (Sutch 1966: 58–81; Gardner 1981: 75–83). During these years, New Zealand became urbanised, due more to an increase in the populations of the cities than to a movement of people from rural areas to urban areas.
Provincialism was on the way out, and New Zealand’s provinces were abolished in 1876.

A decade later, Australia also fell into depression, forcing bank closures, company failures, wage cuts and underemployment (de Garis 1974: 217–225). Though there is little reliable data available, one historian estimates that, at its height in 1893, the depression delivered an unemployment rate of 28.3 percent (Macarthy 1967a). There was a return to prosperity in 1900–1901, but this was brief, and drought prolonged the economic stagnation until 1906.

‘New Unionism’

Associated with the movement towards depression from the late 1880s in Australia was a fundamental restructuring of industry, which brought with it a change in the conduct of relations between employers and workers. The industrialisation which was occurring placed new demands on workers, who began to see the greater importance of being organised into unions. The concept of ‘new unionism’ has been used to describe this seemingly different basis of union organisation. New unionism was generally characterised by ‘the extension of unionism beyond urban tradesmen to workers in industries such as mining, railways, road transport, shipping, pastoralism, and construction during the 1870s and 1880s’ (Patmore 1991). This additional sector of the union movement reflected the unionisation of unskilled and semi-skilled workers, thus taking unionism beyond the craft basis which the movement had developed from Britain, though unions remained predominantly craft-based organisations.

Controversy exists, however, among labour historians as to how truly ‘new’ the new unions were. Turner (1976), for instance, claims that new unions characteristically organised workers who were not organised into craft (or occupational) unions, the traditional basis of Australian trade unionism. They had an open membership, did not seek benefits such as unemployment pay, were usually intercolonial rather than locally based and were more militant and politically radical than craft unions. On the same side of the debate, Markey (1982: 106) argued that new unionism
was associated with the ‘proletarianisation’ of the Australian working class. On the other hand, authors such as Patmore (1991: 67–68) and Docherty (1973: 61) argued that there is no easy distinction between the old and new unions since there is no clear historical dividing line between them. Regardless, it is credible to assume that, though the point in time at which new unionism took hold is uncertain, and though union membership suffered a crisis in the 1890s, there was a change in the type of unions within which workers were organised.

‘New unionism’ is also a concept used to describe New Zealand in the same era. There, union membership rose steadily from the 1870s, and more dramatically after 1899–90 (Deeks et al. 1978; Roth 1973; Olssen and Richardson 1986). A high proportion of the new unions were in semi-skilled and unskilled occupations, as well as some among women workers. In 1889–90, a myriad of new unions were formed, the number rising in Auckland from seven in early 1889 to thirty-four in late 1890. Holt (1986: 19) argues that new unionism in Britain and Australia had a ‘stimulating effect’ on unionism in New Zealand. Other explanations exist, however, including one which states that the economic upswing of the period enhanced labour’s bargaining power, encouraging workers to join unions (Sinclair 1961).

**Industrial Unrest**

The shift in union structures in the two countries was also important as an indicator of a shift in industry. Together, these two factors lay at the heart of a turning point in employment relations which was marked by an increase in industrial action. In Australia, a series of major strikes occurred, beginning with the maritime strike of 1890. This was as close to a general strike as Australia had yet come to in its history. From April to July 1890, the maritime unions were putting pressure on the owners of ships engaged in coastal trade for improvements in wages and other conditions. The employers did make concessions to the wharf labourers and the seamen. However, the Marine Officers were informed that a deal would be struck only if they cancelled their recent affiliation with the
Melbourne Trades Hall Council. On 16 August, the workers struck, having rejected the ultimatum.

Soon the wharf labourers, stewards, seamen and cooks struck in sympathy, but also partially because of grievances of their own. The maritime strike highlighted the clash of two conflicting desires: of the shipping employers to hire whomever they deemed suitable, and of the trade unions to refuse to work alongside non-union labour. This conflict was at the heart of the other disputes of the period. For example, a strike by the Queensland shearers and another in 1894 were in response to the use of non-union labour. The New South Wales Coalminers also struck another three times between 1892 and 1896, without success. The employers had asserted their prerogative to hire non-union labour with the help of the state (de Garis 1974). As discussed further on, this form of state assistance to employers, which effectively represented a tacit partnership between the two parties, partially explains the establishment of arbitration.

The great conflicts which occurred in New Zealand from the late 1880s to the 1890s mirror, and to a large extent are intimately connected with, those in Australia. When the first wave of strikes occurred in New Zealand, between 1872 and 1875, prices were rising, the economy was booming, and there was a shortage of labour. All of these factors worked in favour of striking workers in their quest to increase wage rates (Woods 1963). However, in the depression after this period, the strike weapon became virtually ineffective as the unemployed workers, who were often destitute, were ready to take up positions lost by strikers. Also, a high proportion of workers were not unionised, making it doubly disadvantageous to strike. During this stage, working conditions deteriorated. Wages fell, hours of work lengthened, and the labour of children replaced that of adults. As will be seen, it was this climate which prompted the establishment of a body of factory legislation providing minimum labour standards.

By 1885, however, unionism had both gained in strength and to some extent in unity. In that year, the Trades and Labour Congress met in Dunedin, and again the following year in Auckland (Sinclair 1961: 182). In 1885, a union of miners struck on the basis of employer refusal to employ union labour. The union was defeated because it was without
funds and lacked outside support, and it was temporarily disestablished. A series of strikes followed in the late 1880s in response to the lowering of conditions, and out of efforts for employer recognition of trade union rights. Such strikes were often sporadic, local and poorly organised. However, in 1890, the maritime strike, which began in Australia over the dismissal of a union delegate on a steamship, spread to New Zealand (Richardson 1981: 197–198), affecting mainly the waterfront and the coal mines.

It has been estimated that 50,000 Australian and 10,000 New Zealand workers were directly involved in the maritime strike, and 200,000 women and children were financially dependent upon the strikers (Deeks et al. 1994: 43). Its potential impact in terms of social protection upon workers who were dismissed, and their families, was thus significant. As it turned out, the strike lasted for fifty-six days and was conducted when farmers and farm workers were available to act as strike-breakers. In addition, public opinion was against the strikers, largely because the issue was thought to be an Australian one, and thus had its basis externally to New Zealand. The unions were defeated, employers could institute the condition that workers be non-unionised and as a result the number of unionists declined.

**Australia**

Long before the 1890s, the state had taken an interventionist stance on the employment relationship. However, many of the early legislative interventions were antithetical to social protection, being merely instruments to control labour, thus strengthening the hand of the employer. This applied to Australia as it did to Britain. More than seventy statutes which treated the employment relationship as one of ‘masters and servants’ were passed between 1828 and 1900 (Quinlan 1989; Patmore 1991; Merritt 1980, 1982). These were designed to place restrictions on labour mobility, worker abscondence and misconduct. Special legislation regulating the merchant seamen and whaling workers was also implemented, mainly because maritime transport was important to remote colonies dependent on trade, and thus the legal control of workers in the
industry was seen as important. In this context, social protection was all the more necessary.

**Minimum Labour Standards Through Factory Legislation**

Faced with state hostility in the form of masters and servants legislation, many unions sought the advancement of their rights through friendly society laws (Ebbels 1965). As the colonies developed further, however, the legal system gradually became less repressive and more protective of workers and trade unions. For instance, all colonies except Western Australia adopted the (British) *Trade Union Act*, 1871, which protected the funds of unions and deemed that their activities were not in restraint of trade (Gollan 1960). In shaking off the free-market ideological assumption that trade unions necessarily impede employers’ decision-making capacities, and that they place restraints on trade and market forces generally, this piece of legislation represented a significant development in the shift from worker-hostile to worker-friendly legislation. Factory legislation furthered this process again. The story of the growth of these laws is one of the incremental extensions of protection to workers over time. The beginnings were in the late nineteenth century.

In addition to trade unionism, factory legislation based on the British model was the predominant means of legal protection for workers before the introduction of compulsory arbitration. In Britain, factory laws were the main means used in the fight against ‘sweated’ labour in Britain. More significantly, however, it was the primary vehicle for creating what the Webbs (Webb and Webb 1897, 1911) called the ‘common rule’, which was their conceptual basis for national minimum. Factory legislation used statutory means to implement irreducible minimum standards regarding conditions of work, though, as will be seen, their coverage was typically far from uniform within and across industries. The ‘common’ aspect of the ‘rule’ that expressed the minimum standard often did not apply.

In Australia, the first of such legislation was established in the colony (from 1900 the State) of Victoria as the *Factories Act*, 1873. Primarily a
response to disapproval within the press of the poor working conditions of women in the Ballarat clothing trade, this Act defined a factory as employing ten or more workers, and prevented women from working more than eight hours. Employers, however, were able to evade the Act by reducing the size of their workforces to nine, opening smaller workshops and using outworkers. The Act also suffered the limitation that factory inspection, designed to police implementation, was highly ineffective. A new Act in 1885 made the provisions more effective by reducing the minimum number of employees to five, and then by an amendment in 1893 to four. The new Act also improved inspection, and included provisions for cleanliness, air, space and sanitation within the workplace. It also regulated the opening hours of shops, dictating that seven o’clock should be the latest evening closing time during weekdays, and ten o’clock on Saturday nights, though shops selling certain types of food and perishable products were exempt (Coghlan 1918/1969: 2089). However, the Act only applied to cities, towns or boroughs. Employers could thus shift the location of their operations and offer outwork. The 1873 Act provided health and safety regulations, the protection of child and female labour, and inspection (Markey 1988).

From 1862, the colony of New South Wales implemented statutes regulating coal mines. In 1876, legislation prohibited the employment of females of all ages, and boys under thirteen years of age, and restricted the working hours of male and female youths between thirteen and eighteen years of age (Markey 1988). In another important piece of legislation, in 1890, the New South Wales legislature passed a *Census and Industrial Returns Act*, by which the government statistician was empowered to report on the condition of factory and other employment in the colony. Based upon investigations of factories and workshops in all of the major population centres of the colony, during 1891 and 1892, the statistician reported that lack of sanitation and the significant incidence of home work, often underpaid, were the key problems. It was also found that apprentices were often not paid at all. In 1896, albeit after a significant delay, a *Factories and Workshops Act* was passed, modelled on the Victorian Act of 1885 (Coghlan 1918/1969). The New South Wales legislation was limited, however, mainly by three factors: first, its minimum provisions for safety, ventilation and the limitation of the hours of women and
children were restricted to the large urban centre, Sydney; second, inspection was largely ineffective; and third, government employees were beyond the Act’s reach.

The piece of legislation with the most successfully applied provisions and which came closest to the implementation of the national minimum—though it applied only in one colony—was the 1896 Victorian Factories and Shops Act. This extended the coverage of the 1893 amendments to the 1885 Act in several ways. First, it broadened the definition of a factory to include ‘every place in which furniture was manufactured, to every place in which Chinese were engaged in laundry work, and to all industries where four persons were employed, excepting those carried on by charitable institutions’ (Coghlan 1918/1969: 2093). Greater powers were given to factory inspectors, including the capacity to prosecute any employer who provided an insanitary factory or workshop. Chief inspectors were given the authority to condemn any workplace considered unsafe or dilapidated. The provisions covering the employment of children and young persons were strengthened, and hours of work regulations were made more stringent. The Act prohibited the employment of any child under thirteen years of age, and no female person of any age, and no boy under sixteen years, could be compelled to work more than a ten-hour day, or after nine o’clock in the evening. In furniture factories and laundries where a Chinese person was employed, work was not to begin before 7.30 am and could not continue after 5.30 pm on weekdays, or 2 pm on Saturdays. All Sunday work was made illegal (Coghlan 1918/1969).

A few years after Federation, which transformed the colonies into States of the Commonwealth of Australia, innovations in national minimum labour standards came from arbitration mechanisms and their policy accommodations, and not from factory legislation.

**Wages Boards and Compulsory Arbitration**

The 1896 Victorian Act was significant not merely for its improvement on previous Australian legislation in terms of coverage, and hence its protective capacity, but also because it set down guidelines for the
establishment of wages boards in specific trades or industries in that colony. The wages board and arbitration systems of the colonies were highly similar in intent, each with the state as primary player but allowing unions a place to advocate for higher minimum labour standards.

The term arbitration has been used as shorthand for both the procedures of conciliation and arbitration on the one hand, which applied in all but two of the Australian colonies, and wages boards on the other, which prevailed in Victoria and Tasmania (Macintyre and Mitchell 1989). With some variations, depending on the state (or the colony before 1901), compulsory arbitration involved state tribunals in the exercise of a legal responsibility to settle industrial disputes and give their decisions the force of law. Within arbitration guidelines there were usually provisions for the registration, and therefore recognition, of unions, and either trade union or employer ordinarily could take the other party to the tribunal for a dispute to be arbitrated.

The wages boards systems used tribunals of an equal number of employer and employee representatives within a particular industry, and a chairperson who, at an industry level, periodically determined minimum wages and other conditions. The wages boards did not require formal disputes to call the procedure of determining working conditions into force, whereas arbitration generally did. Boards also did not require the registration of bodies representing workers and employers; neither did they place limitations upon direct action between the parties. Both of those characteristics did not apply to arbitration. However, the wages boards and arbitration systems shared the element of compulsion. Both could compulsorily determine wages and other working conditions, and force all parties in an industry or occupation to comply with the determination (Patmore 1991). Though arbitration also existed in New Zealand, as discussed later in this chapter, it was this feature which was missing in similar systems internationally, notably in Britain, Europe and North America (Mitchell 1989).

The establishment of wages boards and arbitral tribunals from the 1890s was part of the already extensive role played by the state since the middle part of the nineteenth century in the regulation of the economy and employment relations (Schedvin 1987; Brugger and Jaensch 1985: 3–23; Patmore 1991; Quinlan 1989; Macarthy 1967b; Markey 1982).
But both trade unions and employers played important roles in the establishment of arbitration. Some authors have argued that the unions, weakened by economic depression and defeats in the strikes of the 1890s, were forced to compromise their traditional opposition to state intervention in the employment relationship and allow the state to impose binding resolutions to industrial disputes and determine wage levels and other working conditions (Gollan 1960; Macarthy 1970; Rickard 1976). Thus the union movement had to have faith that the state had switched the emphasis of legislation away from repressive regulations established under masters and servants law, as discussed earlier. Another union consideration was that factory legislation, which was protective, still had limitations. Fitzpatrick (1949: 228–229) argues that employers initiated arbitration in order to dilute the militancy of unions. In this view, the unions were generally not opposed to arbitration because in the name of expediency they saw it as a feasible alternative to direct bargaining. On the other hand, others suggested that, far from forcing arbitration upon trade unions, employers generally fought against it, even though they came to see it as beneficial after 1905, by which time the economic downturn had been reversed (Patmore 1991; Macintyre 1989; Plowman 1989). Generally speaking, however, arbitration was predominantly a union goal as it was seen as an avenue for the maintenance and improvement of worker protections.

Arbitration models adopted in Australia and New Zealand were exceptional in having the element of compulsion, but they did have international antecedents (Mitchell 1989). In the United Kingdom, commercial arbitration dates back to Saxon times, dealing only with existing commercial contracts. The legislative regulation of wages and other conditions had its origins in the 1349 Ordinance of Labourers. This involved magistrates and justices of the peace in the settlement of disputes and the establishment of some working conditions in particular industries. The industrial revolution and the ascendancy of the doctrine of laissez-faire, however, curtailed the usage of third-party intervention, and by 1800, when the Combination Act was passed, a trend of state abstention had begun, prevailing for most of the rest of the nineteenth century. Within this environment, non-compulsory commercial arbitration became the dominant form. Also in 1800, a Cotton Arbitration Act was passed,
allowing employers and workers to seek arbitration unilaterally on disputes over existing contracts and new grievances. However, the Act’s major pitfall was that it only recognised individual and not collective disputes. Both of these pieces of legislation were repealed in 1824. Between 1860 and 1890, voluntary industrial conciliation and arbitration boards were set up by employers and unions in particular industries, notably building and coal mining, though these were effectively forums facilitating collective bargaining.

Though some well-known European examples of arbitration also preceded the Australasian arbitration systems (Mitchell 1989; Patmore 1991), North American and particularly Canadian arbitration experiments were of most direct relevance. In the 1880s and 1890s several of the US states established legislative schemes whereby conciliation and arbitration mechanisms would play a role in determining working conditions, though these were for the most part based on the British voluntary model. In Canada, the most significant example lay in the Nova Scotia government’s enactment of the *Mines Arbitration Act* of 1888. Mitchell (1989: 82) argues that ‘this seldom-noted statute was the first in any English-speaking country to completely cast off the notions of master and servant … and to provide for a system of compulsory arbitration over disputes of interest between collectivities of workers and their employers’. However, it had its limits. First, it was limited to the coal-mining industry. Second, it only applied to disputes regarding wages, and not to other employment conditions. Moreover, there was no provision for the registration of trade unions in the arbitration process. Finally, it was only ever used twice.

The ‘classical form’ of Australasian compulsory arbitration (Mitchell 1989: 89) derived from key pieces of arbitration legislation in Western Australia (1900 and 1902), New South Wales (1901), the Commonwealth (1904), South Australia (1912 and 1915) and Queensland (1912 and 1916). These laws all shared certain key defining characteristics. First, tribunals, comprising courts, boards or a combination of the two, were a feature of each of them. Second, they each had a system of registering and regulating associations of employers and employees. Finally, they each had an administrative wing. The feature which distinguished them from comparable overseas experiments, however, was compulsion.
Kahn-Freund (1972: 93–94) attributes four possible meanings to the term ‘compulsory’ when applied to the resolution of industrial disputes. He argues that a system of dispute resolution is compulsory in the sense that the parties must use the procedure, whether or not they are allowed to reject the outcome or resolution; the procedure might be forced upon both parties to the dispute, such that either party or neither party need provide consent for the procedure to come into effect; the award is binding upon the parties, whether or not they accept it; or finally, while the procedure is in use, direct action such as strike or lockout is illegal. Mitchell (1989: 90) saw the last three categories as being generally applicable to the Australasian model, though the first was subject to legal interpretation.

‘New Protection’, Industry Protection and the White Australia Policy

While the federal or Commonwealth arbitration jurisdiction in Australia became the most significant, the arbitration system is best understood as an element in the broader policy of ‘New Protection’. This explicitly linked the provision by employers of fair wages with industry protection, mainly in the form of tariffs. The ‘essentials’ of New Protection had been developed in Victoria, where manufacturing was most advanced. In Victoria tariff protection was introduced from the 1880s, encouraged by a protectionist alliance between manufacturers and trade unions. Industry protection provided manufacturers more certainty with regard to profitability, such that it proved economically expedient for them to be socially ‘reputable’, mainly by ensuring workers had employment with fair wages and other conditions. The alliance had also formed the rationale for factory legislation to combat sweating (Markey 1982). As discussed further in this chapter but also in the remainder of the book, the state basis of arbitration in Australia, as against its unitary national basis in New Zealand, was an important difference for the purpose of comparative analysis.

In the early Australian Commonwealth, the linkage between industry protection and social protection for workers was made more explicit than
had been the case in Victoria. A contest between free traders and industry protectionists was resolved in favour of the latter in the form of New Protection, which became the basis for a ‘national social policy’ from the very early post-federation years (Markey 1982: 110; see also: Macintyre 1985; Macarthy 1970). A tariff was developed in 1902. Introduced a few years later, several Acts of Parliament applied the principle that tariff protection was conditional upon the employer providing fair working conditions. The most noteworthy of these were the *Customs Tariff Act* of 1906, which ensured the reputable employer double protection, with the imposition of import duties equal to twice the excise duty; and the *Excise Tariff Act* of 1906, which allowed the employer an exemption from excise duties if they could show to the satisfaction of the Arbitration Court that the wages they paid were ‘fair and reasonable’.

However, social protection by means of the policy of New Protection was pursued more broadly than just within the arbitration system, because decent wages and other working conditions were also made possible by a highly selective immigration policy, and the protection of those considered worthy of social security in their old age by means of pensions. Leaving pensions aside for now, the selectiveness of immigration—such that cheaper non-white labour was excluded—was also meant to protect conditions for Australian workers. The *Immigration Restriction Act* of 1901, the main legislative basis for the ‘White Australia Policy’, was designed to exclude ‘undesirable’ immigrants, establishing the principle that a prospective immigrant could be forced to undergo a dictation test in any European language. The Pacific Island Labourers Bill of 1901 complemented this by preventing Kanaka (Pacific Islander) labour in Queensland’s sugar industry. There was little opposition to the White Australia policy, the policy being the first substantial body of legislation enacted after the Federation (Markey 1982).

The White Australia policy was motivated by *two* interrelated factors, dating back at least to the 1870s: first, the protection of wage levels through the exclusion of cheap labour from ‘undesirable’ lands, mainly Asia; and second, by an express (racist) popular dislike of people of non-white backgrounds. It was popularly conceived that the challenge of safeguarding the conditions of Australian workers should be met by preventing undercutting by cheaper overseas competition, in much the
same manner as tariffs protected Australian industry from overseas competition. Racism, however, manifested itself in the desire to keep the race ‘pure’, lest ‘our sisters or our brothers should be married into any of these races to which we object’ (J.C. Watson, quoted in Markey 1982: 118).

The ‘Harvester’ Judgement and Minimum Wages

The Harvester wage decision of Justice H.B. Higgins, the second and most historically pivotal President of the Arbitration Court, was also used to prevent the wages of Australian workers from being undercut. The decision was also discriminatory, though on the basis of gender. In the famous case, the Sunshine Harvester Company applied to the Arbitration Court for an exemption of its excise duties under the *Excise Tariff Act*. In considering the application, Justice Higgins decided that this would be a test case for the establishment of a minimum wage based upon ‘the normal needs of the average employee, regarded as a human being living in a civilized community’, and not the profitability of the firm, though ‘the profits of the industry may be taken into account’ (Higgins 1920: 14, 17, 20). Based upon an assumption that ‘women are not usually legally responsible for the maintenance of a family’, and that men were, the minimum or ‘living’ wage afforded men a higher rate than women.

In deciding the Harvester case, Higgins argued that the purpose of his Court was not merely to ‘cut back the rising incidence of industrial strife’, but also ‘to provide a minimum standard of living for all Australian male wage earners’ (Macarthy 1969: 35). Higgins (1920: 14) argued that the *Conciliation and Arbitration Act* ‘was designed for the benefit of employees, and that it was meant to secure for them something which they could not get by individual bargaining with their employers’. Following the Webbs’ conception of a national minimum, the minimum wage was not a maximum or even an average wage, merely a wage floor. Higgins considered it important to allow for wage differentials according to ‘skill and other exceptional qualifications necessary for the successful performance of the work’; for this purpose he introduced a ‘secondary wage’ (Higgins 1920). This was also consistent with the national minimum

Despite being first set down in 1907, the minimum wage—or the ‘basic wage’ as it became known—was not received by most workers until the 1920s. There were two reasons for this: first, most workers were members of state and not federal unions; and second, the minimum wage could only be applied as new cases came before the court. However, the framework of the national minimum, channelled through the Arbitration Court, was established in 1907. The most important unions were interstate, and many ‘new unions’ registered under the Conciliation and Arbitration Act. Under the Act, both employers and trade unions registered with the Court, and could unilaterally enforce a decision by the Court in resolution of a dispute. Awards were legally enforceable, though before awards were formulated by means of arbitration, conciliation was encouraged. The Act prohibited strikes and lockouts, and awards generally imposed a ‘common rule’. In addition, as highlighted by Higgins (1920: 23) himself and historians such as Markey (1982: 114), most State arbitral tribunals began to follow the minimum wage concept set up by the Commonwealth Court.

State Welfare

Drawn during the two decades on either side of Federation, the Australian combination of wage protection and industry protection, alongside the White Australia policy, did not entirely complete the picture of the nation’s social protection pattern. The final element added was that of welfare outside of the labour market. The state had begun its involvement in the provision of welfare services after the mid-nineteenth century, albeit in a highly limited and selective manner. Under this system, various categories of people were subject to poverty relief strategies. The state did, however, provide limited services for various categories of poverty-stricken people, including the destitute, the sick, the unemployed, the aged and children. These arrangements did not resemble a ‘welfare state’ because in no way did they represent any coherent strategic regime on the part of the state to accept the responsibility of taking its
people—at least those who fell outside of the labour market—beyond the condition of bare subsistence. Such measures were mainly ‘charitable’, and only complemented charity from private sources (Dickey 1987; Kennedy 1985; Kewley 1973; Mendelsohn 1979). Yet, as argued in this book, the state welfare services offered during the period did shape a future social protection regime when considered in combination with minimum standards legislation, compulsory arbitration and the ‘new protection’ programmes.

As well as the kind of help associated with these services, all of the Australian colonies adopted workers’ compensation systems, modelled on the British programme model. Based on the insurance principle, the employer made regular payments to cover their employees in the case of workers suffering a work-related injury or accident. As Castles (1985: 16–17) recognised, however, the workers’ compensation schemes were not of great historical significance to social protection, mainly since the numbers covered by them were small. In addition, the payments made by employers came to be considered as merely adding to the costs of production, rather than constituting a major social protection measure. Yet, they did form part of the package of benefits that Richard Titmuss (1956/1976) later termed ‘occupational welfare’. This was a part of the overall picture of welfare provided in society, though ordinarily it is not paid by the state, and it usually leads to greater rather than lower inequality.

The only significant policy measure in the welfare area outside of the employment realm, at least in terms of the influence it had on the subsequent development of the Australian social protection pattern, lay in the area of pensions legislation. The New South Wales government introduced an *Old Age Pensions Act* in 1900, offering a pension to men and women over 65 years of age who had been resident in the country for over 25 years. Compared with Justice Higgins’s decision in the Harvester case, the level of this pension was not generous. Despite the legislators’ claim that it was a reward for hard work, rather than representing mere charity, the pension upheld a distinction between the deserving and undeserving poor, and was thus highly selective.

The administration of the pension expressed a preference for applicants who could demonstrate poverty, what was deemed appropriate conduct, that applicants had been sober and ‘respectable’ for five years
running, and that they were free of criminal conviction for twelve years
(Carney and Hanks 1994: 30–32). Victorian legislation introduced in
1901, the *Old-Age Pensions Act*, was based upon the same principles,
though its arrangements were more stringent. This was due mainly to
Victoria’s more influential ‘traditions of charitable action’, charity organ-
isations generally preferring to offer voluntary relief to the deserving poor
rather than poverty prevention by means of more universal state benefits
(Dickey 1987: 90). Finally, the Commonwealth pension, under the
*Invalid and Old Age Pensions Act* of 1908, was modelled on the New
South Wales Act.

The question of ‘need’ on the part of pension applicants was all but
irrelevant to the legislators in all of the Australian jurisdictions, including
the Commonwealth. Welfare law scholars Carney and Hanks (1994:
32–33) characterise the pension legislation of the period as ‘heavily
infused with the values and philosophy of “social deserts”:

Need, of itself, was seen as an entirely inadequate justification for attracting
government support. Public moneys were to be expended only on citizens
of long standing who, by their endeavours in years past, had laid the foun-
dations for community well-being. Support was extended to the aged and
to invalids on the basis that they had contributed to community prosperity,
and were now unable to participate in productive activity, or that, through
no fault of their own, they were denied that opportunity to participate.

New Zealand

Much of the context within which social protection developed in New
Zealand over the latter part of the nineteenth century and the early
1900s, and indeed many of the protective policy measures implemented,
were highly similar to those prevailing in Australia. In order to avoid
repetition in the areas of crossover, therefore, this section is considerably
more concise than the previous one. A shorter discussion of New Zealand
is justified also by the absence of states in that country, which produced
uniform policies for the entire country.
Minimum Standards Through Factory Legislation

The body of factory legislation which developed in New Zealand in the period was similar to its Australian counterpart. Though the strike weapon had failed after the 1890s—just as it had in Australia—laws had been and were being implemented which would improve the position of workers. The first of these were the factory laws. With the urbanisation of New Zealand’s population, successive governments became more aware of the increasing importance of the urban industries, and labour legislation was one response. Early legislation was only mildly reformist, and largely reflected developments in other countries, mainly Britain and Australia. The Master and Apprentice Act of 1865 provided for the engagement of apprentices in government departments and charitable institutions, as well as regularising the conditions of apprenticeship. The Offences Against the Person Act of 1867 furthered the protection of apprentices. The 1871 Contractors Debts Act represented a preliminary wage protection measure, though more definite steps in this direction were taken in the introduction of the Employment of Females Act of 1873 (Woods 1963: 19).

This Act represents the first major attempt to redress the problem of labour exploitation, though its lack of novelty from a comparative perspective lay in the fact that it was largely a copy of a similar Act passed in Victoria (Deeks et al. 1994: 39–40). Leaving aside its effectiveness on a comparative basis, it also failed because, like much of the protective legislation enacted across the Tasman in the period, it lacked effective provision for inspection and its coverage was not nearly extensive enough to establish a ‘common rule’ in industry. Yet it represented a step in this direction. Only applying to women and girls, the Act simply provided for an eight-hour day, outlawed factory work between 2 pm on Saturday and 9 am on Monday, prohibited work earlier than 9 am or later than 6 pm, and allowed four holidays in the year: Christmas Day, New Year’s Day, Good Friday and Easter Monday. It also made provision for sanitation and ventilation, and defined a workroom as any place of employment containing one or more persons working on articles for trade or sale. The Act was amended the following year and again in 1875, such that it
became illegal to employ children of either gender under ten years of age in factories (Woods 1963). Despite its limited scope and its low capacity to impinge upon the exercise of employer prerogatives, some employers protested against it, and a petition was signed by some Canterbury employers saying it was ‘altogether unnecessary, harassing, and calculated to injure trade and industry’ (Sutch 1966: 74–75).

Small advancements in factory legislation were made in the 1880s. For example, the Employers’ Liability Act of 1882 enabled workers or their dependants to be compensated by the employer for the death or injury of the worker resulting from the negligence of another employee or the employer. In response to press reports of the increasingly widespread incidence of sweating in industry, however, the government set up a nine-person Royal Commission to inquire into the existence or otherwise of a sweating system within which workers were exploited. This, coupled with the growing influence of the trade union movement upon the advent of ‘new unionism’, stimulated the extension of the factory law code (Woods 1963: 23–25). One of the most significant pieces of legislation it encouraged was the Truck Act of 1891, which prohibited the payment of wages in any form other than money. The Factories Acts of 1891 and 1894 controlled hours of work and introduced health and safety measures, all policed by factory inspectors. The Employment of Boys or Girls Without Payment Prevention Act of 1899 introduced a universally applicable, albeit extremely modest, minimum wage for workers under twenty years of age (Brosnan and Rea 1991).

**Compulsory Arbitration and Its Policy Accommodations**

By the 1900s, factory legislation had acted, although by no means completely, to provide the New Zealand worker with various minimum standards: protection against accident; a means of payment of wages; sanitation, ventilation and safety at work; control of hours of work; and some limited protection in the form of minimum wage rates. Further action in the field of minimum standards legislation would have been one means of providing a complete body of law enshrining the principle of
the national minimum. Greater comprehensiveness was not undertaken through further minimum standards legislation directly, however, but through the *Industrial Conciliation and Arbitration Act* of 1894. Like Australia, though well before it, New Zealand adopted a compulsory arbitration system.

For Woods (1963), author of one of the very few histories of New Zealand’s arbitration system, the *Arbitration Act*, as it became known, had its roots in two movements: one advocating the regulation and protection of working conditions, especially in light of the abuses seen under the sweating system; and the other supporting the regulation of the conduct of industrial relations, inspired mainly by the industrial conflict seen in the early 1890s as discussed earlier. Both of these movements were supported by the labour movement, and both were by and large denounced by employers, who had a majority representation in the Legislative Council, New Zealand’s second parliamentary chamber. The Council operated in a different manner to Australia’s Upper House, the Senate, and only between 1853 and 1950.

The New Zealand Arbitration Bill was only passed on the third occasion, first being proposed in 1891, being accepted in 1894 and coming into force the year after. Devised by William Pember Reeves, Minister of Education and Justice and then Minister of Labour, the *Arbitration Act* was designed to ‘encourage the formation of industrial unions and associations and to facilitate the settlement of industrial disputes by conciliation and arbitration’ (Deeks et al. 1994: 45). The Act established Conciliation Boards, consisting of two to three people elected by the employer and the same number by the trade union. Together, the employer and the union would elect a chairperson. Either party could unilaterally take a dispute to the board, which could of its own accord investigate a dispute. If either employer or workers were dissatisfied with the decision of a conciliation board, the matter could unilaterally be taken to the Arbitration Court, which had the power to make legally binding awards in a manner much the same as its Australian counterpart. Both employers and unions could register under the Act, though the former were slower to do so (Deeks et al. 1994: 54).

Though there was a link between compulsory arbitration and industry protection as a basis for trade policy, the link was less strongly
institutionalised in New Zealand than it was in Australia. Australia enshrined the policy of New Protection, establishing the principle that industrial protection would only be provided to ‘reputable’ employers, who paid minimum wages deemed decent. In New Zealand, the link between wages and industry protection was not as entrenched, and neither was it quite as significant as its Australian counterpart. Chapter 3 elaborates on this point. As Mabbett (1995) argues, in long-term historical perspective, New Zealand employers, like their Australian counterparts, were spurred to pay decent minimum wages by being provided with protection, the latter coming in 1888 in the form of a general tariff.

The immigration policy of excluding Asiatics, also motivated by the same justifications as in Australia, was institutionalised in New Zealand. Writing during the period dealt with in this chapter, Le Rossignol and Stewart (1910: 281) put the New Zealand case used for selective immigration clearly:

That the depressing effect of immigration upon wages is no mere theoretical abstraction[] is clearly seen in the attitude of the workers of New Zealand and Australia toward Chinese and other Asiatics. … [In New Zealand, t]here is a poll-tax of £100 ($500) on Chinese immigrants; and ‘The Immigration Restriction Act, 1908’[] prohibits the landing of lunatics or idiots, persons suffering from a dangerous or loathsome contagious disease, certain convicted criminals, and any person other than that of British birth who fails to write out and sign, in any European language, a prescribed form of application.

Without the formal label, New Zealand pursued a social protection package highly similar to that of Australia, though without words like ‘New Protection’ in formal titles and without a racially ‘White’ basis for population policy.

**State Welfare**

As was the case across the Tasman in Australia, the state, complemented by voluntary or charitable institutions, entered the arena of welfare services from the mid- to late nineteenth century, predominantly to relieve
obvious distress and dire poverty. The main groups targeted, for the most part those deemed among the ‘deserving poor’, included children, the aged, the sick, the able-bodied unemployed, the permanently infirm and disadvantaged (but married) mothers (Oliver 1977; Davidson 1989; Sutch 1969; 1966). Workers’ compensation, which took the same basic form as the Australian system, was ushered in around the turn of the century with the *Workers’ Compensation Act* of 1900. The introduction of an accident branch of the Government Insurance Department in the following year made it different from Australia (Sutch 1969: 117, 155; Castles 1985: 16–17).

The state welfare measure which provided the closest precedent to the system that developed subsequently, however, was the pensions legislation. New Zealand has the distinction that it introduced the world’s first national pension scheme. But old-age pensions constituted the only government measure in the area of income maintenance, the *Old Age Pensions Act* coming into force in 1898 (Oliver 1977: 5, 11; Overbye 1997: 101–102). As with its Australian counterpart introduced eleven years later, however, the major feature of the New Zealand pension was its high degree of selectivity. It was targeted stringently at those considered the deserving poor. As a sign of this, by 1904, only 35 percent of those who qualified for the pension received it.

**Comparative Analysis**

**The State of Knowledge**

The literature directly comparing Australia and New Zealand generally base their analysis on the recognition that the two nations bred regimes in the 1890s and 1900s which were essentially variants of the one type (Allan et al. 1998; Bray and Haworth 1993; Bray and Nielson 1996; Bray and Walsh 1993, 1995; Brosnan et al. 1992; Castles 1985, 1996; Castles and Pierson 1996; Castles and Shirley 1996; Deeming 2013; Wailes 1999; Sandlant 1989). For example, while also emphasising more recent differences since the 1980s, Bray and Haworth (1993: 2–4) argue:
To most external observers, Australia and New Zealand are very similar, if not identical societies, proximate to each other and born as British colonies at broadly the same time. … The two ‘settler’ societies subsequently grew in similar ways. … The economic basis of both economies was also similar in that their early economies were dominated by primary industries strongly oriented to the markets of the colonial power. … The common British heritage in Australia and New Zealand resulted in remarkable social and cultural similarities. Citizens of the two countries spoke the same language, read similar books, listened to similar music, played the same sports, fought in the same army units, shared the same respect for individualism, and suffered the same disillusionment with the colonial power as it rethought its international orientation in the 1960s and 1970s. … Political parties evolved in similar ways. In both, divisions grew between an originally rural political tradition, later urbanised into a manufacturing and agricultural capital alliance, and a primarily urban labour tradition found most explicitly in the Labour/Labor parties of both nations. … Interestingly, the balance of power between the labour and conservative parties in both countries has followed a remarkably similar path.

In his pivotal contribution, Castles (1985; 1996; Castles and Pierson 1996; Castles and Shirley 1996) elaborates on how and why the Australasian regimes were different from others, but fundamentally similar to each other. Castles’ (1985: 10–109) ‘anatomy of an anomaly’ attributed the distinctive regime type developed in these countries mainly to the early acquisition of political strength by the working classes and the precocious introduction of universal suffrage. This combination of factors produced innovation mainly within the employment relations system, rather than within the more conventional area of state welfare, compulsory arbitration machinery being the main avenue used for the delivery of minimum standards of living, at least for males. By contrast, as authors like Katzenstein (1985) make clear (also: Castles 1988), the smaller Western European countries, which similarly faced the economic vulnerability inherent to small economies, developed more universalistic welfare state strategies and active labour market policies as the primary components of social protection. Though stress was also placed on minimum standards within employment relations in these countries, social
protection developed somewhat later than in Australasia. This was largely the product of the trade union movement gaining strength later.

With the noteworthy exception of Sandlant (1989), who is discussed further later, the literature directly comparing employment relations in Australia and New Zealand accepts, largely uncritically, the argument that the two countries had the same basic institutional configuration within the labour market (Ahlquist 2011; Barry and Wailes 2004; Bray and Haworth 1993; Bray and Nielson 1996; Bray and Walsh 1993, 1995; Brosnan et al. 1992; Mitchell and Wilson 1993; Plowman and Street 1993; Wailes 1999; Wailes et al. 2003). Brosnan, Burgess and Rea (1992), for example, treat the course of Australian and New Zealand employment relations during the 1980s and 1990s as two national forms of departure from a single, traditional ‘Australasian model’. Similarly, Bray and Walsh (1995: 1) argue that Australia and New Zealand had ‘a common industrial relations tradition’, having each ‘introduced systems of state conciliation and arbitration to govern relations among workers and employers’.

In one sense, the general assumption that Australia and New Zealand were exceptional and highly similar is justifiable, since the literature in question seeks to use the broad historical similarities to lead into its major focus, which is the divergences between Australia and New Zealand since the 1980s. Broadening the subject matter to social protection, it is indisputable that Australia and New Zealand followed similar paths in the period in question. When examined within a broad international comparative perspective, the two regimes do appear to stand out as belonging to their own regime type. Social protection in both countries, as the work of Castles has made clear, revolved around the same major planks: employment relations systems underpinned by minimum standards shaped by the principle of the national minimum; industry protection designed to entice employers to pay decent (male) wages and offer decent conditions; selective immigration policies designed to exclude wage competition from foreign, essentially non-‘white’ workers; and social security programmes which were used as a last resort or safety net for those aged individuals considered deserving of state-funded income support. It is no accident that Australia and New Zealand together shared the international limelight during the latter part of the nineteenth century and the
early part of the twentieth. Scholars from Europe, the United Kingdom and the United States applauded ‘antipodean’ social protection developments (e.g. Twain 1897; Webb, B. 1898a, b; Adams 1892; Métin 1899).

However, understanding the similarities, and more importantly the differences, between national policy regimes requires a deeper interrogation of the substance and the sources of past policies and institutions, and their political context.

**Political Interests: Labourism Versus Liberalism**

The political interests which bore upon the formation of social protection in Australia were different from those which influenced the New Zealand pattern. Though, as discussed earlier in this chapter, the two countries developed highly similar overall policy regimes, the factors driving the formation of these regimes were not the same. Australia–New Zealand comparativists, such as Castles (1985) and Bray and Nielson (1996), argue that the working class of each nation was instrumental to the foundation of the employment relations portion of social protection. However, in Australia the early formation of the Labor Party and its early gaining of political office—albeit brief—allowed the wishes of the labour movement to be channelled through parliament more effectively. In New Zealand, on the other hand, the period during which social protection took shape was overseen exclusively by a Liberal government, which ruled from 1891 to 1912, and the Labour Party was not formed until 1916. The Liberals formed New Zealand’s first party government.

The Australian Labor Party was first formed in the colony of Queensland in 1890, when a Labor Federation formulated a platform for a representative party. Labor members were elected to parliament in 1891 in the colonies of New South Wales, South Australia and Queensland. Labor entered the Victorian parliament in 1892, and the States of Tasmania in 1900 and Western Australia in 1901. The Australian (federal) Labor Party was formed upon the federation of states in 1901. The Party’s federal structure was thereby inaugurated. Despite this, as writers such as Crisp (1978) and Jaensch (1989: 18–20) make clear, the intercolonial ethos within the individual colonial Labor Parties was strong. The Australian
Labor Federation and intercolonial labour congresses and trade unions provided forums for the fostering of this ethos. In his extensive study of the formation of arbitration and the determination of minimum wage standards in the 1890s and 1900s, Macarthy (1967a; see also Macarthy 1967b; 1969; 1970) argues that the relatively high degree of unity between the state and federal Labor Parties after 1901 resulted in the union movement’s interests being represented nationally in social protection. After the failure of direct action in the form of the great strikes in the early 1890s:

The broad strategy of labour’s [that is, unions’] policy was to act on government as an alternative source of strength. State authority was increasingly conceived as a reservoir of power which could, by astute manipulation, be harnessed to provide a countervailing force to employers’ industrial hegemony. In effect labour worked to extend intervention in economic and social affairs to support wage earners’ direct and immediate interests.

… Whereas formerly particular legislative or administrative measures favouring labour were contrived by electoral bribery, and the representation of parliamentarians sympathetic to wage earners, during our period [1890 to 1910] labour [Labor] parties operated as internal pressure groups on governments.

… A reading of labour council records clearly reveals that throughout these years union policy rested firmly on the pressure that labour parties could bring on governments. All major aspects of policy were referred to members to be translated to administrative or legislative action. Mostly, relations between industrial and political labour were close and harmonious.

… A coincidence of views and alignment of policies was ensured by labour activists operating in both the industrial and political wings of the movement, i.e. in the labour councils and labour electoral leagues. Moreover, many of the most active labour politicians spent years as union leaders, often retaining representative position in or regularly attending meetings of labour councils concurrently with being elected members of legislatures. (Macarthy 1967a: 74)

Australia was in this sense ‘labourist’ in character, though to a considerable extent the Labor Parties had to rely on sympathy from the ruling non-Labor governments: Protectionist, Liberal and Fusion. Though New Zealand shared much of the Australian pattern of socially protective
measures during the period in question, the New Zealand union movement’s use of parliamentary processes was less apparent, and essentially not labourist.

Labor in Australia did hold office during the twenty years in question, albeit briefly, in Queensland in 1899 (the world’s First Labour Government), at the federal level in 1904 and 1908, and again more substantially from 1910 to 1913. That Australia had a political party which grew from the trade union movement, and influenced policy significantly—while New Zealand did not—is significant. And as argued in the remaining chapters of the book, this significance runs throughout the history of social protection to this day. In New Zealand the ruling Liberal Party was the first party to come to office. The nation had not yet experienced party governments because it did not have political parties before 1891 (Hamer 1988: 9). The Liberals were less obviously aligned politically than the Australian Labor Party, and at least outwardly resented the very idea of representing the interests of any one class of the people over those of any other class (Davidson 1989: 35–49). Hamer (1988: 40–41) argues that social protection in its formative years was built by a relative political neutrality in government:

Liberals were opposed to the placing of any section [of the population] in a special or privileged position. … Of course, this principle worked the other way as well. Liberals did not like to see any ‘class’ placed in an inferior or disadvantaged position. They accepted pro-labour legislation [factory laws and compulsory arbitration] in the early-1890s on the understanding that it was needed to equalize labour and capital, and not to raise labour above capital. One can also see this principle operating in the preferences shown by many Liberals for financing old age pensions out of consolidated revenue rather than specifically from the land tax, as some radicals proposed.

As part of the greater diffusion of interests represented in social protection in New Zealand, it was also more important there for policy to be sensitive to, or reflect, the interests of farmers. In her analysis of New Zealand social protection, Mabbett (1995: 34) argues that, on the occasions which called for the state to defend the arbitration system against union attacks, ‘the government acted primarily in response to farming
interests rather than employer interests’. In addition, writing in the 1990s, Bremer (1993: 108) argues:

For over a century, the agricultural sector has been of crucial importance to the New Zealand economy. Apart from a few brief years during the gold-rushes of the 1860s, farmers contributed the greatest part of New Zealand’s export earnings. Industrialization has never occurred on a large scale and, while manufacturing and the service sector have grown in importance, they have only recently challenged agriculture as the major earner of overseas exchange. It comes as no surprise, therefore, to find that at least until the 1980s, State economic policies exhibited a clear bias in favour of the farming community.

Higgins Versus Pember Reeves, Arbitration and the Labour Movement

The different interests to which social protection responded was also reflected in the affiliations of the major architects of the employment relations system. Higgins, the originator of the Australian basic wage, influenced employment relations in his country so profoundly that ‘had he followed in the principles and practice of Justice O’Connor’, the first President of the Arbitration Court, who directly preceded Higgins, ‘the course of Australian industrial relations may have taken a different direction’ (Macarthy 1969: 22). William Pember Reeves similarly shaped New Zealand’s labour market institutions, and indeed its reputation as a social laboratory in the 1890s and 1900s. Reeves had helped to make his country ‘a laboratory in which political and social experiments are every day being made for the information and instruction of the older countries of the world’. [quote from Asquith]

Reeves’s part in that transformation exceeded that of any other individual. … With all the caution owed to the idea that important events usually have important causes, deep-rooted in human society, it may be said that it is improbable that compulsory arbitration would have been introduced but for Reeves’s personal effort. (Sinclair 1965: 212)
Higgins was not strictly a member of the labour movement, but he was briefly a minister in the Labor government of 1904. Reeves, on the other hand, was a minister of the Liberal Cabinet, and was not in any sense a member of the labour movement (Holt 1976; Sinclair 1965). Though both figures were pragmatists, preferring immediate and practically informed action rather than theoretically inspired policy programmes, Higgins seems to have been driven most strongly by concern for the low-paid, unskilled worker, and the poor. Both figures were influenced significantly by the Fabian socialism of Beatrice and Sidney Webb (Sinclair 1965: 101, 210, 249–252; Palmer 1931: 130), who saw the state, in combination with trade unionism, as the most appropriate conduits through which protections for workers should be channelled. Yet, while Reeves was also deeply concerned to see equality and social justice, his major objective in designing the New Zealand system was to stop strikes and lockouts (Walsh and Fougere 1987: 189; Holt 1976, 1986), and to even up the balance of power between the working and capitalist classes.

Though political parties representing the trade unions in New Zealand were formed at around the same time as in Australia, they were relatively poorly organised and significantly less powerful, essentially constituting makeshift working-class interest representation until the permanent Labour Party was formed in 1916 (discussed at length in Chap. 3). In part this reflects, and is reflected by, the slower pace of industrialisation in New Zealand as compared with Australia. As Olssen and Richardson (1986: 1), argue, for instance, this was manifested in the ‘more leisurely’ pace with which unionism grew in nineteenth-century New Zealand. Indeed, one prominent New Zealand labour historian argues that ‘New Zealand’s trade unions were pathetically weak in the 1890s. Only a few small unions had existed prior to 1889’ (Holt 1976: 106). Of course, as will be outlined in Chap. 3, unionism subsequently grew significantly more quickly.

That New Zealand saw the phenomenon of new unionism develop slower than Australia was reflected in the considerably lower concentration of its population in large towns. By the late 1880s, 25 percent of New Zealand’s population resided within its major urban centres, whereas in Australia the same statistic was 45 percent (Olssen and Richardson 1986: 2). Though urbanisation took hold early in Australia—the legacy
of which can still be seen today—the rush to live in towns in New Zealand was mitigated significantly by perceptions on the part of farmers and the New Zealand Liberals that urban life was morally inferior to rural life. Large towns were associated with the ‘old-world’ countries, typically Britain and the United States, which had major problems with poverty, crime, vice and immorality, all seen as stemming mainly from city living (Hamer 1988, especially: 58–60; Bremer 1993: 108). Apart from this factor, the farmers’ sense of superior social importance was underpinned by their economic contribution to the nation, in particular to its exports.

Constitutions and Other Institutions

In expounding the relevant differences between Australia and New Zealand which emerged in the 1890s and 1900s, politics only tells part of the story. Consistent with historical-institutionalist reasoning, it is equally important to consider the broader institutional framework within which social protection was built, and how that framework interacted with political forces at play. An examination of institutions and politics combined not only provides a comprehensive picture of the similarities and differences between the Australian and New Zealand regimes which are of concern here, it also furnishes a framework for analysing the evolution of the regimes subsequently. Institutional architecture in the one period circumscribes policy possibilities in subsequent periods. Therefore the significance of the factors identified here is, in large measure, only realisable upon the analysis of this subsequent history. This speaks to the importance of comparative history informed by the analysis of incrementalist change over long periods of time (Mahoney and Thelen 2010), what this book refers to as the long haul.

A vitally important factor shaping social protection in Australia was the embeddedness of the arbitration system within the federal Constitution. The significance of the different constitutional frameworks in Australia and New Zealand is revealed at various points in the history of the two regimes. However, those differences took root with federation in Australia in 1901, which effectively circumscribed the employment relations role of the federal government from then on. The Constitution
ascribed a highly limited function for the federal government in the regulation of working conditions. Under Section 51 (xxxv),

[t]he [federal] Parliament shall, subject to this Constitution, have the power to make laws for the peace, order and good government of the Commonwealth [of Australia] with respect to … Conciliation and Arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one State. (See further McCallum et al. 1990: 167–357)

Writing in the 1990s, Dabscheck (1993: 6) further notes that ‘[t]he Australia (Commonwealth) government is [was] undoubtedly the only national government in the world which does not enjoy a direct industrial relations power with respect to the private sector’. To be sure, this limitation has been increasingly subject to other constitutional powers, such as those relating to ‘corporations’ and ‘external affairs’ laws, which may be (and, especially since the 1980s, have been) tapped as ‘back-door’ methods of regulation. However, it is important to note here that the Australian Constitution only effectively allowed the government to establish, but not directly to govern, the arbitration system. The Commonwealth Conciliation and Arbitration Act of 1904 established the arbitration system, which in turn set awards which bound employers to provide certain minimum conditions in awards. The government could put its position on wages and other working conditions before the Arbitration Court, but it could not directly set conditions. To the extent that it got its way, it did so through the Court’s rulings, though as will be seen in subsequent chapters, governments did not always approve of arbitration tribunals’ decisions. As seen earlier, the colonial (later state) governments had their own, similar industrial tribunals, and they tended to follow the federal Arbitration Court (after federation) on matters they perceived to be of national importance.

In contrast to the relative straightjacketing of the Australian government with respect to employment relations, the New Zealand government had relative free rein. Indeed, New Zealand had no written Constitution, though it did and does have various sources of constitutional law (Joseph 1993: 1–112; Harris 1992; Palmer 1992). It was
government legislation alone, however, rather than legislation circumscribed by a written Constitution, which established the New Zealand arbitration system. Given that the New Zealand Arbitration Court’s function was not a constitutionally entrenched feature of the law, the arbitration system was always more susceptible to successful challenge, primarily because the employment relations actors knew that there was some likelihood that the Court could be abolished relatively easily when economic and/or political conditions were ripe for its abolition.

This attests to the importance of institutions to comparative-historical analysis. As the historical institutionalist Steinmo (1989: 535) reminded us in his analysis of tax policy in the United States, Sweden and Britain, ‘institutions provide the context in which political actors make their political choices and define their policy preferences’. The first of the major challenges to arbitration in New Zealand was to occur in the period between 1908 and 1913, which will be discussed in the following chapter.

**Legislation, and the Family Basis of Wages**

As a sign of the less formidable restraints placed upon New Zealand governments in directly influencing the setting of working conditions, the factory laws which were introduced in that country from the latter part of the nineteenth century could not have occurred (and did not occur) in Australia. Before the federation of the Australian colonies in 1901, an intercolonial labour- legislative framework was prohibited. After Federation, it was still prohibited, mainly because of the limitations placed upon the new federal government, as discussed earlier. While the states could and did legislate certain minimum standards as part of the factory code, the federal government could not. This inability of the government to legislate for nationally applicable minimum labour standards, in combination with the embedding of arbitration within the Constitution, further entrenched the reliance on arbitration as a social protection mechanism in Australia. In the absence of the socially protective function of arbitration, the only major possibility was to change the Constitution so as empower the government to impose national legislation, that is, through a successful referendum. This latter option was a
somewhat unreliable path to take. Brugger and Jaensch (1985: 172–173) unpacked the difficulty from its source:

Clearly the founding fathers of the Australian Constitution did not believe that their machine would operate without modification for all time. They did, however, lay down formidable barriers to change. … The proposal for [legislative] change should ideally pass both houses of parliament by an absolute majority; but if it is rejected by one house or if one house fails to pass it within three months, the Governor General may submit the proposal to the electors. The Governor General would presumably only so act on the advice of the government. When submitted to a referendum, the proposal must be supported by a majority of the Australian electorate and be supported by a majority of the electorate in four of the six States. Such were formidable obstacles in 1901.

Apart from the constitutional context, another key aspect of the operation of the arbitration system related to the more explicit family basis of wages after 1907, when H.B. Higgins handed down the Harvester Judgement. Though, as seen earlier in the chapter, the New Zealand Arbitration Court used family needs as a consideration when formulating wages policy, the Court did not set down in a rigid fashion the family needs component of wages. This changed in the 1930s, when a family wage was set by the New Zealand Court. During the early operation of the system, however, a key difference between the Australian and New Zealand social protection regimes was that family policy in Australia was conducted exclusively through the wages system. More generally, the course of social security policy was influenced by the same factor, though again, the situation subsequently changed, and is to be discussed in future chapters.

Conclusion

In the 1890s and 1900s, the similarities in the substance of social protection in Australia and New Zealand were considerable. However, as was demonstrated here, the differences between them have been
underemphasised in existing comparative accounts. While social protection in Australia resulted from the pursuit of a largely labourist political strategy, the New Zealand story was different. Policy in New Zealand generally reflected more diffuse political forces, and the entire early period was overseen by a Liberal government, New Zealand’s first party government.

Institutional factors—particularly those relating to the constitutional frameworks of the two countries—also separated the two countries. The Australian Constitution effectively disallowed direct federal government regulation of employment relations. That function was given to the Arbitration Court. National minimum labour standards legislation, as existed in New Zealand, was therefore precluded, and the awards set down by arbitration provided the only labour market safety net. In New Zealand, the existence of national legislation for an additional safety net rendered arbitration more vulnerable to challenge from trade unions, employers, farmers and/or government, depending on the economic and political conditions at play. Legislation could always replace arbitration. Finally, when this factor is combined with the more explicit relation of wages to family needs in Australia, it becomes clear that family policy was more likely to be pursued as a fruit of arbitration and not of the social security system. In addition, the Australian government faced restraints on the development of social security by the Constitution, which was drawn up with the states in charge of the state welfare system.

Though this factor had not yet proved important in the period examined in this chapter, it was certainly to become fundamental from the 1920s to the 1940s, as discussed in the next chapter.

References


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3

Consolidating the Relationship

Introduction

An important objective in a long historical analysis is to demonstrate the importance of incremental change over time. The purpose of this chapter is to compare social protection in Australia and New Zealand during the period from the 1910s to the 1940s. The significance of that period stems from two pivotal developments. The first was the establishment of the welfare state in the 1930s and 1940s in both countries, though social protection in general was significantly more comprehensive in New Zealand. The second development was the consequent consolidation of the traditional pattern of employment relations–social policy interplay.

Based on the comparison, the principal finding of the chapter is that, though arbitration was important to each of the two regimes throughout the period, it is the greater institutional and political precarity of the arbitration system in New Zealand that explains most of the similarities and differences in social protection. Australia came to rely more, and consistently so, on arbitration as the primary institution shaping the welfare of citizens and families. Among the factors which effectively sustained and carried arbitration in Australia, and which led to its declining
legitimacy in New Zealand, were the existence of compulsory unionism in New Zealand; the greater unity displayed by the Australian trade union movement; the capacity of governments in New Zealand, and the virtual incapacity of governments in Australia, to be directly involved in employment relations by legislating for minimum wage standards outside of the arbitration process; the greater comprehensiveness of the welfare state in New Zealand; and the capacity of New Zealand governments to act more quickly in implementing family policy.

The first section discusses the main developments in New Zealand. The second focuses on Australia. The third section conducts a direct comparative analysis between the two.

New Zealand

In its early life, the New Zealand arbitration system initially functioned with relative effectiveness as the primary means of providing minimum labour standards. However, it ran into problems before long. For most of the period after the Great War, the story of arbitration is one of it being challenged, politically and institutionally.

The First Attack on Arbitration, and the ‘Red Feds’, 1908–1913

According to its long title, New Zealand’s Industrial Conciliation and Arbitration Act of 1894 was ‘[a]n Act to Encourage the Formation of Industrial Unions and Associations, and to Facilitate the Settlement of Industrial Disputes by Conciliation and Arbitration’. On the first objective between 1900 and 1908, the number of unions registered under the Arbitration Act rose from 175 to 302, and the total number of union members from 17,989 to 49,347 (Holt 1986: 57). On the second, between 1894 and 1906, the country had been completely free of major industrial disputes (Woods 1963: 49–50).

To argue that the Arbitration Act encouraged trade unionism, however, is not to assume that all trade unions supported the arbitration system.
Union acceptance of the system depended upon various factors, important among them being whether wages kept pace with the price level. Between 1895 and 1900 real wages increased. The role of the Arbitration Court was generally endorsed by unions, and denounced by employers and farmers. The period from 1901 to 1913, however, was characterised by a combination of rising profit levels for employers and increasing costs of living, but more frugal wage decisions by the Arbitration Court and a decline in real wage levels (Woods 1963: 62–78). According to Sutch (1969: 159), by 1906 real wages were lower than they were when the Arbitration Act was passed, and by 1913 they had deteriorated even further. A series of serious union challenges to the arbitration system were initiated due to the perception that the wages of workers were being out-paced by employer profits and farmer incomes.

Union objections to arbitration coincided with a heightened revolutionary socialist agitation internationally, notably in Britain, Germany, France, the United States and Australia (Olssen 1986, 1988). Agitation within the New Zealand movement first found expression among the miners at Blackball on the West Coast, who in opposing arbitration struck after seven workers were sacked for taking a lunch break that was thirty minutes instead of the fifteen minutes allowed under the award. As the strike progressed and other issues came to be contested, the Department of Labour intervened by prosecuting the union for striking, which under the Arbitration Act was illegal. After the union refused to pay the fine or end the strike, the unionists were prosecuted individually and, in order to collect the money, some of their possessions were seized and auctioned off. However, the auctioned goods were predominantly bought by the union and given back to the members who had lost them. The strike was ended when the parties came to an agreement largely on the unionists’ terms (Olssen 1988: 1–15).

The Arbitration Act was amended in 1908, largely in reaction to the politically divisive effects of the Blackball dispute plus the threat which such division posed for the legitimacy of the arbitration system. The changes to the Act included a liberalisation of the anti-strike provisions, such that strikes were to be illegal only if they occurred while an award was in effect. However, in certain ‘essential’ industries—those supplying coal, gas, water, electricity, milk and meat for domestic
consumption—fourteen days’ notice had to be given before the workers could strike or the employer(s) could lock them out. Last, any unionists striking illegally, and any others registered under the Act striking in sympathy or providing public or financial support to strikers, could have their awards suspended for up to two years (Holt 1986: 84–85).

Anti-arbitration sentiment among trade unionists grew between 1908 and 1913. The Federation of Miners became the (first) Federation of Labour in 1909. Its members became known as the ‘Red Feds’, indicating the organisation’s broadened basis of membership and its embrace of revolutionary socialism. The Federation believed that the arbitration system was fundamentally flawed in that its function was based on an assumption that the differences between labour and capital were universally reconcilable. Arbitration was thus reformist in character, and it de-legitimised revolutionary and non-revolutionary unions which preferred direct bargaining. Wishing to overthrow the arbitration system, the unions associated with the (first) Federation of Labour thus took direct action against employers and used the strike weapon, both seen as more effective means than arbitration of yielding benefits for individual unions and the working class as a whole (Olssen 1986, 1988; Stone 1963: 203–204). These unions also encouraged their non-revolutionary counterparts to allow their registration under the Arbitration Act to lapse, and register instead under the Trade Union Act of 1878. Doing so allowed them to strike, though it did not provide them with the benefit of the minimum standards built into awards. As an indicator of the success of the Federation in recruiting new members in this way, in 1912 the total number of unionists affiliated with the Federation was approximately 15,000, and total union membership was around 67,000 (Holt 1986: 107). This success also had the effect of gradually shifting the attitude of employers to the Court, such that by 1912 employers actively sought to convince unions of the benefits of operating under the auspices of the Arbitration Act; that is, to be what came to be known as ‘arbitrationist unions’ (Woods 1963: 90–91).

The ‘Red Fed’ period was a time of significant industrial disputation. In 1912, thirty-five strikes were recorded, the highest annual tally in New Zealand history to that time (Woods 1963: 91). However, one strike in that year stands out for its significance to the fate of the arbitration
system, and indeed of the Red Feds. This was the Waihi miners’ strike (Olssen 1988: 148–160). In May 1912, an anti-arbitration union at Waihi struck when a breakaway union registered under the *Arbitration Act*. The (conservative) Reform government, which won office during the course of the strike, called in police reinforcements to protect the strike-breakers. Violence ensued, a striking miner was killed, and the anti-arbitrationist union was defeated and many of its members were subsequently forced out of the district.

The final test of strength between the Federation of Labour and employers occurred the following year, when a strike beginning on the Wellington waterfront escalated into a general strike involving thirty-seven unions. Farmers armed with batons were called in by the government to help by acting as mounted police. The government also encouraged the formation of arbitrationist unions to supplant those affiliated with or sympathetic to the Federation. The Federation unions were comprehensively defeated.

The period overseeing the rise and fall of the Federation of Labour was highly significant for the shaping of social protection in New Zealand because it provided the first major instance of the vulnerability of the compulsory arbitration system. An understanding of the trade union movement’s commitment to the system is important to establish the relative significance of arbitration in the social protection configuration. As will be seen later, it is also important for establishing that Australia was different from New Zealand.

**The Piecemeal Development of Social Security, 1910–1935**

Despite the early troubles experienced by the arbitration system, its function remained intact. From 1910 until the First Labour Government’s ascension to power in 1935, the social security system was expanded, albeit in a piecemeal fashion and generally in keeping with the principle of strict selectivity as established by the pensions legislation of 1898.

Following on from the *Old Age Pensions Act* of 1898, only one major advancement in the social security area was put in place before World
War I. This was the *Widows Pensions Act* of 1911, which provided a pension benefit to widowed mothers and wives of patients in institutions for mentally ill people. Subject to a maximum payment, this benefit was increased with each child. In addition, in the case of the death of the widowed mother, a provision was made for the orphaned child/ren to maintain their allowed portion of the benefit. The benefit was selective in character in that it did not apply to ‘aliens’, ‘Asiatics’ and ‘illegitimate’ and adopted children. These restrictions, however, were eased slightly and the level of the benefit increased in the period to 1935 (Sutch 1966: 149–151; 1969: 169–170). In 1912 a pension was provided to ‘veterans of the Maori war’, subject to the condition that the (male) beneficiary had not been imprisoned, had not deserted his wife and was of sober habits (Sutch 1969: 170). After the War, in 1915, the *Miners’ Phthisis Act* was introduced, providing a benefit for miners incapacitated by pneumoconiosis contracted in the course of duty in a mine. Though the benefit was not means-tested, it was subject to the same conditions as those applying to the Maori war veterans’ pension (Sutch 1969: 170). The amount was higher for a married man (Hanson 1980: 24). In 1929 a further pension was provided to each child of an affected miner who was under fifteen years of age. If the miner entitled to the phthisis pension died, his wife received a smaller pension and a funeral allowance.

The *Blind Pensions Act*, introduced in 1924, afforded all blind adults a pension, provided that the beneficiary had been resident in New Zealand for a minimum period of ten years and had no relatives to support them (Oliver 1977: 14). However, it was selective, and was subject to similar conditions as those of the age pension. Though statutory unemployment benefit schemes were not developed in New Zealand before the First Labour Government took office in 1935, two schemes providing relief from poverty for the unemployed and other groups were introduced. The first of these, introduced in 1910, was the National Provident Scheme, administered under the *National Provident Act*. The Scheme involved voluntary insurance-type contributions from members, just as in the case of a Friendly Society. The benefits provided for old-age and maternity allowances, and upon members’ deaths, the financial security of their wife and children (Hanson 1980: 25; Sutch 1966: 147). The other major form of relief was for the unemployed, and was put into place in the context of
the Great Depression. The *Unemployment Act* of 1930 established a fund for unemployed workers, composed of a compulsory yearly contribution levied on all men over twenty, and a 50 percent subsidy from the government (Sutch 1966: 130–131).

Family allowances were the most significant benefit of the period before the introduction of a set of landmark reforms, encapsulated in the *Social Security Act* of 1938, which is discussed later (Sutch 1966: 151–153; 1969: 171–173). With the passing of the *Family Allowances Act* of 1926, New Zealand established the world’s first nationally applicable family allowance scheme, following up on its record as the first regime to implement a national old-age pension scheme in 1898. However, neither the coverage nor the level of the benefit was generous. The benefit was paid on a means-tested basis, only to the third and subsequent child(ren) of a family, the principle being that the first two children were catered for by the family basis of wages as set down in awards. Further, the level ended up being less than a third of the amount initially promised by the government. This prompted the trade union movement to denounce the family allowance as being insufficient to ‘keep a well-developed fowl, let alone a healthy child’ (Sutch 1966: 152).

Importantly for the purpose of comparison with Australia, the debate on family allowances in New Zealand was short and relatively non-polemical, disagreement being largely on the level of the benefit and not on the merits of the principle of family provision by the state (Macnicol 1992: 261). In addition, the importance of the family allowance stems mainly from the circumstances surrounding its introduction, its relationship to the family basis of wages and how both of these considerations compare with the Australian child endowment, introduced in the 1940s. These issues will be taken up further on in this chapter.

**The Changing Fortunes of Arbitration and Minimum Standards, 1914–1929**

Alongside the intermittent expansion of social security, in the period extending between the defeat of the (first) Federation of Labour and the election of the First Labour Government, the arbitration system
experienced changing fortunes, though the overriding trend was to incrementally extend the degree of protection offered to workers. Importantly, this extension occurred as the system again showed its vulnerability.

Soon after its implementation, the main effect of the arbitration system shifted from the encouragement of trade unionism to the establishment of a mechanism for delivering minimum labour standards (Deeks et al. 1994: 45–48). The system had shown early signs of success. For instance, by 1903, the potential coverage of the standards contained within awards was broadened. In that year, by an amendment to the Arbitration Act, the Court could set awards which applied to more than one industrial district, the original Act allowing awards to apply to the entire Colony, but being subject to an appeal against this by any outside district. Thus by 1903 ‘the Court was in a position to cover as much or as little of the industrial field as it desired’ (Woods 1963: 68).

With respect to wage minima, between the opening of its doors to the industrial parties in 1895 and the establishment of what has been labelled the ‘living wage’ concept in 1936 (Woods 1963: 62, 95–96), the New Zealand Arbitration Court adopted the policy of providing ‘fair wages’. Based largely upon evidence put before the Court, a fair wage was deemed by its President to be that paid by ‘reputable’ or ‘good’ employers, and used to set minimum wage standards throughout the industry to which the employer belonged. As well as wages, other working conditions—hours of work, holidays, overtime, job definitions and union preference clauses—also came under the scrutiny of the Court, standards in these also being updated. However, it was not until 1914 that the Court sought to standardise wages across industries, thus setting standards across a multiplicity of industries. This was part of the shift towards the ‘national minimum’ principle, instituted in 1907, within which arbitration could offer ‘a specific standard of living’, rather than just a wage.

Once the national minimum was established, the issue of its relation to the cost of living came under focus. In 1918, the War Legislation and Statute Law Amendment Act was implemented. It empowered the Arbitration Court to amend wages during the life of awards rather than only when they were renewed. It also gave the Court discretion to amend hours of work between award renewals. Using this power, the Court announced the fixation of a minimum ‘skilled rate’ of wages, and in some
cases a bonus rate, which it would write into awards as applications were made. In 1919, basic rates for three classes of workers were established: an unskilled rate, and semi-skilled and skilled rates (Holt 1986: 135–138). Though these were not contestable during the currency of an award, bonuses based upon the cost of living would be implemented half-yearly. In the same announcement, increases in overtime rates were provided.

Despite the relationship established between wage decisions and workers’ costs of living, before 1921 the Court did not have the power to make pronouncements which applied to all awards at once. Though it was to last only until 1923, this power was bestowed upon the Court through the 1921/22 amendment to the *Arbitration Act*. Consideration in these ‘General Orders’, as the decisions were to be called, was to be given to movements in the cost of living, the economic conditions affecting industry and the maintenance of a fair standard of living. Though there were some hiccups in the advancement of the social protection offered to workers, such as the wage cuts announced in a November 1922 wage decision, the period from 1914 to 1923 was one characterised by the greater standardisation of minimum wage levels, particularly around the Court’s reference to the ‘average’ family’s costs of living.

From 1924, the Arbitration Court reverted to the policy of making adjustments to awards only once every three years. Though the 1921/22 amendment to the *Arbitration Act* prescribed (albeit only temporarily) that award wages should provide a ‘fair standard of living’ to workers, the Court gave no serious consideration to the concept. The cost of living, via the use of a cost-of-living index, had become a major consideration in wage decisions, but whether workers and their families could live according to a ‘fair’ minimum standard was not put up for scrutiny. The Court had therefore ‘moved with the tide rather than by any conscious self-propulsion over the distance covered between 1907 and 1924’ (Woods 1963: 106). This combined with other factors to encourage a renewed discontent with arbitration on the part of the labour movement (Holt 1986: 143–164).

The most important criticism made against the Court by unions at this stage was that the economic position of minimum wage workers and their families had deteriorated. In its statement the Court argued that statistically the average family only contained less than two children, and
that therefore a minimum wage should be sufficient to keep a family comprised of a man, his wife and two children. The union movement, on the other hand, argued that minimum wage levels should be shaped so as to meet the needs of a male worker, his wife and *three* children. The concept of the ‘living wage’—or the ‘family wage’, as it was called in Australia—therefore came to the fore of the wage determination debate.

The debate on the merits of arbitration as a main means of determining minimum standards in the labour market escalated in intensity, and the Court was progressively falling out of favour among both trade unions and employers, and then not long after, among farmers as well. In its 1925 pronouncement, the Court alleged that the cost of living had risen sixty percent from 1914 to 1925, and set award wages so that they kept pace with this. The unions contested the ruling, arguing that it effectively represented a recant on the Court's policy, stated earlier in the same year, that minimum wages would be set with explicit reference to the living standards of a family of four. The unions also objected on the grounds that those unions whose awards had recently been renewed would fall behind, given that awards were once again subject only to three-yearly renewal (Woods 1963: 111–113). One of the unions, the members of which had to wait a considerable period before any rise in their wages could be effected, was that of the freezing works. In protest, the Canterbury freezing works employees adopted a ‘go-slow’ tactic, much to the farmers’ dislike.

The traditional antipathy with which farmers viewed arbitration (Sutch 1969: 153–167) was rekindled, constituting another challenge to the system. Farmers customarily warned that the arbitration system was inappropriate for their sector because they faced uncontrollable factors affecting production, including the climate and other seasonal considerations, and the variable type and extent of attention to be given to livestock. In addition, given their strong reliance on protection from overseas competition, farmers were more vulnerable in the face of international price changes (Mabbett 1995). In 1927, the Dominion Executive of the New Zealand Farmers’ Union took part, as a third party, in the freezing workers’ application for renewal, warning the Court against further encroachment upon the conditions of workers within the farming sector, which they argued stood to raise the production costs of farmers. This
was particularly damaging in the context of falling export prices (Woods 1963: 114–115; Holt 1986: 170–171). However, the Court ruled that while the plight of farmers was understood, the freezing workers should be given an increase on the grounds that the cost of living should be the overriding consideration.

Given the poor industrial and economic climate within New Zealand during the late 1920s, farmers and employers sought to water down arbitration dramatically (Cocker 1928: 227). In 1927, in response to the farmers’ concerns, the government introduced a Bill, which, if passed, would effectively exclude the farming sector and certain related industries from the jurisdiction of the Court. The unions responded to this with great alarm. In order to quell the political controversy, and to ensure that industrial efficiency would not be impeded, the government called for a National Industrial Conference to discuss the requisite changes to employment relations. Not surprisingly, no single set of resolutions was made at the conference. The general position taken by the union movement recommended the continuation of compulsory arbitration, while the employers sought voluntary arbitration, whereby both union and employer would have to agree to take a dispute to the Court before arbitration came into effect. Clearly, changed economic circumstances had changed preferences regarding the legitimacy of arbitration. The constant factor, however, was the relative insecurity of the system.

The Relationship Takes Shape: Depression and the First Labour Government

The period from the end of the 1920s to the early 1930s was characterised by worsening economic conditions, culminating in the Great Depression. By 1930, Britain was experiencing decline in its capacity to absorb New Zealand exports, and the prices of many vital exports collapsed, and unemployment grew (Sutch 1969: 215). Yet real wages remained relatively steady, thanks largely to the three-yearly structure of awards. From December 1930 to early 1931, unemployment grew from 5000 to 30,000, and in the next few months the figure reached 60,000. With the collapse of prices for farm produce, the wages of farm workers,
which were generally not subject to regulation by the Arbitration Court, declined considerably, creating wide discrepancies between the farm and non-farm sectors of the labour force (Holt 1986: 185). During 1930 the effects began to be felt by employers outside the farms sector, by which stage they had joined the farmers in their advance of the idea that the system of arbitration was economically unsound.

In the face of intensified pressure from industrialists and farmers, the perceived legitimacy of compulsory arbitration waned significantly, and in 1932 the Arbitration Act was amended so as to render arbitration possible only if both union and employer(s) agreed to it. The vital element of compulsion was thereby abolished, which, given the state of unemployment, resulted in the vast majority of cases in workers having to accept their employer’s terms. Until 1935, there was some evidence of a renewed trend towards sweating, which the arbitration system had become effective at eradicating, and trade union membership declined by approximately 30 percent with the rise in unemployment (Woods 1963: 125–130). And on the question of the number of women and Maoris unemployed, ‘no one knows’ (Sutch 1969: 218).

Poverty became much more widespread. Such was the social context within which the Labour Party was elected to government for the first time. Labour’s platform had for long been to introduce a system of social protection which guaranteed a host of national minimum standards. By 1939, the First Labour Government had provided ‘a minimum living standard for everybody: whether young, old, widowed, unemployed, sick, disabled, Maori or Pakeha’ (Sutch 1969: 230). Departing from tradition, the Labour Party held to the belief that the Great Depression was a manifestation of severely reduced purchasing power, rather than of over-production. The most obvious prescription of such a belief was the increase of the capacity of all consumers to consume and producers to invest.

From 1936, in ‘a turning point in history’ for New Zealand (Sutch 1969: 230) the Party lost relatively little time in implementing several major policy measures which foreshadowed the ‘pièce de résistance’ (Davidson 1989: 133), the Social Security Act of 1938. Sustenance and relief workers operating under the Unemployment Act were provided with a Christmas bonus, and then in the following February higher rates for
these workers were announced, while most of them were relocated onto
the expanding public works programme. Those involved in public works
were given a wage raise, so that they were paid as much as a standard

The Finance Act of 1936 restored all award rates and extinguished pre-
vvious wage cuts introduced during the Depression. The Factories
Amendment Act of 1936 reduced standard weekly hours of work within
the manufacturing sector to forty, though more hours could be worked,
with relatively high overtime rates. This Act also introduced a minimum
wage in the sector. The Shops and Offices Amendment Act of 1936 intro-
duced the same minimum rate, and set maximum hours of work at forty-
four, within the insurance and banking industries (Woods 1963:
130–137). The Arbitration Act was also amended in important ways in
1936. Compulsory arbitration was reintroduced, and the Arbitration
Court could once again issue general wage orders. This time, however,
the protective capacity of the Court’s minimum wage determination
function was enhanced by the introduction of the ‘living wage’ principle.
Finally the Court acceded to the demands of the union movement’s
twelve-year-old claim that a man’s wage level should be sufficient ‘to
maintain a wife and three children in a fair and reasonable standard of

Yet the Court was only empowered to alter by general order this basic
wage, which was to underpin the award system, and not any rate stipu-
lated in individual awards or agreements. In this way, the 1936 amend-
ment was different to two previous amendments, in 1922 and 1931,
which entitled the court to vary many awards simultaneously via general
wage orders. As Woods (1963: 142) notes, the living wage had the func-
tion of providing a protective floor, rather than a ‘wage-fixing’ function
per se. Given that it was never amended by the Court, he argues, the basic
wage became a ‘dead letter’. While this is true in the legal sense, it was
certainly not ‘dead’ in the sense that it served as a springboard from which
award wages could only move in an upward direction. And more signifi-
cantly, as discussed further on, it was the precursor to minimum wage
legislation which was introduced in 1945, thus representing a source of
social protection outside of the arbitration and social security systems.
That the Minimum Wage Act lay outside of the arbitration system is
important in that it provided a continuing safety net for workers in the case of arbitration being abolished.

The 1936 amendment to the *Arbitration Act* also involved the introduction of compulsory union membership for those workers covered by the award system. From the early days of the arbitration system, union preference clauses—whereby a job applicant who is a union member was to be preferred over an equally qualified non-unionist competitor—became almost standard. The employer was free to decipher whether the unionist was ‘equally qualified’, offering them a legal way out of hiring a unionist. Under the 1936 amendment, however, all awards and agreements made under the auspices of the *Arbitration Act* were to contain a clause stating that it was unlawful to employ an adult who was not a member of a union bound by the award or agreement. Not surprisingly, as a result, union membership rose dramatically, from 81,000 to 249,000 between 1935 and 1938 (Chapman 1981: 339).

The government also took action to ensure that farmers had less reason to oppose arbitration. Through the *Reserve Bank Amendment Act* of 1936, the government bought out the Bank’s private shareholding. The Reserve Bank also took on a role as provider of low-interest and no-interest loans, and provided guaranteed prices to farmers. In addition, through the *Primary Products Marketing Act* of 1936, the state offered to buy all of the dairy industry’s produce, finance it and insure it, arrange for its transport and storage, and finally sell it through selected British firms (Chapman 1981: 340). There was more for farmers, however, in that the *Mortgagors and Lessees Rehabilitation Act* of 1936 also had the objective of keeping them on the land and producing efficiently. The State Advances Corporation, set up in the same year, acted as a state-owned credit corporation, providing inexpensive, long-term financing for first mortgages in both rural and urban areas (Chapman 1981: 340). Farm-workers also benefited, being covered by minimum standards for the first time. The *Agricultural Workers Act* provided for them a minimum wage rate and four weeks annual leave, and set minimum standards for farm housing accommodation. It also outlawed the employment of children under fifteen years of age on dairy farms (Sutch 1969: 233–234; 1966: 178).

The pensions system was broadened. The *Pensions Amendment Act* of 1936 liberated qualifying conditions and introduced new categories of
benefits (Hanson 1980: 43). It extended limits with respect to property and income, liberalised residential qualifications for old-age pensions, such that to be eligible for the benefit the applicant was required to be a resident of New Zealand of twenty years’ standing, instead of twenty-five. Pensions were introduced for ‘invalids’, ‘deserted wives’ and all miners suffering from occupation-related diseases other than phthisis. Finally, all existing pension rates were increased.

Despite these enhancements to pension benefits, however, they were merely ‘stop-gap’ measures before a more comprehensive social security system could be implemented (Hanson 1980: 43). Labour faced the 1938 election with the Social Security Bill as its central legislative proposal. The system created when the Bill was passed constituted what was, at the time, the most comprehensive welfare state in the world (Castles 1985: 26–27). The Social Security Act brought in, for the first time, sickness benefits, orphans’ benefits for those under sixteen, childless widows’ benefits, unemployment benefits for women, as well as emergency benefits for anybody who does not qualify for any other benefit and whose income is insufficient to provide an adequate living for themselves and their dependants due to age, physical or mental disability, or domestic circumstances (Sutch 1966: 238). To supplement the existing means-tested pension, a superannuation benefit was introduced (Castles 1985: 26–27). Initially it was quite a small universal payment when the applicant reached the age of sixty-five, age being the only condition to be fulfilled. The pension was payable at age sixty for men and to some women at age fifty-five, and was not taxable. Apart from the different age requirements and the lack of a means test, the superannuation benefit differed from the pension in that it was subject to taxation (Sutch 1966: 248–249).

By 1949, when Labour was defeated at the polls by the National Party, the welfare state had been well and truly institutionalised. The principle of the national minimum—as far as the welfare state alone could take it—had been all but fulfilled. Minima within the employment relations system had also developed to a significantly greater degree than had occurred before Labour came to office. The final protection in the period to 1950 came in the form of the Minimum Wage Act of 1945, which set down minimum hourly, daily and weekly wage rates for workers, though each of them was less for women than men. These minima were not part
of the award system, being a safety net below awards. The Act was not recognised by the Court until 1950, when it was considered in conjunction with family allowances—which had become universal in 1948—in a general wage hearing (Woods 1963: 165).

By 1950, the relationship between employment relations and social policy in New Zealand had been formed, and was to maintain a highly similar basic form until 1990. Though some benefits had become universal—namely health, education, superannuation and family allowances—the social security system remained predominantly selective and largely separate from protections emanating from the employment relations system, and largely residual to it. Despite the comparative social policy literature’s portrayal of the New Zealand and Australian welfare states as being highly similar, however, New Zealand was different in some important respects.

This is discussed further in the final section of the chapter. First, however, a discussion of Australian developments in the period of interest is provided.

**Australia**

Australia’s policy path during the decades after World War I was markedly differently to that of New Zealand. The welfare state which emerged was not as expansive or as generous. Australia’s Arbitration Court was more stable and it saw a greater entrenchment of the family basis of the Court’s basic wage. Australia also saw the emergence of a peak trade union body in the 1920s, the Australian Council of Trade Unions (ACTU), which had strong ties to the arbitration system. The labour movement was led more instinctively than its New Zealand counterpart to embrace arbitration as a central part of the social protection regime. This was the case particularly in relation to family policy.

The discussion of Australia is briefer than that of New Zealand because the broader economic, social and political contexts of social protection in both countries were highly similar, and hence extended discussion is not required. In addition, considerably fewer measures were implemented in the arena of social protection in Australia. The Australian welfare state in
particular was considerably less comprehensive, and when the arbitration system did fall out of favour, the anti-arbitration sentiment was not as effective or as potent as it was in New Zealand. Though all of the relevant aspects of the Australian welfare state are discussed, most attention is paid to family benefits, because this was the sphere which most clearly illustrated the extent to which social protection in its entirety relied on arbitration.

The Basic Wage and Family Policy, 1910–1941

In the Harvester Case of 1907 Justice Higgins made no provision for movements in the basic wage according to the cost of living. This is despite his intention that the basic wage should be a ‘living wage’. Higgins’s neglect of the cost of living in formulating and updating the basic wage is even more curious when it is considered that the Harvester formula was made during a time of rising prices (Macarthy 1967a, b). Between 1907 and 1912, prices increased by approximately 11 percent, a rate with which wage increases did not keep pace. This situation gave rise to an increase in industrial disputation (Turner 1965: 33–68), though this was not of the magnitude or importance of the ‘Red Fed’ revolt in New Zealand during the same years. In the 1911–12 Australian dispute between the Federated Engine Drivers and Firemen’s Association and Broken Hill Propriety, Justice Higgins refused the claim of the union for an increase in the basic wage on the grounds of a rise in the cost of living (Markey 1982: 116). In support of its claim, the union submitted statistical evidence published by the Commonwealth Statistician on the cost of living in Melbourne, though this was not to Higgins’s satisfaction.

In 1913, however, the practice of pegging the basic wage to the price level was introduced. In the Federated Gas Employees Case, Higgins did grant an increase to yardmen and other labourers in the industry, based upon the Commonwealth Statistician’s data. The increase given was lower for those workers resident in Hobart, however, based upon that city’s lower cost of living (Healey 1972: 34). The Commonwealth Statistician’s Retail Price Index was introduced in 1912, and was used by the Arbitration Court in its basic wage rulings until 1933. The Statistician’s data included
necessities such as food, groceries and rent. From 1921 to 1953 basic wage adjustments were granted automatically, usually on a quarterly basis (Hutson 1971: 44–47; 1966: 116–118). From then, workers did not need to apply for award renewal before a wage increase was granted.

Despite the increase in the frequency with which wage increases were granted, however, the general perception of the trade union movement was that the cost of living had outpaced wage levels, for both skilled and unskilled workers. This perception continued through the 1910s. In this sense, Australian developments were similar to those of New Zealand. During the latter part of the decade the number of days lost to industrial stoppages in Australia increased, peaking in 1919 to the largest number since records were first kept. It is within the context of the Arbitration Court’s wages policy that Australian family policy came under the spotlight. And it was the living standards of families which most concerned the union movement. This is not surprising, given that it was primarily this consideration that had determined wages since 1907.

In the lead-up to the 1919 elections, Prime Minister Hughes established the Royal Commission on the Basic Wage (Australia, Parliament 1920), chaired by A.B. Piddington, and containing members representative of both trade unions and employers. The Commission was charged with three responsibilities: first, to establish a reasonable standard of living for a man, his wife and three children; second, to report on the cost of living over the previous five-year period; and third, to suggest means by which the basic wage could be adjusted automatically according to movements in the cost of living.

Piddington considered the basic wage set in 1907 to be inadequate, arguing that it was sufficient for a man, his wife and only one child and no more. Piddington also claimed that the living wage was based upon insufficient empirical research into the needs of families (Piddington 1921: 15). When asked to test the validity of the Commission’s claims regarding the appropriate basic wage standard, G.H. Knibbs, the Commonwealth Statistician, argued that the economy could not sustain the requisite increase (Piddington 1921: 15). Piddington retorted with a proposal for a scheme whereby the basic wage would merely cover two-adult families, with each child receiving a child endowment from the state, financed by a flat tax on employers (Watts 1987: 48–49).
Piddington’s dissatisfaction with the family basis of the basic wage found great support from feminists within the labour movement. In particular, his view that the ‘average’ family was not one containing three children gained great appeal on the basis that families with less than three children, and single men, were considerably advantaged by the basic wage (Lake 1992: 11). More will be said on this issue in the following chapter in the context of equal pay. It is worthwhile noting here, however, that a movement for family allowances was initiated by feminist trade unionists and their sympathisers in the late 1910s and 1920s, not only in Australia but also in New Zealand and Britain (Rathbone 1924; Lewis 1978; Smith 1984; Lake 1992; Cass 1983; Macnicol 1980, 1992; Campbell 1927). This movement in Australia gained in intensity in the 1920s, largely on the strength of Piddington’s position.

Yet the incumbent Nationalist government was not convinced by Piddington’s proposal, and the principles used to determine the basic wage remained intact. And family allowances were not implemented, at least not at the national level. Two schemes which were limited in scope were introduced. One was the family allowance provided by the Commonwealth government in 1920, though only made available to its own employees. The other was the benefit in New South Wales, introduced in 1927, which provided for each child on a means-tested basis (Beyrer 1976: 266). The Commonwealth public service scheme was initially funded by the government, though by 1923 its funding basis changed to contributions by the employees themselves, deducted from their wages. The New South Wales scheme was financed by a 3 percent tax on the payrolls of employers, and was provided for each child under fourteen years of age.

In contrast with the New Zealand case, where a government-provided family allowance was introduced in 1926 with relatively little debate, there was considerable debate in Australia, with little result. Indeed, in the period from 1910 to 1941, there was only one social security benefit introduced at the federal level: the maternity allowance of 1912. Under the Maternity Allowance Act of 1912, a payment was provided to mothers. Though the payment was offered for each birth, multiple births only attracted one payment of the same amount. Despite the lack of a means test, and its non-taxability, women who were of Asiatic, Aboriginal,
Papuan or Pacific Islander background were excluded (Kewley 1973: 103–104). It was thus not universal in character.

As will be discussed further in the next section of the chapter, the barriers to implementing a national family allowance scheme were political, but they were also institutional. Australia’s Constitution severely limited the federal government’s powers with respect to state welfare legislation. Until 1946, when a referendum was successfully enacted, it was probably unconstitutional to introduce laws with respect to benefits other than old-age and invalid pensions. As Castles (1985: 23) argues, the inactivity with respect to social security in the period before the 1940s is attributable in great part to the federal nature of the Constitution. As seen, however, the Constitution limited the Commonwealth’s direct powers over employment relations as well.

Both of these limitations, with important implications for the future relationship between employment relations and social policy with respect to social protection, were illustrated in 1927 in events surrounding the Conference of State Premiers. Prime Minister Bruce, backed by the Commonwealth Statistician, attempted to convince the Premiers of the virtues of lowering the basic wage and introducing family allowances as the quid pro quo for the unions (Watts 1987: 50). This met with little success as the State Premiers were hostile to it. Further, the Prime Minister listened to the wishes of the trade union movement, which by this stage supported family allowances, but not at the expense of the family wage (Cass 1983). Though the issue was revisited in the Royal Commission on Child Endowment or Family Allowances (Australia, Parliament 1929), the prospect was again defeated.

Meanwhile, a challenge to the authority of both Justice Higgins and the Arbitration Court was being mounted by the government. Following on from ‘several … invasions of his [Higgins’s] duties’ in the late 1910s (Healey 1972: 43), the Industrial Peace Act was introduced in 1920. Under this, in an unprecedented move, the government was allowed to intervene in any dispute by creating a separate tribunal, thus rendering the Court’s function redundant with respect to that dispute. Unsurprisingly, this offended Higgins as the President of the Court, and he resigned in response to the Act (Higgins 1920: 133–135), though his resignation would not be effective until the following year. In 1929,
another challenge to the legitimacy of the Arbitration Court was mounted, this time through the Maritime Industries Bill, which had the objective of abolishing the Federal sphere of the arbitration system. In the context of historically high strike levels, and the beginnings of the Great Depression, the government and a British delegation alleged that the system had become legally cumbersome and confusing. In some industries, for example, there was a multiplicity of awards in operation simultaneously (Foenander 1937: 55–56). Unable to extend the reach of the federal system, the government sought to hand the role of the Commonwealth Arbitration Court over to the State tribunals; however, the Bill failed.

Before his retirement from the Court, Higgins granted the Amalgamated Society of Engineers a new award, which was to be used as a standard-setter. Higgins stated that he had hoped to receive help in his formulation from the Royal Commission of 1919, but he had not found any, largely because his perception was that the Commission did not actually report on the basic wage, having made no distinction between skilled and unskilled workers. The award he handed down conferred upon workers in the engineering industry—later known as the metal trades industry—a basic wage which was double that set in the decision of 1907, and a skilled rate also double that of 1907 (Healey 1972: 37–42).

In response to worsened economic conditions, however, the rate established in the metal trades award was reduced in 1922 by Justice Powers, Higgins’s replacement in the Arbitration Court. This constituted the first wage cut implemented since the system’s inception. In justifying the reduction, Powers argued that the manufacturing industries could not afford to pay the going rates. Further cuts were implemented in the early 1930s. In 1930, employers argued that the time had come for changes in the established methods of wage determination, mainly on the grounds that industry could not sustain the wage levels to which unions had become accustomed under the Arbitration Court’s award formulations. Like their New Zealand counterparts, they argued that underlying the existing wage levels was the decrease of price levels for primary produce exports (Healey 1972: 54). The employers met with the sympathies of the Court, and a 10 percent reduction in wage levels was introduced in 1931. The 1934 Basic Wage Inquiry delivered a restoration in wages, except for workers in the worst affected industries.
The Emergence of the Welfare State and Its Relation to Arbitration, 1941–50

In the context of the Great Depression and then preparations for World War II, legislation which could have established a welfare state based upon a social insurance system—the *National Health and Pensions Insurance Act* of 1938—failed to come into effect. In all, despite much debate, the inter-war years resulted in no substantive development of new national-level social policy measures, though a few schemes had been developed at the State level (Watts 1987: 1–24). Queensland introduced an unemployment insurance scheme in 1922, and New South Wales developed a widows’ pension benefit in 1926 as well as the child endowment measure mentioned earlier (Kewley 1973: 99–169).

In 1941, in the context of a considerably more favourable economic position for the labour movement, and a war-time economy, the Menzies United Australia Party government passed a child endowment scheme. It did so for various reasons, not the least of which was the trade-off inherent in wage restraint, and the maintenance of purchasing power among families (Cass 1983: 78–79). The benefit was universal, involving no income test, going to the second and subsequent children. The wages system was assumed to be catering to the first child along with the parents. The Basic Wage Inquiry of 1940/41 resulted in the capacity-to-pay argument being triumphant, the President of the Arbitration Court granting no increase in the basic wage, and expressing his approval of the new child endowment benefit (Watts 1987: 53–60).

During this phase of Labor’s rule, which ran from 1941 to 1949, a few other social security reform measures were introduced, including widows’ pensions and unemployment and sickness benefits (Watts 1987: 45–124; Kewley 1973: 211–233, 265–282). The year 1947 was an important one for the Arbitration Court because the Judges were to lessen significantly their involvement in employment relations matters relating to administration and conciliation, which were to be taken up by Conciliation Commissioners. The role of the Court was to be specialised around the formulation of the basic wage, standard hours, annual leave and female wage rates (Healey 1972: 77–81). It seemed that the stated function of
the arbitration system as settler of disputes was to be superseded by its other function, that of formulator of minimum labour standards.

Progress in welfare state provisions outside of social security during these years was modest in comparison with that in New Zealand. However, one advance stood out for its significance: the *Social Services Consolidation Act* of 1947, which provided a sign of broadened constitutional powers of the federal government with respect to social policy. First recommended by the *Joint Parliamentary Committee on Social Security*, established in 1941, this Act fused legislation on pension benefits, maternity allowances, child endowment, and unemployment and sickness benefits (Watts 1987: 61–83, 113–114). In the process it repealed the entirety of forty-three Acts and sections of seven others. As well as its consolidating function, however, its other major contribution was the liberalisation of benefit eligibility conditions, and an increase in the level of some benefits.

Taken in sum, however, despite the expanded social policy powers handed over to the Australian federal government in the late 1940s, it was never to reach the comprehensiveness of its counterpart in New Zealand. The explanations for this, as they concern the period dealt with in this chapter, are now discussed in the comparative analysis.

**Comparative Analysis**

The comparative analysis of Australia and New Zealand between the two world wars has been given relatively little attention in the comparative literature. This is surprising, for two reasons. First, the two welfare states were formed in this period, and both were formed earlier than European counterparts (Castles 1985, 1996), making for fertile ground for comparison. Second, the period oversaw the creation of a historically important interplay between employment relations and social policy in the development of social protection. This interplay says much about the subsequent pattern.
The Contribution of Others

In discussing the historical context of social protection in Australia and New Zealand, small-N or direct-comparativist scholars have tended to refer to the formative period, that of the 1890s to the 1910s. This is mainly because it was in that era that the employment relations systems of both countries took their traditional forms. The period covered in this chapter has received relatively little attention, though it is referred to in the context of the impact of the ACTU and the Federation of Labour on Australian and New Zealand employment relations respectively (Sandlant 1989; Bray and Walsh 1993, 1995; Bray and Nielson 1996). There is a common position within the literature. It says that part of the explanation for the divergence which occurred between Australia and New Zealand over the 1980s and 1990s is seen in the greater cohesiveness and unity within the Australian labour movement. That is, it is argued that the ACTU and the Australian Labor Party enjoyed a closer relationship than did their New Zealand counterparts. This argument is not refuted here. Indeed this chapter has found that the relationship between the two arms of the labour movement is one indicator of the greater vulnerability of arbitration in New Zealand.

In the comparative social policy realm, the work of Castles identifies and offers an explanation for the similarities and dissimilarities between the two national regimes (Castles 1985: 21–29; 1996; Castles and Shirley 1996; Castles and Pierson 1996). Castles (1985) rightfully identifies the New Zealand welfare state created in the 1930s and 1940s as being significantly more advanced and comprehensive than its Australian counterpart. And he rightly attributes much of this difference to the comparatively restrictive Australian constitution.

The original [Australian] constitutional provisions had given the Federal government specific powers in respect of social policy only in the areas of invalid and old-age pensions, and much of the inactivity in the era after 1910 must be attributed to this major institutional impediment to reform. Effectively it had left the initiative for the development of welfare services and benefits in the hands of the States, with the consequence that the very few innovations that had occurred were extremely restricted in scope. Thus,
from the time of the introduction of the maternity grant in 1912 (itself, possibly open to constitutional challenge), there was no further social policy reform until 1941 at the Commonwealth level. … In constitutional terms, the achievement [of the federal Labor government] was to establish Commonwealth social policy intervention on a sound legal basis [through the 1946 referendum and the 1947 Consolidation Act]. (Castles 1985: 23)

Despite making the important observation that the Australian Constitution presented major obstacles to social policy reform, however, Castles’ analysis largely eschews consideration of the role which arbitration and the family wage played in limiting the welfare state in Australia. Despite his argument (also in Castles 1996) that the wage-earners’ welfare state model was less applicable to New Zealand than to Australia, he does not see the differences in the arbitration system generally, or the family basis of wages specifically, as being at the heart of this difference. This is made clear in his analysis of the role of family assistance in the two countries. Here Castles treats New Zealand and Australia as more or less equally reliant on wage regulation as the primary instrument of social protection. In addition, he argues that the family wage legacy was as strong in New Zealand as it was in Australia and that the basic shape of the minimum wage policy was the same in both countries. This argument necessarily leads Castles’ analysis to overstate the similarity between Australia and New Zealand with respect to family policy generally. His main proposition was that the principle of selectivity in both countries’ social security systems was a direct result of reliance on basically equivalent family wage policies:

In New Zealand, the picture was much the same [as in Australia]. In 1908, only the year after the Harvester Judgement, the Court of Arbitration stated that ‘we think anything less than 7s [shillings] per day is not a living wage where the worker has to maintain a wife and children’ and set the basic rate for unskilled labour at 8 shillings per day. In 1925 the basic wage was supposed to be sufficient for the support of the ‘statistical family’ of a man, wife and two children, and in 1936 legislation adopted a norm of three children for wage-setting. This family policy aspect of the wage regulation system simultaneously offers clues to why questions of child endowment were raised earlier in New Zealand and Australia than in many

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European countries and yet why initial legislation in this area was either highly selectivist in character or came up against barriers which frustrated reform theoretically espoused by all parties. (Castles 1985: 88–89, my italics)

Finally, though Castles (1985: 86) acknowledges the existence of minimum wage legislation in the form of the 1945 Minimum Wage Act, he does not view it as contributing in any way to differences between the New Zealand and Australian social protection regimes. Rather, he uses its gender-differentiated, and hence ‘family’ basis, as another illustration of his Australasian exceptionalism argument. That is, it was as a sign of the commitment to wage regulation as opposed to social insurance under both regimes more or less equally.

An alternative account requires a framework which examines the interplay between the political and institutional factors, and how this interplay shaped the similarities and differences between the two regimes. This is consistent with historical institutionalists Thelen and Steinmo (1992: 14), who stress the need for a ‘more explicit theorizing on the reciprocal influence of institutional constraints and political strategies’.

The Welfare State and the Labour Movement

The most important overriding similarity between New Zealand and Australia during the period in focus relates to the two welfare states being built by Labo(u)r governments backed by their industrial partners in the respective trade union movements. According to Castles (1985: 21), between 1910 and 1950 ‘Australia appears to have possessed the strongest labour movement in the world, with the Australian Labor Party (ALP) averaging some 43% of the vote in the sixteen elections held and trade union membership as a percentage of the labour force averaging in excess of 30%’. New Zealand’s First Labour Government, which reigned from 1935 to 1949, was, ‘by all possible measures, … the strongest that has ever existed in the English-speaking world’ (Castles 1985: 25). Apart from holding office for fourteen years, the Labour Party held an absolute majority of parliamentary seats throughout its reign. It attracted 55.9
percent of the vote in 1938, and in the early 1940s union membership density stood at 67 percent, which was higher than in any other democratic country.

Despite this picture of commonality, however, there were structural and strategic differences between the Australian and New Zealand labour movements which contributed to their relative levels of commitment to arbitration, and through that, social protection. As was demonstrated earlier, the Australian Labor Party had been established by federation in 1901, but had been influential at the Colonial (then State) level from the 1890s. In New Zealand, by contrast, the Labour Party was only formed in 1916, and did not win government until 1935 (Gustafson 1992; Brown 1962). Despite the substantial increase in the comprehensiveness of social protection which the First Labour Government produced, an element of continuity with previous governments is discernible, especially with the Liberal government of 1891 to 1912. This continuity relates mainly to the ‘something-for-everyone’ formula, this time including industrial workers, farm workers, Maoris, employers and farmers. Just as the Liberal period was characterised by social protection measures which sought to equalise labour and capital, the Labour Party sought in its first period in office to share the benefits of a greatly expanded social protection between all of the major groups in society. This was indeed more consistent with social protection theory. Polanyi (1944: 132) argued that, to be successful, protective institutions need to be simultaneously of benefit to ‘the working and the landed classes’.

**Constitutions and Arbitration**

On the other hand, Labor rule in Australia during the period was characterised not merely by a continuation, but a strengthening of the labour movement’s hold over social protection. As argued earlier, the arbitration system was partly the creation of the labour movement there, and it continued to be more acceptable to the union movement there than it was in New Zealand; where unions had played little role in its establishment. The ACTU, which was formed in 1927 (see: Donn 1983; Hagan 1981; Donn and Dunkley 1977; Dabscheck 1977; Martin 1975), became a
more encompassing and more effective union confederation than New Zealand’s (second) Federation of Labour, which was created in 1937 (see: Roth 1973, 1978; Sandlant 1988, 1989).

The greater institutional ties of Australian unions to the arbitration system stemmed mainly from two factors. First, the federal Constitution, which had defined the scope of the Arbitration Court’s responsibilities from its inception, effectively installed arbitration as a permanent institution. Any political interest, including government, willing to challenge its legitimacy should be prepared to face significant barriers to the achievement of its goal (Sandlant 1988: 6, 1989). Second, the ACTU had an arbitration agency service, individual unions necessarily relinquishing their individual representation before the Court in national wage cases. This was a distinctly Australian custom and worked effectively to guard the role and the stature of the ACTU (Dabscheck 1977: 393–394; Martin 1975: 6).

That the ACTU was more closely tied to the arbitration system than was the Federation of Labour was also indicated by the structure of the two organisations. The Federation was formed as a result of a merger between the Trades and Labour Council Federation, which was a body representing the craft unions, and the Alliance of Labour, made up of the industrial unions. Yet the unification of these two traditionally mutually hostile legs of the union movement did not lead to an effectively united voice. Indeed, it was the government of the day, the First Labour Government, rather than the union movement itself or the Arbitration Court, which encouraged unity: ‘The government wanted a strong but disciplined union movement whose leaders could be relied upon not to endanger the Labour Party’s political prospects, and it impressed this view on the leaders of the movement’ (Roth 1973: 56).

Voluntary Versus Compulsory Unionism, and Union Strategy

The stronger divide between the craft and industrial unions in New Zealand was also historically fed by a legacy of compulsory unionism. As noted earlier, the New Zealand Arbitration Act strongly encouraged
union preference clauses. Union preference was moved a step up to statutorily compulsory unionism in 1936. Though the Australian Arbitration Act also had in many cases bestowed preference upon unionists (Howard 1977; Dabscheck 1977; Donn and Dunkley 1977; Hagan 1981), unlike the situation in New Zealand, this legacy was not cemented by legislation. However, rather than being universally conducive to social protection, compulsory unionism in New Zealand had the effect of increasing the incidence of so-called paper unionism (Sandlant 1989: 39), a term referring to many of the smaller craft unions which would not have been formed, were it not effectively compulsory for the worker to be a union member to enjoy the benefits of the arbitration system.

During the period of Labour’s first government in New Zealand, union movement division was not a major problem. The government’s extension of social protection, the general economic recovery from the Great Depression of the early 1930s and the formation of the Federation of Labour all combined to relieve much of the political pressure on the labour movement. However, as will be seen in the following chapter, this situation of relative calm between craft and industrial unions was not to continue for too long, and problems between them emerged again from the 1950s. Nor was there a high level of unity before the advent of the Labour government. Sandlant (1989: 40–41) argues that the relatively divided union movement and the operation of the arbitration system combined to produce a vulnerability in New Zealand’s arbitration system, which was not part of the Australian landscape. Arbitration in New Zealand produced a ‘conservatism’ in the New Zealand system, and the dividing line between the industrial and craft unions exacerbated the situation. As Olssen (1986: 17) argued, the New Zealand union movement in the period was ‘fragmented, unsure of purpose, [and] incapable of unity’.

Family Policy, Arbitration and Wage Minima

There are other factors, mostly absent from the existing comparative literature, which contributed to the greater legitimacy of arbitration in Australia. The firmer placement of family policy within the arbitration
system, rather than in the welfare state or in other forms of direct government action, is an important one. When the family wage was combined with the constitutional limitations on direct action in both the employment relations and welfare state arenas of social protection, it was not surprising that family provision through the social security system in Australia was introduced later than it was in New Zealand. Also, it only took place after considerable debate in Australia. In New Zealand the welfare state avenue for delivering an effective family policy was always available, and always only awaited the political will of government and the appropriate political and economic climate for its implementation. New Zealand, after all, had no legal restrictions on government action in respect of welfare. In one sense, it was even potentially more probable that New Zealand could also have put in place a significantly more effective family-based wages system, though its arbitration system had the shortcomings already outlined.

In the Australian case it was not surprising that there was more of a struggle during the 1920s to the 1940s to establish a workable avenue for the delivery of family policy. The Royal Commission on the Basic Wage (Australia, Parliament 1920) and the subsequent efforts of A.B. Piddington (1921), its Chair, failed to bring about an effective mechanism within the wages system. This was confirmed by the Arbitration Court in the 1934 Basic Wage Inquiry, which concluded that

[i]f it is desired to provide the same standard of living for households of all sizes – the same standard for a man, wife and three children as for the unencumbered bachelor wage-earner – that object cannot be achieved by this Court. Some system of family endowment would have to be introduced by competent legislative authority.

As history reveals (Watts 1987: 47–48; Hancock 1997: 3–6), Australia’s child endowment was introduced in 1941, but it did not uproot the family wage as the primary basis for family provision. New Zealand put into place a family wage akin to that of Australia in 1936, but it was short-lived and it was followed up by a family-based Minimum Wage Act in 1945, which prescribed higher rates for males. Though, as seen in this chapter, both of these schemes lay below the awards system, that they
existed at all served as an institutional buffer, a safety net which would have been called into play if the awards system was ever abolished. Political mobilisation to protect the award system was thereby undercut. Though arbitration was not abolished in this period, it came close during the next period, from the 1950s to the early 1980s, which is examined in the next chapter.

Conclusion

The period between the two world wars does not feature prominently in the work of comparative scholars writing on Australia and New Zealand. The literature which exists has generally underestimated the differences between the two regimes, and the significance of differences for the historical development of social protection from then on. The emergence during the period of the welfare state accentuated the differences, such that the gap between Australia and New Zealand was widening. Australia came to rely more heavily on arbitration as an arm of social protection than did New Zealand. Various reasons account for this difference. In Australia the protection of the living standards of families continued to be seen primarily as a problem to be handled by the wages system, even as the welfare state was beginning to take shape in the early 1940s. While the role of Australia’s arbitration system was generally relatively well accepted by the industrial parties, New Zealand’s system was subjected to repeated challenges to its very existence.

This difference is shaped by several political and institutional factors. First, a more divided trade union movement developed in New Zealand, a stronger cleavage between craft and industrial unions playing an important role in shaping unions’ lower level of acceptance of arbitration. This cleavage was only strengthened by compulsory unionism, which was a prominent feature of New Zealand’s labour market. Also, New Zealand’s peak trade union body, the Federation of Labour, was less effective in representing trade union interests and generally less authoritative over its membership than was its Australian counterpart, the ACTU. The ACTU also held the advantage of having an arbitration agency function, thus tying its member unions more strongly to the arbitration system.
Finally, an indispensable contribution to the differences between Australia and New Zealand arising in this period is made by the ability of New Zealand legislators to enact family allowances in the 1920s with relatively little controversy, then to build the world’s most advanced welfare state in the 1930s and finally to legislate for nationally applicable minimum wage standards outside of the arbitration sphere in the mid-1940s. All of these developments had been rendered impossible in Australia, mainly though not exclusively by constitutional limitations on the activities of the federal government.

References


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Complicating the Relationship

Introduction

Whereas New Zealand built the more comprehensive welfare state prior to World War I, the two regimes gradually converged on an incrementalist social policy model in the decades after the World War II. In an era characterised by prolonged economic growth, social protection as a whole underwent a process of testing. Would the welfare state continue to grow in two exceptionalist countries where, unlike Western Europe, employment relations was the central arm of social protection? As it turned out, not only was the welfare state incrementalist, but so were the arbitration system’s decisions on wages. Decisions were often swayed by employers’ arguments on their capacity to pay. As will be seen, this fuelled anti-arbitration sentiment among key sections of the trade union movements of both countries.

The test was partially resolved from the late 1960s to the mid 1970s, when innovative movements in policy led to renewed interest in the welfare state. Notably, the phased implementation of formal equal pay for women and men workers also occurred in this era, and pressure on wage-fixing continued into the early 1980s. However, the principal finding of
this chapter is that, beneath these overarching similarities, social protec-
tion in New Zealand faced the more serious long-term challenges. Its
arbitration system continued to suffer more fundamental downgrading
in control over the wage-determination process. This had implications
for social policy.

The relatively solid position of Australian arbitration, and arbitration’s
greater independence from government, were most easily seen in the sys-
tem’s closer ties with the trade union movement. The voluntary basis of
unionism and the absence of national minimum labour standards legisla-
tion are also important considerations. In New Zealand, where few con-
istitutional limitations were placed on the activities and policy capacities
of government, there was increased government intervention within
employment relations from the late 1960s onwards. The Australian arbi-
tration system’s greater authority was demonstrated most clearly in two
phenomena: first, through equal pay provisions, which in Australia were
channeled entirely through the Arbitration Commission, while in New
Zealand direct government legislation was the delivery mechanism; and
second, through the inability of the Australian government to impose
incomes policies without the approval of the arbitration system.

The first two sections of this chapter examine respectively the key
Australian and New Zealand developments in social protection from the
late 1940s to the early 1980s. The third section provides a direct com-
parative analysis.

Australia

Post-war Incrementalism: The Basic Wage and Social
Security, 1950 to 1966

Social protection during the post-war period in Australia was overrid-
ingly characterised by incremental improvements in wages and the ben-
efits and services of the welfare state. Given the general improvement in
economic conditions in Australia during the early post-war years—full
employment having been achieved during the war—unions increased
their strike activity and their demands for higher wages and lower hours of work (Turner 1976: 98–109). Despite incremental gains, however, the period spanning the end of the war to 1950 was not characterised by improvements in real terms.

As recommended by a government White Paper, *Full Employment in Australia*, economic policy generally prioritised full employment over the fight against inflation (Kewley 1973: 184–185). In the context of the emerging ‘cold war’, dissension between sections of the trade union movement exacerbated the situation. As well as seeking improvements in the employment relations sphere through applications to the Arbitration Court, ‘moderate’ unions, as opposed to communist-influenced unions, also sought welfare state augmentation (Gollan 1968: 40). The welfare state during this period was given reaffirmation by the *Social Services Consolidation Act* of 1947, which fused legislation on a wide range of benefits. The Act also liberalised eligibility for many benefits and increased their level. In the wages sphere, the 1950 decision represented a highly significant judgement in terms of social protection. In this ‘mammoth’ determination, the unions urged a return to the determination of the basic wage according to family needs. But this was rejected by the Court. In 1951 a claim was lodged by employers for a return to the 44-hour week, which met with a counter-claim by the unions for a 30-hour week. Both were rejected. A claim was also made in the following year by the metalworkers for increased margins, but this also failed (Hancock 1979: 151). Between 1951 and 1953 the Court exercised caution, the quarterly increments being the only major increases granted.

Change was in the air, however, as Australia was in the grip of high and accelerating inflation due to the Korean War boom and the rapid industrialisation associated with the growth in the manufacturing sector (Dyster and Meredith 1990: 198–218). Within this context, in 1953 the Court announced that the quarterly cost-of-living adjustments to the basic wage would cease, constituting ‘the quintessential expression of the capacity to pay principle’. As a principle of wage determination, the needs of the family were effectively superseded by the ability of industry and the economy as a whole to sustain wage increases, which were assumed to be necessarily inflationary. Another major consideration in the decision was the existing structure of margins—including those related to skill,
penalty rates, holiday-pay, annual leave and sick leave—and their relation to the basic wage. In other words, the Court made allowance for wage levels elsewhere across the economy (Dabscheck and Niland 1981: 316–317).

A 30-year era governed by the principle of determining movements in the basic wage according to the cost of living thus ended, and the capacity-to-pay concept became the overriding wage-determinant until 1961, though in 1956 the practice of holding annual reviews of the economy was introduced. In 1954 a more centralised framework was adopted whereby the Court’s rulings would determine the basic wage and margins, the latter mainly based upon the rates inherent within the metal trades. As well, the State-level arbitral tribunals were encouraged to adopt the principles of the federal system, encouraging a more effective flow-on, on a national scale, of conditions determined by the Commonwealth arbitration system. In essence, this constituted the institutionalisation of the concept of ‘comparative wage justice’ (on which, see: Provis 1986; Isaac 1986).

An incremental approach also applied to social policy. After the development of a welfare state in the 1940s under Labor tutelage, the Menzies Liberal government of the 1950s and 1960s made steady but limited extensions. Yet, the Joint Parliamentary Committee on Social Security had given expression to a bi-partisan preference that the welfare state should be an important federal concern (Butlin et al. 1982: 197; Watts 1987: 61–83, 113–114). This preference was then institutionalised by the referendum of 1946, which handed the jurisdiction over most of the welfare state to the Commonwealth government. However, just as wage improvements in this period were granted largely on the basis of economic criteria, many welfare state reforms also tended to be determined with reference to market dictates (Carney and Hanks 1994: 39–41). Nowhere was this more evident than in the sphere of the Menzies health policy changes, where the government followed the explicit preference of the medical profession in adopting a mainly private health insurance model (Butlin et al. 1982: 218).

Though the health system was the most significant area of social policy to be extended before the late 1960s, the progressive liberalisation of the means-test on social security payments stands as an achievement (Carney
and Hanks 1994: 39). Also, in 1958, supplementary benefits for pensioners paying rent were introduced. In 1961 the separate income and assets portions of the means-test were merged by imputing a notional income value on the assets subject to testing. In 1963 the married and single rates of pension were demarcated. In 1964, the child endowment was increased for third and subsequent children. In 1963, nursing home benefits were introduced, and in 1964, endowments for students over the age of 16 were brought in. Subsidies for costs associated with care of the aged had been introduced in 1954, and for those requiring sheltered workshops in 1963 (Carney and Hanks 1994: 39). Importantly, however, all of these measures did not alter the basis of state welfare in means-tested benefits funded from general revenue.


The late 1960s to the mid 1970s was a period in which the central traditions of Australian social protection were ripe for challenge. The renewed interest in poverty from the 1960s was associated partly with the ‘normal, incrementalist, process of policy review’ over the decade (Castles 1985: 35). However, it was motivated more strongly by the growing concern, particularly in the United States and the United Kingdom, that poverty had re-emerged despite the growth of the welfare state after the war (Stewart 1995: 36–92; Townsend 1962, 1979). The first major inquiry into poverty in Australia, called *People in Poverty: A Melbourne Survey*, was conducted under the direction of R.F. Henderson of the Melbourne Institute of Applied Economic and Social Research. It first appeared in book form in 1966 (Henderson et al. 1970). Based upon an examination focused on the Victorian city of Melbourne, the study found that despite the generally high living standards of the city’s people and the fully employed status of its labour-force, poverty was in existence.

The authors argued that, assuming the wife is not in employment, a family of four was in poverty if its income was less than the basic wage and the child endowment combined. It explicitly related poverty to the basic wage because of the importance that this concept had assumed
historically to the determination of living standards, and also because of its comparability in function to welfare state payments in other countries (Henderson et al. 1970: 1). The study proposed that, where poverty was found, it was mainly caused by one of five identifiable ‘disabilities’: old age; unemployment; large families; recent migration to Australia; and prolonged illness. Yet the major recommendations did not involve a change in the underlying basis of social protection, the report arguing that it was within the realms of the existing social protection framework that the problem of poverty could be solved. The overriding policy prescription was to increase the rates of the major existing welfare state benefits: age, invalid and widows’ pensions; sickness, unemployment and special benefits; and child endowment. In addition, recommendations were made for the wider provision of public housing, health insurance, and domiciliary services (Henderson et al. 1970: 191–198).

The Melbourne study was followed in 1972 by a national inquiry, established by the McMahon Liberal government, which reported just months before the dismissal of the Whitlam Labor Government in 1975. As part of its vision for more comprehensive social protection in Australia, however, the Whitlam government also established a Social Welfare Commission (Graycar 1979: 39–41), which had several briefs: to report on the needs of the community, and to make recommendations on the policy means by which these could be adequately fulfilled; to formulate ‘a nationally integrated social welfare plan’; to advise the government on the costs of proposed social welfare programs, and to continuously review these; to examine and report on ways to provide relevant information and technical assistance to all organisations concerned with social welfare, whether at the level of the State, the local government or the voluntary sector.

The Commission which had the greatest potential to change the ethos of selectivity in welfare state provision, however, was the Commission of Inquiry into Poverty. Though its findings and recommendations were numerous, and its analysis wide-ranging (Mendelsohn 1979: 108), its single most relevant recommendation was for the adoption of a basic income scheme, or a ‘guaranteed minimum income’. That is, as well as those ‘reforms which can be made within the broad outlines of the
existing social security system’, the Commission urged the establishment of a social security system consisting of two basic elements:

(1) A set of regular payments to all citizens, called minimum income payments. These would be on the lines of the present child endowment, but much extended in scope.

(2) A proportional tax on all private income, without exception (Australia, Commission of Inquiry into Poverty 1975: 71).

Despite its potential for major change, however, as political history has shown, the year that the Commission’s findings were published was the year that the Whitlam Labor government was dismissed. It cannot be stated with certainty whether its recommendations would have been implemented if Labor had retained office after the subsequent election. Overall, the period from the ‘rediscovery of poverty’ in the late 1960s to 1975—when it was made clear that Whitlam’s proposals for a wholesale overhaul of social policy would be frustrated—saw modest reforms relative to what was on the agenda. Yet the Whitlam years did see a significant increase in expenditure on the services sector of the welfare state (Scotton 1978).

Several significant universalising elements were on the Labor government’s agenda. Shortly after his party was elected, the new Minister for Social Security, Bill Hayden, announced that a guaranteed minimum income scheme was under consideration, and so was a national superannuation scheme (the Superannuation Inquiry, chaired by Hancock), a national accident compensation program, and a universal health care system. With such a package, the Social Security Minister, Bill Hayden, foreshadowed that ‘Australia will have one of the best systems of social security in the world’ (Lewis 1975: 3). Despite such high hopes, however, it was only the universal health scheme, called Medibank, which was implemented; though it was watered down by the subsequent government, the Coalition administration led by Malcom Fraser, and then resurrected as Medicare by the Hawke Labor government in the 1980s (see Chap. 5). Free university education was introduced in 1974 (Davey 1978), by which time the Commonwealth had assumed full responsibility for the financing of tertiary education.
Apart from the significant increase in government expenditure on services, the main improvements made to the social security system included the abolition, in 1973, of the means-test on pensions for those aged 75 or more. In 1975 this was extended to those aged 70 and over, with a plan to eventually remove it for those aged 65 and over. Other measures included the upgrading of benefits as a proportion of average weekly earnings, and the introduction of a supporting mother’s benefit (Carney and Hanks 1994: 42–43). Though universalist moves were made in the fields of education and health care, therefore, selectivity remained the main principle of social security benefit provision.

In the wages sphere, change had been effected by the gradual implementation of the equal pay principle. After a long history of advocacy for equal pay by feminists and some trade unions, dating back as early as the 1910s (Cass 1985; Lake 1992; Ryan and Conlon 1975), the Arbitration Commission awarded equal pay in 1969. The ‘equal pay case’, as it became known, occurred during the era of the ‘total wage’. The departure from the basic wage and margins formula which the total wage represented had its roots in national wage cases from 1964 when the Court refused to adopt the concept, to 1967 when it accepted it, and 1968 when it implemented it (Laffer 1964; Hutson 1971: 62–106).

Though the total wage represented the Commission’s attempt to regain control of wage determination processes, however, buoyancy in economic conditions enhanced the capacity of unions to gain wage increases in over-award pay. In short, up to the mid-1970s, the Commission argued that too many wage increases were occurring ‘elsewhere in the economy’ for the policy of the total wage to be effective as a means for controlling wages and their distribution across occupations and industries. Between 1967–68 and 1974–75, the percentage contributed by national wage cases to aggregate increases in male wages varied from a high of 52.6 percent to a low of 19.1 percent (Dabscheck and Niland 1981: 325). It was this factor which forced the Commission’s rethink on the underlying basis of wages policy. It led to the abandonment of the total wage in favour of wage indexation.

In 1969, the Arbitration Court agreed to implement the principle of equal pay for equal work in four stages (Ryan and Conlon 1975: 145–175). By 1 October 1969 the female wage rate was to increase from
75 percent of its male equivalent to 85 percent. By the 1 January 1970 it would be increased to 90 percent, by the same date in 1971 to 95 percent, and finally by the first day of 1972 the (official) male and female rates would be formally equal.

The significance of the equal pay principle for the Australia-New Zealand comparison is discussed further in the comparative section.

**From Reformism to Caution, 1975 to 1983**

From 1975, the reformist ethos engendered by the Whitlam government gave way to a combination of cautious enhancements in some areas of social protection, and retrograde steps in others. Caution was characteristic of the general policy strategy of the Fraser Liberal/Country Party Coalition government which was elected in 1975. Rhetorically, Fraser was wedded to a free market approach to policy. He prescribed a reduction in the size of government and a compression in the scope of its activities. In particular, the level and coverage of many welfare state policies appeared to be in line for cut-backs (Graycar 1979: 52).

There was a discrepancy, however, between the government’s declarations and the policies it implemented. Though he supported economic liberalism, Fraser opposed free-marketeers within his party. Despite favouring the lowering of industry protection, he did not do so for fear of reprisal from some within the Country Party segment of the Coalition (Watts 1989: 105–113).

In the sphere of social security, contrary to what appeared to be a general policy of cut-backs, the record of the Fraser government is mixed. Among the positive measures was the removal of the property component of the means-test in 1976. Another was the introduction of the family allowances program, which subsumed the child endowment scheme introduced by the Menzies government in 1941, and income tax rebates for dependent children, effectively redistributing income to relatively disadvantaged families (Cass and Whiteford 1989: 286–288). In 1977 another significant advance was made with the extension of the supporting mothers’ benefit to cover sole-fathers, the scheme being renamed the supporting parents’ benefit (Cass 1983: 77–83). In 1978,
the pegging of pension payments to the cost of living was written into legislation, though the income test was re-introduced on the indexation component of the pension for those beneficiaries aged 70 or more.

There were retrenchments and enhancements. In November 1975 the benefit rates for married and single unemployed people over 18 years of age were raised, though no such increase was given to single beneficiaries under 18. The indexation of benefits for those unmarried unemployed beneficiaries over 18 was withdrawn in 1978, and its real level fell by approximately 17 percent during the period of Fraser’s reign despite some subsequent (non-indexed) increases. The level for under-18s fell by a greater proportion, approximately 46 percent. Eligibility criteria were also tightened significantly (Cass and Whiteford 1989: 294). Despite the attempts to reduce government expenditure on unemployment benefits, however, not only did a reduction not occur, but an increase eventuated, due mainly to a combination of increasing unemployment during the late 1970s and early 1980s and slight benefit liberalisations in 1980 and 1982 (Scotton 1978).

Indeed, though it sought to reduce aggregate real welfare expenditure, the Fraser government only reduced the rate of its growth, and then only between 1979 and 1981. As Watts (1989: 105–106) shows, as a percentage of both total government budget outlays and gross domestic product, the Fraser years were characterised by a general increase in welfare expenditure. The area in which real reductions in expenditure were successfully effected, however, was that of welfare services. In particular, health, housing, transport and urban development faced real cuts, the universal health care scheme, Medibank, being abolished and replaced by a more user-pays-based system (Palmer 1989: 324–332; Watts 1989: 107).

In employment relations, the position of workers oscillated in response to changing economic conditions and the policies of the Arbitration Commission, as it began to be called. Viewing the experiment with the total wage as a failure because of its increasing lack of control over wage increases, the Commission adopted a new approach to wage determination, called ‘wage indexation’. From April 1975, when the original wage indexation decision was handed down, the Commission began to grant wage increases quarterly, in line with movements in prices. After September 1978, increases were granted six-monthly. Under both
systems, wage-increases were granted on the condition that wage movements outside of the indexation system be kept to a minimum. Between 1975 and 1981, the Commission was relatively successful in that indexed wage-increases constituted an average of approximately 90 percent of aggregate wage movements (Dabscheck 1994: 150–151).

Wage indexation was a continuous struggle for the Commission, however, as it relied heavily on each of the employment relations parties to converge upon the principle that wage deals outside the system should be minimised. In reality, some unions sought decentralised deals, and both the Fraser government and employers urged the Commission not to grant wage increases at all because of the industry’s lack of capacity to pay them and the economy to sustain them (Dabscheck 1994: 151, 1989: 32). Yet, in the context of a short mining-led boom, some employers gave way and granted union claims outside of arbitration. There was also dis-sension within the government’s ranks on wage determination, leading to the abandonment of wage indexation in July 1981. From then, a decentralised bargaining approach took effect. In 1982, a drought in Australia and an international recession combined to produce alarmingly high inflation and unemployment rates. In response, the Commission enforced a six-month wages-pause, which represented a return to centralisation, though this time without any consideration whatsoever of wage increases.

In short, for employment relations, the Fraser years were cautious at times and unstable at others. It is highly significant that in Australia it was the Arbitration Commission, and not the government, which had the constitutional capacity to impose incomes policies, of which the wages-pause was an example. A similar pause was also implemented in New Zealand, and at around the same time, though the government there faced no such legal limitations, and thus the pause was a government initiative.

This difference in the capacity of governments to directly make policy in employment relations is important to the comparative analysis between the two regimes, as the third section of the chapter reveals.
New Zealand

Though the status of the arbitration system had varied from strong to precarious in previous eras, in the late 1940s the Arbitration Court was the most important mechanism regulating welfare (Davidson 1989: 161). But it faced testing by the end of the decade. Regardless of the level of commitment to arbitration, arbitration continued to hold implications for social policy.

Renewed Testing of Arbitration: The Carpenters’ and Waterfront Disputes, 1949–51

After the war, New Zealand entered a period of corporatism in policy making (Sutch 1966: 358–359), and as a part of the deal between labour and the state, the wages share of gross domestic was decreasing. Finance Minister Walter Nash, leader of the Federation of Labour, F.P. Walsh, and Secretary of the Treasury, Ashwin, all worked alongside each other, managing to co-ordinate a wages policy of restraint. In return for the curtailment of wages income, social policy enhancements were used as a trade-off, a pacifier to trade unionists who otherwise would attempt to improve the conditions of their members by means of direct action against employers. The corporatist strategy was successful in that it effectively minimised the incidence of major strike activity (Chapman 1981: 352–359). However, the economic depression which was generally expected to occur after the war did not eventuate. Instead, general price increases for New Zealand’s exports resulted in favourable balances of trade and an increase in the inflationary pressure which had formed during the war.

Many workers regarded the end of the war as an indication of better times for wages and conditions. The war effort had generally acted to decrease labour’s share of gross domestic product and had effected changes in the traditional wage relativities based upon skill-differentials. Continuing labour shortages put trade unions wishing to step up their wage claims in a relatively strong position. As had occurred from 1912 to 1913, the climate was set for anti-arbitrationist unions to pose a serious
challenge to the Arbitration Court’s legitimacy. Before 1936, a tradesperson’s margin for skill was 26 percent above the unskilled rate. By 1949 it was 14 percent (Sutch 1966: 354–355). In late-1948, the carpenters made a claim to the Court for the restoration of their lost margins. The Court refused the claim on the basis that it would create a precedent for other skilled workers.

Yet the vast majority of employers expressed their willingness in subsequent discussions to pay the carpenters the margins which they were seeking. The Carpenters’ Union declared a ‘go-slow’ on jobs which the employers refused the union’s claim for; that is, where the workers were paid only the minimum award rate and were subject to minimum award conditions. All 1500 members of the union, whether on a go-slow or not, were then locked out by their employers. The Federation of Labour, which was initially supportive of the striking workers, made a request to the union that it hand over the dispute; that is, allow the Federation to represent them in negotiations with the employers, the government and the Arbitration Court. The union refused to do so, with the knowledge that the Federation was opposed to the strike. The Minister of Labour then deregistered the union, and a replacement, arbitration–compliant union was formed (Sutch 1966: 354–358). The original union remained in existence for months, competing with the new union for members, though it was eventually rendered illegal. The Arbitration Act was amended so that an award could apply to a ‘locality’, rather than to the entirety of an industrial ‘district’, with its relevant union containing as few as 15 members. Compulsory unionism had thus been used against anti-arbitration unions, since the Minister of Labour could use the new authority to disarm them.

The corporatism of the latter years of Labour’s first government proved unpopular with the voters in the 1949 election, and the National party formed government, with Sydney Holland as prime minister. The new government was ‘basically a businessmen’s and farmers’ government’ (Davidson 1989: 163). The Arbitration Court had operated alongside the interests of (the previous) government in administering wage restraint, and it had played a significant role in restricting the freedom of anti-arbitrationist unions to agitate for higher remuneration; its role in suppressing the claims of the carpenters’ union being a key demonstration of
this. Many of the war-time stabilisation regulations, which the Labour government had kept until its election loss in 1949, were speedily removed by the Nationals. Though import and price controls were abolished, however, the wage determination regulations were not. Further, the 1950 amendment to the 1948 Economic Stabilisation Act gave the Arbitration Court the power to issue general wage orders and standard wage pronouncements, but dictated that decisions must pay regard to the economic ramifications of wage movements (Woods 1963: 172–173). The Arbitration Act was not designed to be an arm of economic policy as such, and so the wartime regulations seemed a more appropriate avenue within which to pursue what were perceived to be economically ‘sensible’ wage policies. This is different from the Australian situation, as discussed in the following chapter.

In 1950, in the context of rising prices—a symptom mainly of the Korean War boom and the government’s relaxation of stabilisation subsidies on food products—the Arbitration Court was requested by the government to issue a general wage order. The order was issued by the Court in 1951, increasing wages by 15 percent, including an interim order of 5 percent which had been made the previous year. A number of groups of workers were excluded from this increase, however, and the Court exercised the power to do this under the amended Economic Stabilisation Act. One of the groups excluded was the waterside workers. The waterfront employers were only willing to grant their employees a 9 percent increase, and not 15 percent. This prompted the dockworkers, the ‘watersiders’, to initiate a ‘full-scale industrial battle, the longest, costliest and most widespread in New Zealand’s history’ (Scott 1952, in Bassett 1971: 11). The New Zealand Waterside Workers’ Union had combined with the Freezing Workers and other unions to withdraw from the pro-arbitrationist Federation of Labour in the previous year, forming the New Zealand Trade Union Congress (Roth 1986). Providing another instance of relative disunity within the New Zealand trade union movement, the Trade Union Congress threatened the monopoly with respect to peak union representation enjoyed by the Federation of Labour. Apart from this, however, it also upset the corporatist ethos within which wages policy was formulated (Davidson 1989: 163).
The opportunity for all interests opposed to the anti-arbitrationist unions in the Trade Union Congress to challenge the watersiders came in 1951. At that time the industry’s workers were locked out for their refusal to work overtime after objecting to the size their wage increment. Those opposing the Congress included the government, the Arbitration Court, the Federation of Labour, the farmers and the employers. The waterfront dispute is well documented (Bassett 1971). In the 151 days of the dispute, involving 22,000 workers, emergency regulations were formulated and armed troops were called in to guard the docks and handle cargo. Approximately a month later, the Trade Union Congress was crushed by an alliance between the government and the Federation of Labour; Walsh and Prime Minister Holland being instrumental. Soon after the end of the dispute, Holland rapidly called an election, which the Nationals won by an increased majority on the last election. The dispute saw the watersiders convincingly defeated, their conditions diluted significantly, and production re-organised according to managerial prerogative.


Through the 1951 amendments to the Arbitration Act and the Police Offences Act, the New Zealand government discouraged unions from operating outside of the arbitration system. It seemed on the surface as if the government, in combination with the Federation of Labour, placed arbitration as the centrepiece of employment relations. Yet, for the next 17 years, in the context of labour scarcity due to a long economic boom, New Zealand experienced the decline of arbitration as a mechanism for setting wages and other conditions of work (Walsh 1984, 1993: 180–182). In short, there was a trend of decentralisation. Despite this, the Arbitration Court continued to provide a floor of minimum labour standards, even if, in contrast to Australia, that floor was in addition to legislated minima (Brosnan and Rea 1991).

With respect to social policy, as in Australia, the period spanning 1950s and 1960s was one of relative stagnation. It mainly contained ‘incremental tinkering’, with no increase in real welfare expenditure.
More importantly, though most social security benefit rates increased more rapidly than prices, they did not rise as quickly as real wages (Rudd 1993: 228–229). The most significant innovations included the extension of the widows’ benefit to deserted wives after divorce in some cases in 1954, and the introduction in 1955 of an age benefit for women over the age of 55 (Hanson 1980: 117–132). The most noteworthy retrograde step, taken in 1951, was the use of the ‘supplementary assistance’ category in social security provision. The *Social Security Act* of 1938 had allowed for certain categories of people to receive supplementary assistance in emergency or exceptional circumstances if they did not qualify for a benefit, Pacific Islanders and refugees being two examples. In 1951, however, with the rising cost of living, rather than raising benefits accordingly, the supplementary assistance principle was used as a ‘top-up’ for existing beneficiaries, and a Supplementary Assistance Fund was set up specifically for that purpose. This impacted on sole-parents and old-age pensioners in particular, whose living standards were being eroded significantly (Sutch 1971: 75–79, 1966: 410–411).

Industrially, more decentralised deals were being made between unions and employers. And if employers and the relevant unions together agreed to jettison compulsory unionism clauses, they now could do so legally as the government abolished statutory compulsory unionism. Despite the abolition of statutory compulsion, however, unionism was still effectively compulsory in most cases, mainly because the labour scarcity of the 1950s gave unions more control over their conditions, and they could insist that their employer adhere to the compulsory model (Walsh 1984). However, the Federation of Labour was still angered, and it sought to remove its promise to operate exclusively within the arbitration system. Direct decentralised union bargaining with employers, and in some cases, direct action against employers, was the result (Deeks et al. 1978: 46).

In July 1962 the Court issued a general wage order which excluded dairy workers, shearsers and other farm-workers from a 2.5 percent wage increase. That year saw the greatest number of strikes and the largest number of working days lost to industrial stoppages since 1951 (Walsh 1994: 179, 1993: 181) as the Federation of Labour conducted a series of industrial campaigns, including a threatened nation-wide waterfront stoppage. By 1963 the Arbitration Court had been placed under
significant pressure to respond to a growing gap between the wage increases gained by the stronger unions, and the weaker unions who were more reliant upon increases granted by the Court. The differential between the so-called ruling rates and award rates grew by over 20 percent between 1947 and mid-1965 (Deeks et al. 1978: 46–47). The Court therefore faced growing pressure to respond. It did so, in 1968, by issuing a nil wage order. The implications of this are discussed below.


As was the case in Australia, despite the stagnation in the welfare state which characterised the 1950s and 1960s, the late 1960s saw a renewed interest in social policy. A series of government-sponsored inquiries into the nature and effectiveness of the welfare state were established (Castles 1985: 35–38; Davidson 1989: 299–302). Easton (1981: 12) identifies 1967 as the year which marked the regeneration of government commitment to social policy innovation. In that year, the Taxation Review Committee reported, making a recommendation that social security benefits be increased. Its recommendations were not implemented.

In the same year, the Royal Commission of Inquiry upon Workers’ Compensation released its report, entitled Compensation for Personal Injury in New Zealand. Its overriding recommendation was that the basis of existing workers’ compensation policy—the principle that the party which causes the injury is liable for the compensation of the injured—should be replaced by a comprehensive, earnings-related compensation system administered by an Accident Compensation Commission, funded by employers, the self-employed and motor vehicle owners. The new system was implemented in April 1974, after being extended in 1973 such that its benefits could be claimed by housewives and non-wage earners as well as workers (Davidson 1989: 301). It was thus universal and social insurance-based, and in these respects, a significant departure from traditional social policy in New Zealand.
In terms of the potential to alter the existing basis of social security provision, however, the most significant inquiry was the Royal Commission on Social Security, set up in 1969, reporting eight months before the election of Labour to government in 1972 (New Zealand, Royal Commission on Social Security 1972). The report, *Social Security in New Zealand*, represented the first major evaluation of the social security system since 1938. Despite the capacity of the Commission to change the pattern of provision, or its funding base, it did not, and a switch to an earnings-related benefit system was rejected.

A minimum income scheme, as had been recommended by the Henderson Report in Australia, was rejected, mainly on the ground that it denied the diversity of circumstances of individual beneficiaries (New Zealand, Royal Commission on Social Security 1972: 162). A wholesale change to social security being foregone, therefore, the substantive amendments recommended by the Commission related mainly to the increase in the level of many existing benefits, including the family benefit, general medical services benefits, pensions, sickness, invalid and related benefits, unemployment benefits, and some specialist medical benefits (Davidson 1989: 299–301). Most of the Commission’s recommendations were implemented.

The Commission on Equal Pay, which reported in 1971, also held the possibility of regime-change. As in Australia, the case for equal pay had been put to the Arbitration Court long before the principle of gender-based wage-equality was officially approved in 1972, and the drift toward its achievement was slow (Du Plessis 1993: 210–217; Dann 1985: 65–79). Importantly, and in contrast to the Australian case, the implementation of equal pay was implemented by the government, not the arbitration system.

In the public sector, equal pay had been implemented in 1965 through the *Government Service Equal Pay Act* of 1960. The Equal Pay Commission was established, reporting in the same year, its brief having been to decide on the most appropriate means by which equal pay could be implemented in the private sector. All submissions received by the Commission recommended that equal pay be implemented by the legislature, and outside of the arbitration system (Nieuwenhuysen and Hicks 1975: 94). It was decided that the most appropriate approach to implementation was
gradualism, as in Australia. The Equal Pay Act of 1972 set out five equal, annual steps towards the implementation of equal pay.

The Act would become fully effective in 1977, by which time social security innovations had proceeded considerably more rapidly, and representing considerably more far-reaching change than had been the case in the 1950s and 1960s. Change in the social security area had been inspired mainly by the various inquiries of the late 1960s and early 1970s, particularly the Royal Commission on Social Security. Among the most influential reforms implemented were the introduction of the Domestic Purposes Benefit and the Superannuation scheme. Under the first of these, either parent was eligible for a categorical, comprehensive benefit, whether or not they left their wife or husband voluntarily, or whether their husband or wife deserted them or died. Previously, many of them were only eligible for supplementary assistance.

The contest over superannuation between the National and Labour Parties resulted in a universally provided benefit. In 1974 the Labour government passed the New Zealand Superannuation Act. Superannuation was to be funded by employee contributions of 4 percent of earnings, and similar employer contributions. After the 1975 election, however, the scheme was halted by the new National government, and replaced by a universal, tax-funded, flat-rate benefit payable to over-60s (Bassett 1971: 300). The National government, which ruled from 1975 to 1984, then further consolidated and extended social security, though the system remained within the largely selectivist framework laid out by the 1938 Social Security Act.

Though the welfare state did not provide the basis for major change in the way social protection was delivered historically, the arbitration system appeared as if it would be the basis for the regime-change. The period from 1968 to 1984 is characterised by efforts on the part of New Zealand governments to gain control of employment relations by means of increased use of non-arbitral legislation, though in some cases with the same or similar effects as arbitration. Such legislation included the General Wage Orders Act of 1969, which reformed the wage orders system. The Arbitration Amendment Act of 1970 and the Industrial Relations Act of 1973 reflected attempts by the government to restore the primacy of awards and establish a more orderly relationship between awards and
above-award bargaining arrangements. In addition, from 1971, statutory incomes policies were imposed and various tribunals were created with the purpose of re-creating the Arbitration Court under different guises (Walsh 1984, 1993: 182–184). As will be seen in the next chapter, the overall impact of the developments of this period was to set the conditions for the eventual abolition of the compulsory arbitration system’s role in providing social protection.

From 1971, when the government sought to rein-in wage claims by instituting statutory incomes policies, until the 1980s, employment relations was characterised by instability as neither the Arbitration Court nor the government could enforce stability. Strike levels increased at the beginning and again at the end of the 1970s. In 1979–80 there was a general strike. In June 1982 the government imposed a price- and wage-freeze, which lasted until 1984. The wage-freeze was government-imposed. The Australian freeze, by contrast, was implemented only through the Arbitration Commission’s approval of the government’s wishes.

Substantively, however, it was a wage-freeze which faced both the New Zealand and Australian Labo(u)r governments upon entering office, the former in 1984 and the latter in 1983.

**Comparative Analysis**

Most of the detailed comparative policy scholarship on Australia and New Zealand has focused on the 1980s and 1990s. There is also some work on the period since the 1990s. This is justifiable, as will be discussed further in Chap. 5, but it is important to note here that the institutional and political legacies of more recent decades were either set or solidified in the four decades after World War II. This is the main source of the importance of the current chapter.
Who Has Said What?

It is assumed within the multi-country or large-N comparative literature that the post-war period is the one in which the Australian and New Zealand regimes took their characteristic form (Esping-Andersen 1990; Macnicol 1992; Gauthier 1996; Castles and Mitchell 1992, 1993; Shaver 1990; Taylor-Gooby 1991). Esping-Andersen’s (1990: 68) depiction of Australia and New Zealand as ‘liberal’ welfare states, for example, treats the two regimes as welfare state laggards during the period, largely on the basis that their union movements were able to gain benefits for workers earlier than those of most other nations, thus luring social protection more into the wages sphere than the welfare state. In this sense Esping-Andersen and Castles (1985) are united in their narratives:

Australia and New Zealand constitute two cases in which the labor movements, despite being powerful, never fully embraced the universalist ideal. In these countries, labor retained the traditionally widespread preference for targeted income-tested benefits because they appear more redistributive. But the main reason seems to be the outstanding bargaining situation enjoyed by the trade unions for decades. Thus, as Castles (1986 [sic]) argues, labor’s demands for social protection could be equally, if not better, served via wage negotiations. (Esping-Andersen’s 1990: 68)

Similarly, corporatist analyses tended to view Australia and New Zealand during the period as having established an important place for centralised bargaining in the form of compulsory arbitration in the employment relations system (Calmfors and Drifflill 1988; Bruno and Sachs 1985; Freeman 1988). This is despite the waning influence of arbitration during various periods already covered in this and the previous chapter. Freeman (1988, especially: 69–70), for example, argues that similar labour market institutions in Australia and New Zealand during the 1970s and early 1980s led the two nations to similar economic performance outcomes. Similarly, Calmfors and Drifflill (1988: 17) argue that the ‘intermediate’ level of bargaining centralisation in both Australia and New Zealand during the 1960s and 1970s led them to economic outcomes which, from an international viewpoint, were highly similar.
Though these comparative accounts help to contextualise the Australian and New Zealand regimes internationally, they are limited in their contribution to an understanding of the differences between the two regimes. Though these differences had not yet resolved themselves fully into a major policy bifurcation, the seeds of the more weighty divergence which was to occur in the 1980s and 1990s were sown. The direct or small-N comparisons of the two employment relations systems do provide partial explanations for the divergence in the post-war period (Brosnan et al. 1992; Bray and Walsh 1993, 1995; Bray and Haworth 1993; Sandlant 1988, 1989; Wailes 1997). The most helpful of these accounts is that of Bray and Walsh (1995). In discussing the two regimes in the post-war period, they argue:

[i]n both Australia and New Zealand, the system of arbitration by state tribunals gave rise to a complex but largely centralised collective bargaining system … which in principle offered a potential base for corporatism; that is, the very wide scope of collective bargaining coverage in both systems met one precondition for corporatism. Coverage varied over time, but in the postwar period was not usually less than two-thirds of the workforce … whilst the employment conditions of many other employees were heavily influenced by award negotiations. (Bray and Walsh 1995: 9–10)

To be sure, Bray and Walsh do identify the New Zealand arbitration system’s more marked decrease in control over the wages system during the 1970s to the early 1980s. However, given that their concentration is on the 1980s and 1990s, understandably they do not cover in detail factors which may explain the differences which occurred during the 1960s and 1970s.

Sandlant (1989: 57–58) provides a more comprehensive account of the differences between the Australian and New Zealand employment relations systems during the post-war period. Like Bray and Walsh (1993, 1995), he concentrates on developments after the early 1980s, in expounding the key post-war factors shaping the establishment of corporatism in Australia and its rejection in New Zealand. However, he places great importance in the relative centrality of the arbitration system in Australia. This centrality stemmed mainly from the greater independence
and authority of the Australian Arbitration Commission, the role which the Commission ascribed the ACTU, and what he saw as more politically astute personnel.

Yet, while Sandlant’s analysis is insightful in illustrating the importance of the different institutional features of arbitration in post-war Australia and New Zealand, and for its discussion of the role of the ACTU as a support to arbitration, his framework excludes social policy as a factor contributing to the different fates of arbitration in the two countries. Nor does he consider the role of national, non-arbitration minimum standards legislation in New Zealand in shaping the union movement’s commitment to arbitration.

Castles (1985, 1996) also has little to say on minimum standards legislation. However, as has been discussed previously, a major theme in his wage-earners’ welfare state model is the historical trade-off in the two countries between protection through state welfare and protection through arbitration; that is, using his words, between ‘wage security’ (through arbitration) and ‘social security’ (through the welfare state) (Castles 1985: 82–88). The working-class strategy more involving the pursuit of the former of these options, formed the basis of the Australasian ‘anomaly’ (Castles 1985: 10–43). Yet despite the importance he attaches to arbitration, Castles says little on the differing commitment to arbitration by the Australian and New Zealand trade union movements, which became important particularly from the 1960s. And he largely ignores the implications of arbitration for social policy. Instead, he views Australia’s stronger embrace of selectivity in welfare, and New Zealand’s stronger embrace of welfare generosity, as being mainly due to ‘the reciprocal interaction between evolving social policy practice and attitudes to the welfare state’ (Castles 1985: 53).

In addition, and of critical importance in relation to the post-war period, Castles eschews employment relations factors, and arbitration and minimum standards legislation in particular, in shaping social protection. This leads to two problems. First, Castles (1996: 102) did not recognise that equal pay in Australia and New Zealand was delivered by different institutional means. And secondly, he ignores the significance of the different features of the two countries’ wage-freezes in the lead-up to
the elections of 1983 in Australia and 1984 in New Zealand. In order to address these deficiencies an alternative account is required.

**Union Membership**

When viewed from an international perspective, the period from the late 1940s to the early 1980s was characterised more by similarity than difference. Yet the differences, both in policy substance and in the institutional underpinnings of policy, are important in the long historical scheme. In the case of the latter, the differences proved important to the explanation of the major policy cleavages which surfaced in the subsequent period, the 1980s and 1990s.

One of the central considerations is the effectively compulsory basis of union membership in New Zealand, which partially explains the lower level of commitment on the part of the New Zealand trade union movement to the arbitration system. Union membership was not always formally or technically compulsory. Under the 1894 *Arbitration Act*, unions were allowed to insert unqualified preference clauses in awards, and were highly successful in doing so. From 1936, membership was made legally mandatory for all employees covered by an award. In 1961, the National government diluted the compulsory element by abolishing statutory preference, making it legal only to insert an unqualified preference clause into an award if the affected employer agreed to it. If the union could prove by secret ballot, however, that at least half of the workers covered under an award were in favour of the inclusion of an unqualified preference clause, such a clause was legal. And given that employers often agreed to such clauses regardless, membership was always effectively compulsory (Roth 1973: 101–104; Deeks et al. 1978: 44–45; Sandlant 1989: 48). As argued in the next chapter, in this factor lay an important explanation of why the union movement was so comprehensively divided and conquered by union-hostile employment relations legislation in the early 1990s.

The important point is not merely that New Zealand unionism was compulsory, but that compulsory unionism often did not carry benefits for workers. Two related factors account for this. Firstly, as argued in
Chap. 3, compulsory unionism aided the division between industrial and craft unions, a division which by tradition was stronger in New Zealand than it was in Australia. Secondly, as was most clearly demonstrated in the aftermath of the defeat of the unions in 1913 and again in the 1951 waterfront dispute, arbitration-compliant unions could be, and were, formed under the auspices of the compulsory union membership regulations (Roth 1973: 95–104). As was seen, these regulations were used to quash independent, or anti-arbitrationist, unionism (Roth 1973: 104).

Equal Pay, the Wage-Freezes, and the Family Wage Legacy

Other key indicators of Australia’s greater reliance on arbitration as an arm of social protection during the post-War era lay in the equal pay provisions and the wage-freeze regulations. Though both countries implemented a wage-freeze in the early 1980s, which greeted both incoming Labo(u)r governments in 1983 in Australia and 1984 in New Zealand, the freeze in the latter formed part of that government’s broader political agenda. In Australia, as discussed, the freeze was implemented by the Arbitration Commission. Though it was the Fraser Coalition government’s wish to put a lid on wage claims, without the Commission’s approval no freeze could have been implemented. A similar story applies to equal pay (Nieuwenhuysen and Hicks 1975; Ryan and Rowse 1975; Cass 1985; Ryan and Conlon 1975; Whelan 1979; Patmore 1991; Du Plessis 1993; Dann 1985; Koopman-Boyden and Scott 1984). As seen, the New Zealand Arbitration Court washed its hands of equal pay, arguing that it was for the government to introduce.

The other part of this story, however, is told in the relative historical strength of the family wage concept. As found in the current, the formal equalisation of pay between men and women workers formed part of the process of departure from the traditional pattern of social protection in both countries. It made more sense, however, for Australia to shift from a family wage to wages based on gender-equality through the arbitration mechanism, precisely because under the federal Constitution, arbitration was the only channel through which wages policy could be formulated.
In New Zealand, the family wage was pursued with less certainty by the Arbitration Court. Yet the legislated minimum wage provisions there were family-based in the sense that women were subject to a lower rate than males. Importantly, however, this was set out in legislation, not in arbitration.

The Role of Government

The question of the relative authority of the arbitration tribunal is closely intertwined with the role of government in employment relations. As found earlier, in New Zealand, particularly from the 1960s to the early 1980s, the government was encouraged to step up its interventionist role in the labour market in the face of increasing recourse by unions and employers to decentralised bargaining. The increased intervention came mainly in the form of measures which reflected government attempts to check the Arbitration Court’s loss of authority over the determination of wages and other working conditions. As Boston (1984: 8) argued:

[although the majority of OECD countries resorted to short-term incomes policies following the rise in global inflation rates in the late 1960s and early 1970s, few have witnessed the degree of state intervention in pay determination as New Zealand, and none ... have experienced such long periods of statutory controls. Between March 1971 and July 1984, for example, mandatory wage controls of one form or another were in force for almost nine years ... Furthermore, of the remaining 4½ years, only eight months can be legitimately described as a period of free wage bargaining (December 1972–August 1973). During the rest of the time the Government sought by every means short of statutory intervention (moral suasion, political pressure, threats to reintroduce [wage] regulations, the offer of tax cuts, and so forth) to restrain the growth of nominal wages. Such persistence is remarkable, especially when one considers the doubtful effectiveness of many of these efforts.

The regulations put in place by government over the period included the Stabilisation of Remuneration Act of 1971, the Stabilisation of Remuneration Regulations of 1972, the Wage Adjustment Regulations of 1974, the
Remuneration Act of 1979, and finally, the Wage Freeze Regulations of 1982 (Boston 1984; Walsh 1984; Sandlant 1989: 50). All of them represented the government’s quest for increased control over wages.

Yet these instances of increased government intervention were not only due to the prevailing economic conditions. New Zealand governments had other reasons to police wages more closely than did their Australian counterparts. These related to the welfare state, which also contributed to the lower commitment to arbitration in New Zealand. As demonstrated by Castles (1985; 1996; Castles and Shirley 1996; Castles and Mitchell 1992, 1993), the New Zealand welfare state was always at least slightly more comprehensive than the Australian (until the early 1990s). Despite both being labelled as welfare state laggards in the post-war period, universalist principles generally took a firmer hold in New Zealand; even though New Zealand should not be seen as a welfare universalist regime. The most obvious example of this by the 1970s was the universal nature of New Zealand’s health care and pensions schemes. Both were administered on a less selective basis than their Australian versions. In Australia, the Fraser government had dismantled the Whitlam government’s short-lived universal health scheme, and it did not embrace universality in pension provision. This was true in relation to the vast majority of benefits. Castles largely misses the point, however, that the higher degree of selectivity in Australia was linked with a greater institutional inclination on the part of Australian social protection to rely on arbitration.

The Constitutional Dimension

Finally, intimately related to questions of arbitration and welfare state provision is the issue of constitutional possibilities. As found in previous chapters, the greater flexibility of the New Zealand Constitution worked in favour of the extension of social protection. This was made most noticeable in the 1930s and 1940s, as discussed in Chap. 3, when the welfare state was being built, and when minimum wage legislation was introduced. The New Zealand Constitution had no effective second chamber, or Upper House. Before the 1950s, it did have one, but it was never as important in practice as the Senate in Australia (Palmer 1987,
Up until mid-1996, when the first election under a new Mixed Member Proportional system was held, New Zealand governments were elected in a first-past-the-post voting system. And the structure of the state was unitary, as opposed to Federal.

Conclusion

When viewed in international perspective, during the post-war period up to the early 1980s, social protection in New Zealand and Australia developed along similar lines. Having previously established growing welfare states in the 1930s and 1940s, from the 1950s the two regimes made incrementalist advances in the welfare state, and slow and patchy increases in wages through the arbitration system. Formal equal pay came in the 1970s along with some advances in welfare, but then the two arbitration systems struggled somewhat to regulate the labour market until the beginning of the 1980s.

Beyond this picture of similarity, Australia adhered more closely to the traditional regime of social protection based on arbitration-dominated employment relations and a welfare state ruled mainly by selectivism. New Zealand faced more challenges to the pattern, with government becoming directly involved in legislating on labour standards and for incomes policies. As in the previous era, the legitimacy of arbitration was more strongly challenged, institutionally and politically, and at times the arbitral system lost control over wage-setting. On the other hand, arbitration in Australia was more independent from government. As the discussion highlighted, this was assisted by the lack of compulsory unionism in Australia, by the lack of a minimum standard-setting process outside of arbitration, and by a union movement that was more reliant on arbitration and less divided in its commitment to it. Hence it was not surprising that equal pay in the 1970s and the wage-freeze of the late 1970s and early 1980s were both established by means of government legislation in New Zealand, and the arbitration system in Australia.

As discussed in the following chapter, these differences were to become more important in the 1980s, as each country ushered in its new Labour government.
References


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Restructuring the Relationship

Introduction

In the post-war period Australia and New Zealand faced similar pressures on social protection. They generally also dealt with the pressures in broadly similar ways, though a major difference lay in how each regime coped with the increasing occurrence of decentralised industrial deals between unions and employers. This chapter deals with the follow-up period, when a major policy rethink occurred and there was more thoroughgoing restraint on social protection. The focus period is from the early 1980s to the mid-1990s. In New Zealand, restraint manifested most clearly in the watering down of the arbitration system and the introduction of the *Employment Contracts Act* of 1991. There also were major cuts in the level of many welfare state benefits and services in the early 1990s. All of these measures were part of a radical experiment in economic liberalism, which is understood here in the Polanyian sense of greater reliance on the ‘self-regulating’ market (Polanyi 1944: 132). The Fourth Labour Government, elected in 1984, began the process. The National government furthered the process from its election in 1990. In Australia, though economic liberalism also took hold, restructuring was
more cautious. It was more subject to negotiation at the peak national level. The Arbitration Commission\(^1\) maintained its centrality in social protection, being at the heart of a neo-corporatist approach to social protection under a Prices and Incomes Accord (hereafter referred to as the ‘Accord’) between the ACTU and the Labor government.

Social policy in Australia departed sharply from its New Zealand counterpart. Though both governments imposed a general increase in selectivity and targeting in social security benefits, the Australian system adopted a much greater emphasis on recipients demonstrating active job-search efforts through labour market programs and training schemes. With its emphasis on individual case management and so-called active society measures (OECD 1987, 1988, 1989, 1990), beneficiaries had to fulfil their part of a welfare ‘contract’. This implied ‘reciprocal obligations’ between the state and its welfare client. When viewed alongside key employment relations developments, a more integrated framework of social protection was introduced. That should not be taken to imply that there were necessarily enhancements in protection. Indeed, as will be demonstrated, the Accord was part of a broader strategy of marketisation designed to encourage individuals to be more responsible for their own welfare.

In short, in this period Australia and New Zealand diverged more markedly than they had at any point in their prior policy histories. The primary objective of this chapter is to detail and to account for the main differences while also pointing to some continuing commonalities over the period between the early 1980s and the mid-1990s. The period played a highly important role in the long-historical continuum, because it oversaw a key shift in social protection in the case of both countries. The analysis here has its endpoint in 1996, which saw a new Liberal/National Coalition government elected in Australia, and in New Zealand the implementation of a new Mixed-Member Proportional (MMP) voting system. Regardless of the mixed motivations behind it, MMP acted as an additional and vital check on government policy capacity, which is

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\(^{1}\)From 1993, the Arbitration Commission became the Industrial Relations Commission. As far as is practicable, when referring to the period before 1993, ‘Arbitration Commission’ is used, and for the period after that, ‘Industrial Relations Commission’ is used.
significant to the evolving comparative evolution of policy. The chapter finds that most of the factors that were important to explaining overriding similarities in previous periods, were equally responsible in this period for relatively profound differences.

The first section discusses the key Australian developments. The second does the same for New Zealand. The third section provides a detailed comparative analysis.

## Australia

**Wage Restraint and the ‘Social Wage’ Trade-off: Accord Marks I and II**

The Labor Party was elected to government in 1983 facing a wages pause, a sign of policy caution amid the most severe economic downturn since the Great Depression of the 1930s (Stutchbury 1990: 54). A serious international recession and a drought at home combined with historically high domestic inflation and unemployment rates to spawn a major strategic rethink on economic policy. The package of responses established a ‘neo-liberal project’, which became entrenched, even if ‘built’ by Labor governments (Humphrys 2019). For the first time since World War II, in the financial year 1982–83, annual output growth was negative. By June 1983, only three months into the Hawke Labor government’s first term of office, unemployment had reached 10.3 percent of the workforce and inflation had risen to an annual rate of 11.3 percent (Davis 1989: 79). Wage indexation had been abandoned in 1981, and more direct collective bargaining prevailed until late 1982 when the (then) Liberal/National Coalition government attempted to curb the wages share of GDP by implementing a wage-freeze (Dabscheck 1989: 37–39, 1994: 153–154).

The Accord, formally titled, a *Statement of Accord by the Australian Labor Party and the Australian Council of Trade Unions Regarding Economic Policy* (ALP/ACTU 1983), represented the major part of the policy framework adopted by the new government to overcome the economic problems besetting the nation. The original Accord document
represented a wide-ranging policy package, but its most relevant dimension was a trade-off between gains in wage-incomes and the ‘social wage’. The social wage was defined in terms of ‘expenditures by governments that affect the living standards of the people by direct income transfers of provision of services’ (ALP/ACTU 1983: 4). In relation to real wage levels, the main recommendation was for their maintenance, though for an unspecified period. On the other hand, ‘[i]t is recognised that in a period of economic crisis as now applying that this will be an objective over time’ (ALP/ACTU 1983: 5). The key lay in the phrase ‘over time’. The vagueness of this clause has its roots partly in the desire of the government to avoid a catch-up to the union movement for the wages pause. Clearly, precisely how the relationship between wages and the social wage would be channeled through policy was open to interpretation.

The National Economic Summit (Stilwell 1983), convened in April 1983, was the first major move in clarifying the issue, and indeed the first significant step on the road to the Accord’s translation into policy. As well as providing a venue for Prime Minister Hawke’s first public speech as prime minister, the summit furnished a tripartite economic policy forum containing representatives from the federal and state governments, trade unions and business, as well as a sole welfare lobby spokesperson in the shape of an Australian Council of Social Service (ACOSS) official.

Wages policy under what subsequently became known as Accord Mark I was to be based on the abandonment of the wages pause implemented by the previous government, and a return to a system of wage indexation (Dabscheck 1989: 56–57, 1994: 154–155). In return for the trade unions’ promise to the commission that ‘no extra claims’ would be made, the four national wage case decisions put into practice the principle of full indexation. That is, wage increases were given to workers which fully compensated them for increases in the cost of living as measured by the consumer price index.

The October 1984 decision, however, did not award full indexation due to what was called the ‘Medicare fiddle’. The government argued before the commission that the re-introduction of the universal health care system, under the name Medicare, justified no wage increase. The Whitlam government had introduced a very similar system in the mid 1970s, called Medibank. This system, it was argued, should act as a
trade-off against a wage increase. The commission agreed. Beyond Medicare, a general trend of increased real expenditure on the social wage during the life of Accord Mark I (1983–85) can be identified (Peetz 1985).

At the centre of Accord Mark II was the abandonment of full wage indexation in favour of ‘partial indexation’, or ‘wage discounting’. With a 30 percent devaluation in the Australian dollar in 1985 after it was first ‘floated’, business relied on the ‘j-curve theory’ as justification for wage discounting. The j-curve concept posits that currency devaluations could produce an improvement in the balance of payments, after an initial worsening due to the immediate price effects. The government was swayed by the employers’ argument, and the ACTU accepted 2 percent discounting in the next wage increase, the trade-off being tax-cuts and improved occupational (award-based) superannuation benefits; though in the same year the assets-test on pensions was re-introduced (Gallery et al. 1996: 101–103). The employers launched major High Court challenges to the new superannuation measures, using the argument that the Arbitration Commission had no constitutional right to regulate superannuation (Kelly 1997: 67). They failed. Regarding the associated tax-cuts, however, given the government’s previous pledge of revenue-neutrality, a reduction in social wage expenditure seemed imminent. Clearly the stage was set for another rethink on the welfare state and employment relations, both in relation to wage and non-wage standards.

The Narrowing of the Accord and the Decentralisation of Employment Relations

What emerged from Accord Mark I and Mark II was an uncharacteristically close association between employment relations and the welfare state. On no previous occasion in Australian history had the two spheres been traded-off against each other in such an explicit fashion. And the introduction of compulsory occupational superannuation had to that point seen no equivalent instance of policy integration.

Economic liberalisation measures included financial deregulation, the floating of the Australian dollar, the corporatisation of some public sector organisations and the privatisation of others (Schwartz 1994a, b).
Changes were also made to industry protection, which was historically a part of the social protection package. Following on from the Whitlam government’s tariff reductions in the early 1970s, a program of phased cuts to tariffs from the late 1980s represented a more fundamental and historic policy shift. It will be recalled from Chap. 2 that under the policy of New Protection, first formulated in the early 1900s, firms were offered protection in return for their payment of arbitration-sanctioned minimum wages to workers. The direct linkage between industry protection and wage minima subsequently became strongly characteristic of the social protection regime. From 1988, however, protection levels were reduced for both the manufacturing and farming sectors, such that they would be almost negligible by the late 1990s (Bell 1993; Capling and Galligan 1992). Certain industries, though, would still be subject to individual industry plans.

The drift toward economic liberalism is also instanced by the narrowing of the range of policy matters handled within the Accord process. Whereas Accord Marks I and II placed the social wage alongside wages policy at the centre of the policy agenda, the subsequent Accord incarnations became focused almost exclusively upon wages. Employment relations was decentralised, creating a system where more working conditions would be determined through direct bargaining between employees and their unions, with employers at the level of the enterprise. A small but significant step toward decentralisation was taken in 1987 under Accord Mark III, with the abandonment of wage indexation and the adoption of a ‘Restructuring and Efficiency Principle’. This involved a two-tiered system of wage-determination. The first tier stipulated an across-the-board increase of $10. Informed by the OECD’s (1986a, b) new agenda of ‘labour market flexibility’, which emphasised the importance of labour markets becoming more adaptable to changing market conditions, the second tier offered a further 4 percent increment, but on the condition that restrictive work practices be eliminated. Bargaining, mainly at the enterprise level, would be the vehicle by which the improvement in work and management practices was negotiated. The types of issues discussed included: performance-based and incremental pay systems; broadbanding, multi-skilling and the removal of demarcations; dispute settlement and consultative procedures; working-time arrangements, including a
greater spread of hours, and new shift and overtime arrangements; and management practices and quality control (Teicher and Grauze 1996: 60; Macklin et al. 1992: 30–32).

Accord Mark IV had the primary objective of ‘build[ing] on the steps already taken to encourage greater productivity and efficiency’ (Arbitration Commission, quoted in Teicher and Grauze 1996: 61). The process of ‘award restructuring’, which was designed to create workplace flexibility and enhance employee skills, was now to be used as a tool to achieve desirable modes of workplace change and work reorganisation. A three percent wage increase was initially offered, and then $10 per week six months later, subject to improvements in structural efficiency (Teicher and Grauze 1996: 61–62). Accords Mark V and Mark VI were largely in line with the previous two versions, though the proposed move toward enterprise bargaining, part of Mark VI, was rejected by the commission on the ground that the parties lacked sufficient ‘maturity’ to handle a decentralised bargaining regime (Dabscheck 1995: 67–75, 1994: 158–159). However, in the face of severe criticism from the government, employers and the ACTU—all of whom by this stage supported enterprise bargaining—the commission reversed its decision later in the same year.

In its October 1991 decision the commission announced its support for the implementation of the enterprise bargaining principle, though it should proceed under principles set out by the commission. In a show of its defiance and of its increasing though still limited jurisdiction over employment relations, the government amended the Industrial Relations Act of 1988 to allow unions and employers to conduct enterprise bargaining without reference to the commission’s enterprise bargaining principle. Further, following the Australian Labor Party’s re-election in 1993, the government reinforced its commitment to enterprise bargaining through the introduction of the Industrial Relations Reform Act of 1993 (Stewart 1994; Hawke and Wooden 1997: 28–29). Whereas the Industrial Relations Act only made allowance for enterprise deals if they involved a union, by the 1994 act decentralised deals could result from either union or non-union negotiations, the latter category being classed under ‘enterprise flexibility agreements’.
In order to protect those who could not benefit from the new mode of bargaining, the Arbitration Commission sought to ensure that the low-paid received a series of $8 ‘safety-net increases’ and kept its regulatory power over award matters. The commission thus now had a two-pronged function, the first dealing with those workers on enterprise negotiations, and the second with those relying on traditional award regulation. This dual function formed the basis for the government’s earlier claims that it was shaping an employment relations regime which combined ‘flexibility with equity’ (Cook 1992). In this sense the Australian approach was significantly more ‘measured’ than that of New Zealand.

The Restructuring of Social Security in the Late 1980s and Early 1990s

By the late 1980s, social security policy formation began to be conducted at an arm’s length from the Accord process, but as will be seen, the social security system was not divorced from the employment relations agenda. To the contrary, the two spheres became increasingly enmeshed.

Just as employment relations arrangements came under pressure to allow the market a freer hand in the formulation of working conditions via bargaining decentralisation, the social security system was also subjected to economic pressures. It also needed to respond to demographic change. Largely in order to address these imperatives, Social Security Minister Brian Howe established the Social Security Review in 1985. The Review’s Director, Professor Bettina Cass (1986: 4–9), identified the main changes emerging since the mid-1970s to which the government needed to respond. These included: the increase in the rate of unemployment and change in its distribution; shifts in family composition, particularly the increase in sole-parenthood; a rise in poverty levels and shifts in the composition of people in poverty; and the ageing of the population and changes in the ‘public/private mix’ of income support for retired people, particularly the rise in the numbers of people covered by occupational superannuation.

The review focused upon income support for families with children, and for the aged. Importantly, it also sought to examine the interface
between social security benefits and the labour market, particularly in relation to assistance for people of workforce age. It also considered issues regarding the transition to work for the unemployed, sole-parents and people with disabilities (Cass 1986: 11). That the review took on the connection between the labour market and the social security system as a major theme is significant, given that the Australian tradition model largely kept them separate.

However, two important changes in the direction of such integration were made before the review. The first occurred in 1983, with the introduction of the family income supplement (FIS), providing income support to low-income families with children. This scheme was subsequently expanded and replaced by the family allowance supplement (FAS) (Saunders 1994: 21; Cass 1990: 201), to which the discussion will return below. The second, occurring in 1985, was the introduction of compulsory award-based superannuation, though the scheme was extended in 1993 due to the slow rate at which the scheme was progressing. Therefore, legislation was introduced in that year which compelled all employers to contribute to a fully vested and portable superannuation scheme for each employee. The Superannuation Guarantee Charge, as it became known, initially involved contributions in the order of 3 percent of the worker’s earnings, though this was scheduled to increase to 9 percent by the year 2000, and employees would be made to contribute a further 3 percent from 1997 (Bateman and Piggott 1997: 21–23).

The FIS was a tightly income-tested payment offered to mothers in low-income working families with children. Due to its poor take-up, increasing concern for vertical equity, the perception of a need for tighter targeting in a climate of budgetary rectitude, and partly reflecting the declining real value of the universal family allowance benefit, the government applied the income-test to the family allowance payment. The FAS of 1987 was an initial step acting on Prime Minister Bob Hawke’s election promise that by 1990 no child in Australia would be living in poverty. It entailed family benefits being restructured so as to generally increase the payments, but also to more effectively target poor families (Saunders and Whiteford 1987: 21–24, 1991: 182–186).

In assistance to the unemployed, the shift was more definitively towards the encouragement of active job-search. Policy on unemployment
benefits was guided by increased emphasis on ‘activity’ in return for benefits. In 1987 the unemployment benefit was abolished and replaced by the job-search allowance (JSA). Like the old benefit, the JSA was means-tested, though it treated different categories of unemployed people differently. Whereas the old system did not differentiate between its recipients, the new benefit offered different conditions of eligibility to the young, the long-term unemployed and the medium-term unemployed. Also, whereas the unemployment benefit was not subject to time-limits, in certain limited circumstances the JSA was. For those younger than 18 years of age, the new payment was lower, and was means-tested according to parental income. Even if the beneficiary established independence from their parents, the parents’ assets were still assessed in order to establish the level of the benefit and eligibility for it.

The youth homeless allowance was introduced as income support for those youth who could not live in the parental home. To encourage participation in higher education as an alternative to unemployment, the government extended student assistance by introducing Austudy as a replacement for the Tertiary Education Assistance Scheme (TEAS). In all, the tighter eligibility conditions for youth receiving unemployment assistance had their rationale in several factors, all of them relating to the objective of budgetary stringency (Saunders and Whiteford 1991: 161–171). These included: encouraging greater higher education retention rates; encouraging participation in training programmes; transferring greater financial responsibility for unemployed youth from the state to their parents; and more diligent job-search.

For those over 18 and were unemployed for less than 12 months, the unemployment benefit was kept in place, though it was more tightly administered, requiring the documentation of regular work-tests, periodic job applications or enrolment in training programmes. The new arrangements also differed in that periods of non-payment were introduced for those failing the work or activity tests, for those not showing up at interviews or responding to correspondence from the Commonwealth Employment Service (CES) or the Department of Social Security, or for those who quit their jobs voluntarily. From 1989 those who had been unemployed for over 12 months were transferred to the ‘Newstart’ program. In addition to the activity-tests to which JSA recipients were
subjected, Newstart allowance payments were made subject to the signing of a special contract with the CES. This contract dictated that the beneficiary could be required to undertake activities such as job-search, vocational training, special labour market programmes, paid work experience, job-search training, or training to reduce labour market disadvantage (Saunders and Whiteford 1991: 161–171). In addition, in order to make employment more attractive, the beneficiary was offered a payment of $100 for successful labour market re-entry, and the waiting period for unemployment benefit was waived if the job acquired did not last more than 13 weeks.

Assistance to sole-parents similarly underwent restructuring in line with the greater activity orientation of benefits. Introduced in 1988, the Jobs, Education and Training (JET) programme allowed sole-parents access, on a voluntary basis, to training and job-placement schemes previously reserved for those officially defined as unemployed, rather than as sole-parents. Other benefits to those on the JET scheme included subsidised child-care and labour market and educational programs (Cass 1990: 209). Apart from being a scheme which contributed to the closer alignment of the labour market with the social security system, the JET scheme was also significant in that it offered female sole-parents a greater chance of becoming more financially autonomous, whereas throughout history women’s dependence was reinforced by the male basic wage, or in the absence of a male breadwinner, support from the state.

Some social policy scholars argued that the process of change subsequent to the review was relatively comprehensive (Weatherley 1994: 153; Bryson 1994: 291), but the selectivity which characterised the system historically was not compromised. Indeed, in some areas it was strengthened (Saunders 1994: 22). At the same time, there is an important sense in which the changes made to the structure of the Australian social security system in the late 1980s and 1990s are historically highly important. This is discussed in the comparative section of the chapter.
Blurring the Edges: The Industrial Relations Reform Act and ‘Working Nation’

After the Labor Party won the 1993 election, its preference for blending social policy with employment relations was strengthened, the process reaching its peak from 1994 with the Working Nation statement, a set of policy strategies geared toward the reduction of unemployment. The Industrial Relations Reform Act, introduced in the previous year, had established government-instigated—as opposed to arbitration-instigated—minimum labour standards legislation while at the same time facilitating enterprise bargaining. Taken together, like the Social Security Review, Working Nation and the Reform Act were noteworthy for two reasons: first, they combined both marketisation with vertical equity motives; and second, they straddled a range of social protection arrangements, most visibly in the areas of employment relations, training, unemployment assistance, and family policy.

The Reform Act set down, for the first time, legislated, nationally applicable minimum labour standards. As will be discussed further in the comparative section of the chapter, the direct involvement of the government had been expanded gradually from the late 1980s, though it remained relatively limited. It will be recalled that previously it was only the Industrial Relations Commission (formerly the Arbitration Commission, and before that, the Arbitration Court) which had the power to directly regulate minimum standards at the federal level. Its second objective, related to the first, was to enhance employment security through stronger regulations regarding termination of employment. Its other stipulations concerned the right to strike and the restructuring of the institutions, the more significant manoeuvres relating to the latter including the redefining of some of the traditional functions of the commission and the creation of the Industrial Relations Court to take over from the Federal Court on some of the judicial functions associated with employment relations (Stewart 1994).

The Reform Act’s minimum labour standards fell under five headings: minimum wages; equal remuneration for work of equal value; termination of employment; parental leave; and leave to care for immediate
family. For the most part, however, the standards merely provided workers with a new source of law to refer to in presenting their case before the commission. The commission, rather than the government, was most often still the final adjudicator. In that sense, the act did not represent the sea-change in regulation that it might be thought to represent.

With regard to minimum wages and equal pay, for instance, there is no stipulation as such and the act called on workers to apply for the commission to make orders in relation to a specified group of workers. In addition, no worker who is covered under a Federal award could receive the benefit of a minimum wage order by the commission, so the customary predominance of the federal award remained. With regard to the equal pay provisions, the act drew on the ILO Convention 100, which recommends equal remuneration for work of equal value. Apart from the enforcement of equal wage rates for the same work, however, more indirect forms of discrimination could be contested, such as those resulting from the gender-segmentation of the labour market (Australia, Department of Industrial Relations 1991). In effect, the legislation allowed for workers in female-dominated industries to apply for the equalisation of their wage rates with comparable male-dominated industries. Given that all applications were subject to adjudication by the commission, however, such claims were not likely to be received more favourably than before the act was put in place. The commission’s historical record on comparable worth decisions, after all, did not stand in the favour of women (Bennett 1988). Equal pay was therefore still predominantly governed by the commission.

As for leave for workers’ family responsibilities, a test-case decision brought down by the commission ruled that award conditions and enterprise agreements should allow workers the right to use leave entitlements for family purposes (Cass 1994: 17). This was achieved primarily through the government’s ratification of ILO Convention 156, which states that workers should not be disadvantaged by their family responsibilities (Australia, Department of Industrial Relations 1991: 113–118). The government’s pledge to ratify ILO standards was not divorced from its desire to extend the legislature’s direct power over employment relations and lessen the reach of the commission. For the introduction of the minimum standards under the Industrial Relations Reform Act, this was
achieved through the ‘external affairs’ power. Section 51 (xxix) of the Federal Constitution provides that the Australian government can use the external affairs power to enact legislation which honours its international commitments, in this case commitments to ILO labour standards (McCallum et al. 1990: 348–349).

The circumstances surrounding enterprise bargaining arrangements also allowed the government to extend its regulatory hand. As was the case with minimum labour standards, this was achieved principally by recourse to the ‘taxation power’ (Section 51, paragraph II) and the ‘corporations power’ (Section 51 (xx)), both previously largely untapped constitutional sources (Dabscheck 1995: 45–49). Anti-dismissal regulations, which came into force under the act in March 1994 provided protection to all workers against unfair dismissals (Stewart 1994: 147–152; Way 1994).

The taxation power, which gives the Commonwealth the right to impose taxes on employers and individuals to fulfil desired objectives, was used to institute the superannuation guarantee through the Superannuation Guarantee Act and the Superannuation Guarantee (Administration) Act, both introduced in 1992. These led to the award-based superannuation system introduced in Accord Mark II. The taxation power was also used to impose a national training levy on employers through the Training Guarantee Act and the Training Guarantee (Administration) Act, both established in 1990 (Teicher and Grauze 1996: 61–63). Following on from the Restructuring and Efficiency Principle and the Structural Efficiency Principle, which reflected attempts to encourage training as an important means to ‘multiskilling’ and ‘skill-related career-paths’, the Training Guarantee imposed a levy on employers with payrolls of more than $200,000 to spend 1 percent of payroll on ‘structured training’ or pay an equivalent levy in tax (Teicher 1995).

Overall, the government’s Training Reform Agenda was designed to forge a linkage between workplace reform, education and training and industry competitiveness, and social security policy. The government’s attempts to raise the profile of training as a policy imperative date back at least to 1988 with the Structural Efficiency Principle, but they were given a major boost under the auspices of Working Nation (Australia, Prime Minister 1994a, b). Working Nation placed training firmly within a
broader policy agenda designed to take the Australian economy closer to full employment. Other than a targeted unemployment rate, its major features included a ‘jobs compact’, which provided subsidies to employers who offered a job for 12 months to a job-seeker who had been unemployed for longer than 18 months. The additional aspect was the provision of individual case management to the unemployed person by NGOs or private organisations (Finn 1997: 26–27).

In effect the policy interplay inherent in Working Nation furthered the process of policy integration in a manner more integrated than did the Social Security Review, yet consistent with it. The person at the centre was simultaneously a client of the welfare state, but also an employee, albeit temporarily, and thus a subject of the employment relations system. Yet the linking mechanism was the principle of ‘reciprocal obligations’, which raised discussions of the emergence of marketisation through ‘quasi-contractualism’ in the administration of welfare (Ramia and Carney 2001). This is discussed further in the final section of the chapter.

**New Zealand**

**Social Protection Under ‘Rogernomics’: The Fourth Labour Government**

New Zealand Labour’s victory in the 1984 election saw the party caught off guard, and it had entered government with relatively few well-articulated promises. What emerged was a relatively far-reaching and historically significant program of economic liberalisation. This program was dubbed ‘Rogernomics’ after its primary architect, Finance Minister Roger Douglas. It was felt in many areas of policy, but employment relations and social policy were spared its excesses.

Labour had come to office with two definite strands to its policy thinking (Oliver 1989). One was corporatism, and the other was the liberalisation of the economy. Although New Zealand’s unemployment rate was a less serious problem than it was in Australia, inflation was far worse,
standing at 12.9 percent in 1985 (Easton and Gerritsen 1996: 41). The previous, National, government led by Robert Muldoon had attempted to deal with inflation by implementing a wages and prices freeze, which by the end had lasted for two-and-a-half years. In an attempt to emulate the still young corporatist experiment across the Tasman, some within the New Zealand Labour Party who supported a corporatist strategy argued that it would be an effective counter to unemployment and inflation, and an encouragement to form ‘a sense of national unity’ among the various sections of society (Oliver 1989: 37). The likelihood of corporatism succeeding, however, was limited by the perceived urgency for reform after the policy failures of the Muldoon National government.

An Economic Summit, similar to that which took place in Australia, had been proposed in 1982 by Mike Moore, one of the Labour Party’s leading proponents of corporatism. The Summit was eventually held in September 1984. However, it failed to influence policy because the trade union movement was not sufficiently united (Bray and Walsh 1993, 1995) and because the other societal interests represented in the Summit each had different and, in many cases, contradictory ideas on the policy directions (Dalziel 1989; Kelsey 1993: 130–131, 1995: 32–33). There was also a fundamental contradiction between the corporatist approach to policy formation and the plans of some within the Labour Party for economic restructuring through economic liberalisation.

The policy program was given credence initially through the publication of a report written by the New Zealand Treasury, entitled *Economic Management* (New Zealand, Treasury 1984). This report set out the principles which Treasury believed should govern economic policy, including monetary, fiscal, exchange rate, labour market and social policies. Increasingly, aided by employer organisations and like-minded policy makers, the economic-liberal approach became dominant (Kelsey 1993: 13–126, 1995: 1–239). The first major phase of policy change was triggered by a 20 percent devaluation in the New Zealand dollar in 1984, the new government’s response being to abandon the price-freeze and most of the controls on interest rates. In the following year the currency was floated (Easton 1989). The overall direction of change in the structure of the tax system made it more regressive than it was in Australia (Easton and Gerritsen 1996). Between 1984 and 1990 several key shifts could be
identified, all reflecting the government’s objective of increasing net revenue from tax through base-broadening measures while simultaneously increasing incentives to work, save, consume and invest.

To meet the government’s stated objectives in the tax area, a collection of changes took effect from 1986, including the reduction of the top personal tax rate from 66 percent to 48 percent, a reduction in the number of tax-brackets from five to three, and a tax-mix switch involving the abolition of the wholesale sales tax and the introduction of a single rate (10 percent) goods-and-services tax. After a failed bid to introduce a single or ‘flat’ income tax rate of 24 percent, a second tier was added, set at 33 percent. Soon afterwards, the goods-and-services tax was increased to 12.5 percent, and minor alterations were made to tax rules which would increase government revenues (Stephens 1993; Kelsey 1995: 209–212).

As in Australia, tariffs were subjected to phased reductions in a bid to enhance the competitiveness of domestic industry. This was very significant when it is recalled that industry protection had been one of the main planks of social protection in both the New Zealand and Australian models. Agriculture came first. Between 1984 and 1987, the Labour government withdrew both input subsidies and the guaranteed minimum price for output to the farming sector. As well as making the sector considerably more vulnerable to prices in the international market, it also meant that no longer would farmers have access to cheap finance and farm development incentives. A move was then made to reduce protection in the manufacturing sector. In its report, *Economic Management* (New Zealand Treasury 1984), Treasury criticised trade barriers as stifling industrial efficiency, particularly in the light of international agreements encouraging liberalised trade, such as the Closer Economic Relations (CER) agreement between Australia and New Zealand and the Uruguay round of the General Agreement on Tariffs and Trade (GATT) (Wooding 1987: 97–100). Accordingly, the government announced in 1986 that most import licensing would be abolished within two years and a regime of tariff reductions would be put in place. Also, progress toward a free-trade area under the CER agreement would be hastened.

The Treasury’s subsequent major report, *Government Management* (New Zealand Treasury 1987), which was designed to brief the incoming, second-term Labour government of 1987, urged a stepping up of the
pace of reduction in trade protection, arguing that the adjustment costs to industry would not be excessive. The effective rate of assistance for manufacturing was accordingly lowered from approximately 37 percent in 1985/86 to approximately 19 percent in 1989/90. The targets for deregulation in line with the CER agreement were met by 1990, five years ahead of schedule. The tariff reduction programme ending in 1992 reduced levels of protection to 14 percent, with few exceptions. The next round of cuts allowed a maximum of 10 percent by 1996, though higher rates were allowed for the textiles, shoe and car industries. In 1994 a further round of reductions was negotiated which was to begin in 1996 (Kelsey 1995: 94–99; Wooding 1987: 97–100). This established the rule that all tariffs would be reduced to one of three levels by the year 2000: 15 percent, 10 percent, or 5 percent.

Another cornerstone of policy change in New Zealand was the corporatisation of government departments and the sale of government assets and agencies (Boston et al. 1996). Public sector employment relations was part of that agenda. The State Services Act of 1962 had prescribed all human resource procedures for the public service, and the State Services Conditions of Employment Act of 1977 had set down arrangements for the determination of wages and other working conditions in the sector. Together, these two acts largely continued the traditional commitment to a highly centralised framework of public sector employment regulation (Deeks et al. 1994: 57–62). Human resource matters were resolved by a State Services Commission, which acted as the employer, and employment conditions were set uniformly across government departments, albeit determined on the basis of comparability with conditions in the private sector. Although wage claims by certain groups were occasionally settled individually, state service employees generally gained wage increases through General Wage Adjustments, based upon the average private sector increase as revealed by employment data gathered by the Department of Labour. Non-wage conditions were also formulated in block format, whereby many occupational groupings would be subject to single deals. The employers were generally represented by the State Services Commission, and the unions by the Combined State Unions (the central confederation of public sector unions), though block
negotiations were handled by individual unions (Walsh 1991). These were relatively centralised arrangements.

In keeping with the imperative to become more competitive from 1984 onwards, however, the existing regulations covering public sector organisations were replaced by significantly more decentralised arrangements. New arrangements saw management in most cases able to exercise a significantly greater influence on conditions of public sector employment. Public sector unions were forced to come to terms with diminutions in their control over the conditions facing their members.

The State Sector Act of 1988 involved a radical shift, particularly in that it involved the almost complete abolition of the existing public sector employment relations framework (Harbridge and Walsh 1989: 74). It was a slightly changed private sector framework, however, with which the public sector was streamlined. The new program was set by the Labour Relations Act of 1987. By the time of the act’s passing, New Zealand’s employment relations system had undergone two phases of change (Walsh 1989); though change in employment relations was not nearly as marked as in other areas. Rogernomics had left its mark indelibly on most areas of policy under the Fourth Labour Government, but private sector employment relations was not one of them.

The first of the two changes to regulation was more significant than the second. In 1984 the newly elected government introduced amendments to the Industrial Relations Act of 1973. In recognition of the arbitration system’s waning control over wage outcomes, these amendments centred on the abolition of compulsory arbitration in interest disputes, except in ‘essential industries’ such as health, electricity, gas, water, sewerage, prisons, fire brigade, water, air transport and dairy production (Peetz et al. 1992: 201). The process of conciliation remained compulsory, but before an interest dispute could be taken to arbitration, both parties were required to agree to doing so. This was significant mainly in the sense that, though compulsory arbitration had not been widely used since the late 1960s, the threat of its use was common (Walsh 1984, 1994). That arbitration was always looming in the background was therefore a significant psychological factor in regulating the conduct of the trade unions and employers.
The *Labour Relations Act* of 1987 saw the second set of changes. It sought to encourage, though not mandate, enterprise bargaining and thereby in theory to facilitate greater workplace change. Enterprise bargaining was made ‘inevitable in many situations’ by the effective outlawing of second-tier bargaining, which was the act’s key effective departure from previous legislation (Harbridge and Walsh 1989: 67). A worker could no longer be covered by two sets of negotiations. The enforcement of registered settlements was to be conducted by the parties, and the Department of Labour inspections were withdrawn. In the other important changes, small unions were outlawed, and a limited form of inter-union competition for members was allowed. Union membership remained effectively compulsory. The institutions of conciliation and arbitration were amended in that the Arbitration Court was abolished, being replaced by a combination of two new bodies, a Labour Court and an Arbitration Commission. The commission considered interest disputes, dealing mainly with the registration of awards and agreements, while the new Court dealt with legal matters arising from disputes, demarcation issues and personal grievances (Harbridge and Walsh 1989: 65; Walsh 1989: 153–165).

In historical terms, the private sector employment relations regime did not change significantly. Indeed, the government reverted toward compulsory arbitration of interest disputes—though only if the parties did not reach agreement within two years—under the *Labour Relations Amendment Act* in 1990, the same year as Labour lost office to the Nationals. Though the private and public sectors were effectively streamlined under Labour, the former was not fundamentally restructured.

Similarly, social policy was also not fundamentally remodeled. The major changes made during Labour’s period in government included a greater reliance on targeting in the administration of some social security benefit schemes, a characteristic which New Zealand shared with Australia. In 1985 a tax surcharge of 20 percent was imposed on the more well-off recipients of national superannuation, effectively amounting to a means-test (Simmers 1995: 45–47). As will be recalled, the New Zealand superannuation scheme was the universal pension introduced by the Muldoon National government in 1976. Greater assistance was targeted to low-income families through the family and youth support schemes.
Also, user-charges on welfare state services, such as prescriptions for pharmaceuticals and tertiary education, were applied in some circumstances and increased in others (Stephens 1987). When combined with the more regressive structure of the taxation system under Labour, as discussed above, the relative position of some low income-earners was worsened.

However, despite the somewhat far-reaching recommendations of a Royal Commission on Social Policy, which was announced by Prime Minister Lange in March 1986, the basic form of the New Zealand welfare state remained intact. It took the election of the next government to usher in a radical re-think.

De-coupling Social Policy and Employment Relations: The National Government

Despite the Labour government not cutting back the welfare state in a manner more consistent with economic liberalism, the measures which it put in place worked to entrench the culture of fiscal restraint. The Nationals entered government having inherited ‘the institutional structures and organisational procedures which shape the very policy-making process’ which Labor had put in place (Rudd 1997: 262). Labour had done the Nationals’ lead-up work for them.

The welfare state provided one of the policy arenas within which the new government exercised its zealous commitment to budgetary stringency. It also perceived that cutting back on welfare expenditure offered a means to enhance incentives to work. In 1990, therefore, as part of its Economic and Social Initiative (Richardson 1990), the government announced its intention to cut the level of most social security benefits, some quite significantly. A second, more comprehensive round of amendments was announced as part of the 1991 budget (Richardson 1991). This second round involved changes to various arrangements outside of the social security area, namely health care, housing, tertiary education, superannuation, and accident compensation.

The social security cuts of 1991 involved reductions in the nominal level of most benefits, including payments relating to unemployment, sickness, and widows’ and domestic purpose benefits. Most beneficiaries
experienced cuts of 10 percent, though some on unemployment benefits had their payments cut by up to 30 percent. As well, most beneficiaries were subjected to significantly stricter eligibility criteria. The unemployment benefit stand-down periods were extended, such that some had to wait up to six months before their benefit was payable. The age at which youth rates of the benefit would cease to apply was also raised, from 20 to 25. The universal family benefit, which was not a generous benefit by any means at approximately NZ$6 per child, was abolished, though some of the proceeds from its abolition were channelled into improved family support programs (Boston 1993: 70–71).

In the 1991 budget, various measures designed to further restrain public expenditure were announced, though some of them were modified so as to become either less unpopular or more practically implementable. It was announced that the age of eligibility for superannuation would be raised from 60 to 65 by the year 2001. Though National had viewed the surtax on superannuation (introduced by Labour) highly critically, it was not abolished. Instead it was raised from 20 to 25 percent. Exemption levels were increased such that the proportion of superannuants subject to the surcharge was raised from 25 to 40 percent. Finally, the real value of superannuation was effectively reduced because it was not to be adjusted for inflation until 1993.

Health policy under National was restructured so as to increase user-charges in most cases, to corporatise major public hospitals and to defund the smaller ones along the lines of other state-owned enterprises (Boston 1993: 72–73). State housing underwent marketisation as rents for public houses were brought into line with their counterparts in the private housing market. In relation to tertiary education, student allowances were targeted much more stringently with those under 24 being assessed for their eligibility on their parents’ income. The funding system was also restructured. The uniform tertiary fee introduced by Labour in 1989 was abolished by National and replaced by a fees-subsidy directed mainly toward assisting young students taking their first degree. Later, the subsidy to students was decreased, though the option of student loans for less well-off students had been made available (Kelsey 1995: 223–224).

In employment relations, however, a highly significant shift toward the contractual regulation of employment conditions was facilitated through
the *Employment Contracts Act*, which became law in 1991. This represented the most significant shift in the New Zealand employment relations trajectory since the introduction of the *Industrial Conciliation and Arbitration Act* in 1894 almost a century earlier. As part of the National government’s commitment to increasing the responsiveness of the employment relations system to broader market conditions, the traditional collectivist approach of the system was replaced wholesale by one based largely upon individualism. Also, the final nail in the coffin of compulsion—traditionally associated with arbitration—was sunk as voluntary unionism and voluntary bargaining were enforced.

The first two (of six) main sections of the act were the most pertinent. Part one, which dealt with freedom of association, renders any kind of closed shop or union preference arrangement illegal. This is a significant shift in that previously unionism had been effectively compulsory. Undue influence upon workers to join a union was also deemed illegal. Indeed, the act did not mention either of the terms ‘trade union’ or ‘trade unionism’. Part two, dealing with bargaining arrangements, compelled employers to recognise the bargaining agent chosen by the individual employee, whether the agent is a union or not. Bargaining agency is therefore entirely contestable, though access for prospective agents was made conditional upon employer agreement. Thus, while the employer was forced to ‘recognise’ the employee’s chosen agent, the employer is under no obligation to conclude a collective agreement. Clearly, then, the hand of the employer in bargaining had been strengthened (Harbridge 1993). Multi-employer awards were discouraged. Though strikes and lockouts in interest disputes were legal, strikes designed to apply pressure for multi-employer bargaining are illegal. In effect, as Boxall (1991: 292) argued, under the *Employment Contracts Act*, ‘[t]he enterprise and the establishment are … regarded as the “natural levels” of bargaining’. Mediation under the act is available, but on a completely voluntary basis.

The arbitration function had been replaced by direct bargaining, and awards were replaced by employment contracts. Legislated minimum standards remained, and had become the only safety-next available to employees (Harbridge 1993; Brosnan and Rea 1991). Also, whereas awards were publicly available documents, employment contracts were, for the most part, confidential. The break with tradition was decisive.
Comparative Analysis

The period covered in this chapter has seen more research attention given to Australia and New Zealand than any previous period. In part this is a function of the coincident growth of comparative scholarship in general, but it is also due to the fact that the two regimes were more different than they had previously been. What lay behind Australia’s relatively measured approach, and New Zealand’s more unfettered, radical approach?

Comparative Accounts

The multi-country or large-N literature (e.g., Esping-Andersen 1990, 1996; Gauthier 1996; Castles and Mitchell 1992, 1993; Shaver 1990; Taylor-Gooby 1991) reveals the importance of the international context within which the policies and institutions of the two countries operated. Comparative scholars who examine clusters of national regimes naturally and understandably tend to focus more on similarities between individual countries within the same grouping.

It should be conceded, however, that cluster-based analysts do generally stress the importance of specifically national institutions in influencing their program of policy change. Thus the national path is not merely assumed to be dependent on the path of the regime-type. In an analysis of policy responses to international economic restructuring, for instance, Esping-Andersen (1996: 15–16) notes an overriding difference between the Australian and New Zealand approaches in the 1980s and 1990s. Restructuring in Australia, he notes, was implemented ‘with trade union co-operation’, while New Zealand policy makers engaged in ‘active program dismantling’. Equally, it is noteworthy that the differences between Australia and New Zealand which Esping-Andersen identifies are overarching, rather than particularistic. Also, Esping-Andersen (1996: 10–20) places both Australia and New Zealand within a ‘neo-liberal’ type of response-strategy to the pressures of economic globalization. This is to be distinguished from a ‘Scandinavian’ type, and a ‘labour reduction’ or Continental European type.
The small-N studies are more directly relevant. Some deal generally with government policy on employment relations (Brosnan et al. 1992; Brosnan and Burgess 1993; Bray and Nielson 1996; Wailes 1997). One set of authors compares Australia and New Zealand around the theme of corporatism, and the importance of the role ascribed to the arbitration system (Bray and Walsh 1995). Others interrogate changes in the two countries’ social policy frameworks (Castles 1996; Castles and Pierson 1996; Castles and Shirley 1996). Still others adopt more specific focal points, such as public sector restructuring (Schwartz 1994a, b, 2000), legislative change in the regulation of employment conditions (Mitchell and Wilson 1993), the unity and relative power-bases of employers and employers’ associations (Plowman and Street 1993), trade union and labour movement strategy, unity and strength (Sandlant 1988, 1989; Bray and Walsh 1993; Gardner 1995), and the economic restructuring imperatives of the period as well as the economic policy responses to them (ACOSS/ACTU 1996; Castle and Haworth 1993; Easton and Gerritsen 1996; Wailes 1997).

There is strong recognition among employment relations scholars that the 1980s and 1990s saw a historically significant divergence in respect of labour market institutions (especially: Brosnan et al. 1992; Bray and Nielson 1996). Castles (1996: 106) states clearly his conviction that through the restructuring of the period, Australia ‘refurbished’ the wage-earners’ welfare state, whereas New Zealand ‘rolled it back’. For him the wage-earners’ welfare state in New Zealand effectively ended with the introduction of the Employment Contracts Act (Castles 1996: 106). The New Zealand response to international market pressures was a pure kind of economic liberalism, and while the Australian policy model was similarly inspired by market liberalisation, it was significantly milder. This is also recognised by others (Easton and Gerritsen 1996; ACOSS/ACTU 1996; Bray and Haworth (eds) 1993; Bray and Walsh 1995; Brosnan et al. 1992; Castles 1996; Castles and Pierson 1996; Castles and Shirley 1996).

The Australian policy strategy was moderated as part of the corporatist underpinnings of the Accord (Bray and Walsh 1993, 1995; Easton and Gerritsen 1996; Bray and Nielson 1996; Brosnan et al. 1992; Bray and Haworth 1993). The explanations made within the literature for New
Zealand’s greater emphasis on dismantling established social protection institutions are wide-ranging, and they are for the most part credible. Authors generally point to New Zealand’s more cohesive and more influential employer associations (Plowman and Street 1993); Australia’s more restrictive constitutional arrangements (Bray and Nielson 1996; Castles 1996) and generally its less autonomous state (Bray and Nielson 1996); New Zealand’s less united labour movement and its less influential trade union movement (Bray and Walsh 1993, 1995); and the more urgent economic restructuring imperative upon the beginning of the process in the early 1980s in New Zealand (Easton and Gerritsen 1996; Castle and Haworth 1993; Wailes 1997).

What Are the Limitations of These Accounts?

Three limitations exist, however, with the literature in its application to this long comparative history. First, it assigns excessive importance to the concept of corporatism in revealing the differences between Australia and New Zealand. In assuming that the trade union movement had a highly significant say in policy formulation, which corporatism generally implies, scholars overestimate the democracy inherent in Australian corporatism as channeled through the Accord. Second, authors generally do not integrate employment relations with social policy. This is only a problem in its application to the objective and the approach of this book. The employment relations portion of the literature largely excludes factors relating to the welfare state. As argued in Chap. 1, this can produce an incomplete representation of social protection. By the same token, the social policy portion of the literature has not provided the most comprehensive picture. To be sure, the work of Castles (especially: Castles 1996) does provide insights to the importance of arbitration in deciding the fate of social protection, the ‘rolling back’ of social protection in New Zealand, and its ‘refurbishment’ in Australia. However, as argued throughout, Castles does not in any holistic way attribute the different fates of arbitration in Australia and New Zealand to traditional institutional arrangements such as the existence of national minimum labour standards in New Zealand, or the stronger legacy of the family wage in Australia.
These and other relevant issues are discussed below in the context of the 1980s to the mid-1990s.

The third major shortcoming in the literature, as argued here, is that it lacks an extensive historical understanding of social protection institutions.

The Alternative Labour Movement Story

One important dimension of the difference between Australia and New Zealand lay in the role played by the labour movement in achieving the goals of increased productivity, welfare selectivity, and in the case of New Zealand, legislated fiscal rectitude. In their important analysis of corporatism in Australia and New Zealand, Bray and Walsh (1995: 2) speak of the ‘incorporation of the unions’ into policy-formation. More specifically they argue that from 1983 the Accord ‘grew into a flexible working arrangement in which unions were regularly consulted on a wide range of policy issues.’

While it is indisputable that the two arms of the labour movement in Australia were closer than their New Zealand counterparts, it should not be assumed that Australian unions were included within a democratic process of consultation as part of the Accord. Gardner (1995) identifies a ‘paradox’ in the Accord strategy of the ACTU: that the union movement fully supported, and in some senses, steered economic restructuring toward liberalisation, though this was to its detriment. Hampson (1997: 539) agrees but goes further:

Australian corporatism was an inherently contradictory formation, since it was dominated by economic liberal policies, but with the appearance of trade union involvement in public policy. Since economic liberalism is, almost by definition, opposed to the interests of unions, such union involvement had to be misguided, or more apparent than real. The tension between democratic corporatism and economic liberal policies, the latter unsuccessful in terms of industrial adjustment, caused the ‘corporatism’ to become increasingly authoritarian and exclusionary (my italics).
In substantiating his claim that Australia’s Accord did not genuinely incorporate unions in policy formation, Hampson (1997: 550) points out that many of the ACTU’s announced policy preferences were defeated, even while the ‘consultation’ process of the Accord between the two arms of the labour movement appeared to be ongoing. The list of what should have been the ACTU’s official policy disappointments included a strategic industry policy, a national training agenda, as well as all of the other frustrated elements of Accord Mark I (Dow 1996, 1997; Stilwell 1986, 1997; Hampson 1996, 1997; Bryan 1997; Beeson 1997). Evidence from John Edwards (1996), the biographer of then Prime Minister Paul Keating, who was in office from 1992 to 1996, is illuminating. Edwards was present at many meetings between Bob Hawke, Paul Keating (when he was Treasurer and then Prime Minister) and Bill Kelty, president of the ACTU. Edwards (1996: 449–508) recalls that many of the manoeuvres which made it appear that the ACTU was being consulted, were staged. In recounting the lead-up to the 1993 election, Edwards refers to:

the choreography – the form in which the public display of reaching agreement would be presented. There would be an ACTU Wages Committee meeting, probably on 17 February [1992]. Rather than seeking their agreement at that forum Keating should say that he understood that the ACTU wanted jobs first, that it wanted infrastructure spending, enterprise bargaining and a national wage case. But he knew that the ACTU did not want inflation higher than our trading partners. ‘You say, “I understand your position very clearly”. You say nothing about tax,’ instructed Kelty. The government would then say there should not be a wage claim before 1 July, and that the ACTU should recommit to an inflation objective as agreed during a [Prime Minister’s] Lodge meeting with Hawke in 1991. The ACTU executive would convene after the statement and announce its view.

The answer to the paradox of pursuing marketisation with the union movement’s blessings lies in the strategies of the ACTU leadership rather than the rank-and-file collective. Bill Kelty as Secretary from 1982 and Simon Crean as President from 1985 were particularly influential.
Constitutional Possibilities

Policy can also have easy or difficult passage based on its Constitutional setting. As noted previously, the greater flexibility of the New Zealand Constitution had worked in favour of the extension of social protection in previous periods, particularly in the creation and extension of the welfare state and in the setting of minimum labour standards outside of arbitration. New Zealand has had no effective second parliamentary chamber since the 1950s. When it did have one, it was never as effectual as the Senate in Australia (Palmer 1987, 1992; Joseph 1993). New Zealand governments were elected on a first-past-the-post voting system, until 1996 when the first election under a new Mixed-Member-Proportional (MMP) system was held. In addition, the structure of the state is unitary, as opposed to Australia’s federal system.

All of these factors contributed to the less fettered passage of laws and policies. Constitutions also influence the choices made by and available to political actors. From the mid-1980s, in contrast to the periods characterised by the extension of social protection, the greater flexibility of the constitutional framework in New Zealand contributed to the relative ease with which the National government dismantled long-established protections. By contrast, Australia’s more rigid Constitution contributed to the checks on such easy dismantling. In the space of approximately the first 12 months after its election in October 1990, New Zealand’s National government abolished any semblance of compulsory unionism, compulsory arbitration and the redistributive function of the employment relations system. It also managed to make major cuts in the levels of most social security benefits.

On the other hand, attempts in Australia to decentralise the employment relations system in the late 1980s and 1990s, and at the same time decrease the authority of the Industrial Relations Commission over the determination of working conditions, were hampered. Those measures which partially succeeded resulted from the use of non-arbitration constitutional powers, such as the ‘corporations power’ and the ‘external affairs’ power (Ludeke 1993; McCallum et al. 1990: 348–349; Stewart 1994). As can be recalled from previous chapters, the Australian
Constitution effectively disallowed national minimum labour standards legislation. In New Zealand, such standards were in place at the national level since the mid-to-late-nineteenth century. This factor made it more unlikely that the arbitration system’s role would be downgraded.

The ‘Active Society’

Another issue stems from was Australia’s keener adoption of the so-called active society approach to social protection (OECD 1987, 1988, 1989, 1990). The active society agenda encourages work and work-like pursuits among those who cannot work, in particular the unemployed, and its main stated aim is to foster a sense of economically enterprising participation by all citizens. Under this organising principle, the receipt of so-called passive benefits, associated with the post-war era of the welfare state, should be replaced by ‘active’ benefits (Walters 1997). Such benefits only accrue if the beneficiary demonstrates diligent participation in activities such as job-search, education and training, labour market programs, the setting up of a small business, or combinations of such activities. For its part the state has the responsibility of administering the programs, or at least providing a steering role in the provision of such services. The two-way relationship prompted by the reciprocity of obligations between individual and state prompted fervent discussion in the 1990s of the growing culture of ‘contractualism’. For some, welfare contractualism was part of the ascendancy of contractualisation in the employment relationship (Ramia 2002; Davis et al. 1997; Carney 1996, 1997; Boston 1995; Ramia and Carney 2001).

It is noteworthy that, with the exception of a limited discussion of the phenomenon in the work of Castles (1996), the literature has not seen the active society as a major theme in Australia–New Zealand comparisons. In the current analysis, the Australian government’s use of active society measures should be seen as an indicator of a more cautious approach to restraint in social protection. Such an approach, as opposed to the more cleanly economic-liberal one used in New Zealand, was at least partially explicable by reference to the constitutional constraints.
Employers, Institutions and the Comparative Severity of Policy Challenges

The more unadulterated version of economic liberalism in New Zealand was also the result of a more united and more influential employer movement. New Zealand employers in the 1980s and 1990s generally had more impact on government policy than their Australian counterparts. Plowman and Street (1993: 117–118) tease out this basic distinction between employers on each side of the Tasman Sea, which they argue was instrumental in the successful passage of the Employment Contracts Act in particular:

> The commitment to a free market shown by the 1984 Labour government in New Zealand substantially determined the gradual creation of a unitary employer position in which the Employers’ Federation and the Business Roundtable came to share policy perspectives. In the context of a relatively small economy and society, this unitary model, when symmetrical with government policy, came to be monolithic, with the occasional misgivings of the manufacturing sector losing any purchase on policy making [(see also, for example, Bray and Walsh, 1995; Wailes, 1997; Wanna, 1989)]. In Australia, the continuing divisions within the employer camp, when coupled with restructuring under a corporatist umbrella, led to a far less homogeneous and therefore far less effective employer influence. … In Australia, despite the changes embodied in legislation such as the 1988 Industrial Relations Act, the deregulation of the labour market is still substantially constrained by the existence of a federally-patrolled award system.

The issue of employer influence, however, cannot be separated from the question of the impact of political institutions over time. The major problem with the argument of Plowman and Street (1993: 118) that a non-Labor government ‘may well [have] provide[d] Australian employers with opportunities similar to those enjoyed by their counterparts in New Zealand’, is that under any government Australian employers could only conceive of relatively more limited successes. The Australian Constitution, as argued here, would always be a stumbling-block. A prime contribution of historical-institutionalist analysis is that it provides a means of
assessing the political and policy impact of institutions over long historical periods. Rothstein (1992: 34–35) indirectly provides hints as to the differential impact of institutions on employer action in different countries.

While political institutions may be understood as setting limits on, as well as enabling, agents in the pursuit of their objectives … they can, because of their general ‘stickiness’, be seen also as political and administrative structures … This takes us right into one of the basic questions in social science and history, namely whether agency or structure is primary in causing social [or policy] change. If institutions set limits on what some agents can do, and enable other agents to do things they otherwise would not have been able to do, then we need to know under what circumstances these institutions were created … The analysis of the creation and destruction of political institutions might thus serve as a bridge between the ‘men who make history and the ‘circumstances’ under which they are able to do so’ (italics in the orginal).

Finally, the broader ‘circumstances’ to which Rothstein alludes, can help explain differences between Australia and New Zealand. The relative severity of the economic challenges faced by each country in the early 1980s did much to structure nationally specific responses. New Zealand faced a slightly more dire situation. In part this is reflected in the relative policy records of the Muldoon National government in New Zealand and the Fraser Liberal/National government in Australia, the former being of a more damaging nature (Castle and Haworth 1993). As Wailes (1997: 30) argues in relation this period:

Australian policy makers and business groups were … able to entertain the prospect of adjusting the existing institutional framework, whereas New Zealand’s policy makers and business makers [sic] had far less confidence in this approach. Furthermore, a large part of New Zealand’s radical deregulation after 1984 can be explained in terms of the disastrous experience of state intervention under Muldoon in the 1970s and early 1980s, which has no obvious parallels in … Australian experience. The severity of the New Zealand economic situation has also been used to explain the process of bureaucratic capture that took place in New Zealand, where economic rationalist ideas from Treasury became the sole source of policy advice in many cases.
Conclusion

The differences between Australia and New Zealand in the period in focus were profound, and they have been explained by several interlocking factors. Taking a summative approach, however, and in contesting the literature, it can be seen that the most important determinant of difference was arbitration. In Australia there was a continuing tendency to resort back to arbitration as the primary social protection institution. The trade union movement supported it, and the Labor government delivered for the unions in lending its support. Such a deal was made impossible in New Zealand, though history had shown that regardless of context, support by unions and Labour governments for arbitration was patchy.

The continuing centrality of arbitration in Australia was particularly remarkable when it is considered that the 1980s and 1990s were decades of major restructuring. Though arbitration did not itself directly regulate the welfare state, and even less so the promotion of the active society approach, it did influence the trade union movement’s acceptance of wage restraint. In Accord Marks I and II at least, the deal made between unions on the social wage was also facilitated by the availability of arbitration as the wage regulator. The 1990s welfare changes that followed were also shaped by the early wage deals.

On the New Zealand side, the most important factors separating it from Australia were the more flexible Constitution and the more challenging economic situation in the early 1980s. However, the abolition of compulsory unionism along with the abolition of arbitration compulsion in 1991 provide additional insight into the impetus for economic liberalism. In the post-war context of effective full employment up to the 1970s, compulsory unionism had provided one avenue for the government and employers to hold the union movement’s bargaining power in check. In contrast to Australia, New Zealand’s arbitration system was not embedded in the Constitution. This did much to facilitate the greater powerbase of employers and the lower power-base of the union movement. The resulting policy differences were there to be seen.
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Meeting in the Middle

Introduction

Over the last two decades Australia and New Zealand have become similar again, mirroring the closeness they shared when they first instituted social protections a century ago. Their current closeness, however, is based on very different regimes to those they began with 130 years ago. Differences remain between them despite the re-convergence. By the turn of the last century, New Zealand was beginning to re-think the major social protection diminutions that governments put in place in the 1990s. The subsequent policy direction has moved it closer to Australia’s pattern. Employment relations have been partially re-collectivised in the Employment Relations Act of 2000. Social policy has moved toward integration with employment relations, evidenced mainly in ‘workfare’, New Zealand’s own version of welfare activisation.

On the other side of the Tasman Sea, Australia began moving closer to New Zealand after the election of a Liberal/National Coalition government in 1996, bringing with it the demise of the Accord. The relationship between employment relations and social policy has since seen some de-coupling. The welfare activisation push has given way to a harsher
workfare approach. In 2005, with the passing of the Workplace Relations Amendment (Work Choices) Act, employment relations were radically individualised, bringing Australia closer to New Zealand’s predecessor legislative framework, the Employment Contracts Act. However, subsequent changes under the Fair Work Act of 2009 have brought Australia’s legislation closer to the current New Zealand framework instead. In both countries, in addition to workfare, there is ongoing pressure from the progressive side of politics for government to attend to the adequacy of some social security payments.

Comparative accounts which cover the two regimes for the entire period since the mid-1990s are few, but those that exist tend to come from either the employment relations or the social policy perspective. Though there are authors who identify the general policy re-convergence between the two, identification of the factors that brought about the renewed similarities, and the continued differences, are patchy. Countering the increasing consensus that the re-convergence has been due mainly to material interests acting within the increasingly globalised economy, this chapter argues that the importance of traditional institutions have been most important.

The first section below discusses Australian developments. The second covers New Zealand. The third provides a comparative analysis.

**Australia**

Despite an increasingly polemical political landscape, social protection has not undergone radical change in Australia. To be sure, the conservative side of politics has made attempts in each of the two spheres of interest to move past the institutional impediments that have been in existence since Federation. Its success has been somewhat limited, though there have been some flexibilities to exploit.
Momentary Change Amid Continuity in Employment Relations

The Accord process of the 1980s to the mid-1990s had provided the primary policy platform under Labor, but it was abandoned with the election of the Liberal-National Coalition government in 1996. The new prime minister, John Howard, was long committed to conservatism and was against genuine cooperation with the trade union movement. He saw unionism as antithetical to the public good. The first and most prominent opportunity taken by his government to target unions occurred in the lead-up to the 1998 waterfront dispute, which reflected an attempt to alter some of the central traditional characteristics of employment relations in Australia.

In 1998, members of the Maritime Union of Australia (MUA) were locked-out in four state capital city ports by their employer, Patrick Stevedores. Patrick was attempting to individualise employment contracts, casualise some full-time and permanent workers, and change work practices. The government not only sided with Patrick; it had actually instituted secret plans soon after forming government to actively assist Patrick to defeat the MUA (Davies 2018). During the dispute, the MUA took the matter to the Federal Court, and won, though in the end the company was able to achieve most of its desired objectives on workplace change (Dabscheck 2000; McConville 2000).

The government and Patrick were assisted in the waterfront dispute by the passing of the Workplace Relations Act in 1996. This replaced the Industrial Relations Act of 1993. It kept the Industrial Relations Commission but reduced the commission’s role. Awards were to be stripped back to 20 ‘allowable matters’, including minimum wage standards. The commission was made to sit alongside, and in some ways to compete with, a new third party called the ‘Employment Advocate’. The role of the advocate was to process and approve new workplace deals called ‘Australian Workplace Agreements’. These agreements, called AWAs for short, were subject to a ‘no disadvantage’ test for employees relative to the relevant award. Where there was a risk that they did or could disadvantage workers, the agreements could be referred to the
commission. In contrast to awards, however, AWAs were between an employer and individual employees, though more than one employee could be covered on any one agreement. The commission retained its conciliation and arbitral functions, but only for ‘protracted’ disputes during the negotiation of agreements (Dabschceck 2001: 284–285).

The reduced role of the commission, the reduction of the number of items in awards, and the existence of Australian Workplace Agreements, all represented a partial individualisation of employment relations. That process was furthered significantly, however, by the introduction of the Workplace Relations Amendment (Work Choices) Act of 2005, or simply ‘WorkChoices’ as the government branded it. One of the main aims of WorkChoices was to expand federal government powers over employment relations. Yet, like its predecessor, the government needed to work around those powers rather than through them, relying on the ‘corporations’ and ‘external affairs’ clauses in the Constitution. Legal changes made in 1996, which were discussed in the previous chapter, used the corporation’s power to allow employers to choose if they wished to be covered under the federal employment relations system. That choice was taken away by WorkChoices. Victoria had earlier signed on to transfer its employment relations powers to the Commonwealth, so all Victorian employers, regardless of sector, were treated as federal. In the other states, as long as the employer could be legally defined as a corporation, they would be subject to WorkChoices. The only exceptions there were organisations that were ‘unincorporated’ or were sole traders or partnerships (Stewart 2006: 28).

WorkChoices also sought eventually to completely contractualise agreement-making, and with some exceptions, the Industrial Relations Commission was to lose its compulsory arbitration powers. Most of these related to oversight of awards. The ‘no disadvantage test’ of enterprise agreements in comparison with the relevant award was abolished (Cowling and Mitchell 2007; Creighton 2011: 121). In theory, agreements could thus undercut minimum award standards, though exceptions existed for certain ‘protected conditions’ such as rest and meal breaks, annual leave loadings and incentive-based payments and bonuses. Minimum wages were to be set by a new ‘Fair Pay Commission’, which operated outside of AWAs and awards. WorkChoices also re-classified all
agreements as either AWAs, which were individual, or ‘collective agreements’, which could be one of three sub-categories: ‘union collective agreements’, ‘employee collective agreements’, or ‘greenfields agreements’ (Stewart 2006). Awards would continue to operate for employees not covered by AWAs. Under AWAs, employment could be terminated by either party upon the expiry date of the agreement, with as little as 14 days’ notice if that is specified in the agreement.

WorkChoices was an exceptional policy package for Australia, but the political environment within which it was introduced was somewhat exceptional. The Howard government, then in its final term of office, had taken control of both chambers of the parliament. Control of the Senate was unusual for governments of either persuasion. It was a rare and highly desirable gift for the party in power, and the Coalition took advantage of the legislative and policy opportunities this provided. Employment relations would prove electorally problematic, however, and the government was defeated in 2007, due in part to a successful campaign by the union movement against WorkChoices (Cooper and Ellem 2008: 542–546). It seemed that working people refused *en masse* to be convinced of the benefits of a more decentralised system that placed more onus on workers themselves to negotiate with their employers for improvements in wages and other working conditions.

The new Labor government understood the refusal, and indeed while still in Opposition, Labor was part of the campaign against WorkChoices. Kevin Rudd was the prime minister, though only until 2010, when Julia Gillard took over after a leadership coup. Rudd was again the leader after a second coup in the lead-up to the 2013 election (ABC 2013). Labor had won the 2007 election partly on the back of promises to be more deliberative and consultative in policy making (Commonwealth of Australia 2008). It also promised to ‘re-collectivise’ employment relations by abolishing the making of new AWAs, and it replaced the Workplace Relations Act with a different regulatory programme (Creighton 2011). That programme took the form of the Fair Work Act of 2009, which still applies to the time of writing despite the continuous re-election of Coalition governments since 2013.

The first step taken by the Rudd government was to disallow the making of any new AWAs, though existing ones could serve their legal term
up to a maximum of five years. The ‘no disadvantage’ test was revived. Both measures were taken through the enactment of the Workplace Relations Amendment (Transition to Forward with Fairness) Act of 2008. The Fair Work Act was subsequently introduced in 2009, with an emphasis on ‘good faith’ enterprise bargaining underpinned by ‘National Employment Standards’ (NES) as legally enforceable minima and with ‘modern awards’ and ‘national minimum wage orders’. There were ten National Employment Standards, including those relating to working hours and working arrangements, various kinds of leave, notice of termination, and redundancy pay. The government’s ‘award modernisation’ process, which was conducted by the Industrial Relations Commission, replaced the more than 1560 State and federal awards with just 122, and each award could cover 20 conditions. The Fair Work Act continued the practice of allowing non-award agreements, though the difference now was that these could in no way undercut award conditions. All workers would continue, however, to be covered by the National Employment Standards. Strike action could legally be taken and was deemed ‘protected’ under certain circumstances (Creighton 2011), but ‘unprotected’ action could leave employees vulnerable to common law action. This left unions in a vulnerable position.

In not specifying in detail the substantive differences between union and non-union collective agreements, the Fair Work Act cannot be said truly to live up to its promise to ‘re-collectivise’ employment relations (Walpole 2015). This, in combination with the electoral damage caused by WorkChoices in 2010, explains why the Coalition has been largely unsuccessful in attempts to alter the Fair Work framework since its re-election in 2013. The main changes instituted have not been game-changing in any sense (Wright 2018; Clibborn 2019), especially when viewed from the perspective of minimum labour standards. A partial exception, which indeed is beneficial rather than detrimental to social protection, is the Fair Work Amendment (Protecting Vulnerable Workers Act) of 2017, which extended employer liability provisions imposed upon franchisors and holding companies in cases of wage theft. This was largely in response to media coverage of the exploitation and underpayment of the typically casualised workers in retail chains such as 7-Eleven (Forsyth 2017).
Employment relations policy as it stands could do a great deal more to ensure social protection for employees. However, at the time of writing, a newly elected Coalition government under the prime ministership of Scott Morrison appears instead to be seeking a return to a policy framework like that which briefly existed under WorkChoices (Olson 2019). Given the experience of recent years, this comes with the risk of once again alienating the government’s voter base. It would also provide the union movement with renewed ammunition to fight for a new Labor election victory. It remains to be seen when such a victory will eventuate, and what it will mean for employment relations or social protection in general.

**Continued Coupling in Social Policy**

Since the mid-1990s there has been growing political pressure put on the welfare state, with increasing attempts by governments of both persuasions to use markets and the ideals of individualism in policy delivery (Western et al. 2007). While there have been differences between the Labor and Coalition sides, two central policy principles permeate and have become dominant across both sides. The first is that paid work is ‘the best form of welfare’. This is the primary basis of the so-called work-first approach to social policy (Marston and Dee 2015). The second is that those who receive monetary benefits from the government should be required to satisfy ever-stricter job-search requirements and to perform work and/or work-like activities in order to continue to receive benefits (Taylor et al. 2016; McGann et al. 2019).

As well as blending work and welfare, these principles aid the understanding of the role that employment relations plays in social policy. Just five years after the Labor government had lost power in 1996, the Accord dying with it, Frank Castles (2001) declared ‘farewell to Australia’s welfare state’. By ‘welfare state’ he meant the policy model underpinning the ‘wage-earners’ welfare state’ as he had earlier theorised it (Castles 1985). Appropriately, Castles cites the drift towards enterprise bargaining as one means by which the wage-earners’ welfare state has been dismantled. Issue is not taken here with that argument, but there are other means by
which social policy has continued, and continues to the time of writing to liaise with employment relations policy. There have been two agendas in particular. The first is ‘workfare’, which is a stronger form of the activisation agenda that Australia was already pursuing in the late 1980s to the mid-1990s (Deeming and Johnston 2019; Ramia 2005). The second, allied with the first, has been ‘welfare conditionality’, which has been a feature of liberal welfare states in the past but is different and intensified in its contemporary forms (Dwyer 2019). Conditionality has come to be synonymous with three things: first, paternalistic attempts to compel welfare beneficiaries to contribute in market terms to the market society in which they live; second, attempts to alter the behaviour of beneficiaries, shifting it towards intensified, performative job-search; and third, punitive measures where beneficiaries do not conform to this kind of behaviour (Taylor et al. 2016). Conditionality is also manifested in the means used to deliver policy. Services to beneficiaries have increasingly involved contracting between government and organisations in the public, non-profit and private sectors, which theoretically compete against each other for the delivery rights. This has been particularly characteristic of Australia (Carney and Ramia 2002; Considine et al. 2015).

The Howard government accelerated and expanded this process considerably, radically stepping-up the limited contracting and contestability processes which were begun in employment services under the previous Labor government’s Working Nation package. This involved abolishing the federal government’s Commonwealth Employment Service and contracting-out its main functions, initially creating a managed market consisting of hundreds of organisations in the public, non-profit and for-profit sectors in what was then called the ‘Job Network’ (Ramia and Carney 2001). The ‘network’ approach introduced in the late 1990s created the most marketised system in the developed world for the provision of services to unemployed people. It infused services with increasing reliance on market reward incentives for providers in delivering services, and stepped-up activisation through the so-called mutual obligations agenda. In this way the conduct of service providers and benefit recipients was re-regulated. In addition, the government increased the discretionary powers of contracted organisations to penalise or ‘sanction’ unemployed people in cases where the latter did not fulfill their obligations. There was, and arguably still is, a widespread
perception among policy makers that there was little need for government authorisation of non-government sanctioning. This has essentially privatised what had always previously been exclusively government prerogatives.

In the entire period of Howard’s prime ministership from 1996 to 2007, the government also created the conditions for fostering more individual responsibility among those in retirement. Changes were introduced in health care to provide tax incentives to more members of community, especially the professional and middle classes, to take out private insurance (Ryan 2005). In family policy, Howard’s social conservatism was manifested in measures to discourage workforce participation among mothers (Brennan 2007), while his government simultaneously subjected sole-parents to ever-greater ‘activisation’ through the extension of the mutual obligations agenda (Ramia et al. 2005). A strong form of paternalism was seen in the ‘Norther Territory Intervention’ into the communities and the lives of Indigenous Australians, including compulsory income management schemes (Marston et al. 2016; Mendes 2013). This kind of selectivity went beyond the traditional Australian principle of targeting in social security; the kind that has been discussed throughout the book. Whereas tradition involved a central emphasis on targeting, the discretion was kept solely within government, even under almost all of Labor’s ‘active society’ measures as discussed in the previous chapter. Howard was instead placing increasing authority and trust in for-profit and non-profit service providers, allowing them more freedom to govern the lives of their job-seeking subjects. Accordingly, those in receipt of monetary benefits and services were increasingly beholden, as individuals, to both the government and organisations delivering human services in market settings.

The 2007 election, however, was dominated in terms of social protection by WorkChoices as the central plank of the employment relations agenda. Howard lost and Labor won. The new prime minister, Kevin Rudd, and Julia Gillard after him, became focused on the policy language of ‘social inclusion’, which in principle subsumed both social policy and employment relations. Howard had never used that term, let alone being committed to it, but Labor relied greatly upon it from its early days after winning office. The Labor approach revolved mostly around education
and skills-enhancement, and despite the predominance of the language of ‘inclusion’, as Marston and Dee (2015) argue, it was a ‘work-first’ agenda. ‘Being included’ under Rudd and Gillard essentially meant ‘being employed’. This principle shared great affinity with the previous government’s emphasis on mutual obligations and workfare. Labor did not believe in addressing poverty, inequality and other social ills by means of policies that directly addressed them. Instead they created a Social Inclusion Board and invested in an associated, dedicated ministerial portfolio on social inclusion, initially given to Gillard as deputy prime minister.

Like the Coalition before it, Labor was ‘market-reliant’ (Johnson 2011) and it sought in general to continue the practice of making individuals responsible for their own welfare. The policy of compulsory income management for indigenous communities was rolled over from the Howard era and indeed trials in other communities were initiated as a means to address ‘welfare dependency’. Tax rebates for private health insurance were kept. The Howard government’s policy of keeping a major disparity between pensions and unemployment benefit payment, called Newstart, remained (Marston and Dee 2015). Indeed the Newstart rate has not increased in real terms to the time of writing, for a period of 25 years (Hilkermeijer et al. 2019). Under Labor the unemployed continued to be provided services in an employment network setting, though the number of organisations providing services decreased and the Job Network underwent a name change to Job Services Australia. The contracting regime was re-designed to be more conducive to personalised services, mainly through an emphasis on ‘public value’. Yet services continued to be market-based (Ramia and Carney 2010). In sum, what appeared linguistically, and on the surface, to be a more progressive, welfare-oriented government, was mainly driven by continuity with its predecessor.

Labor lost office in 2013, in part due to having lost the electorate’s confidence in the face of rotating prime ministerships. The Coalition has remained in office until the time of writing, though it has also gained a reputation nationally and internationally for changing prime ministers (BBC 2019), with three leadership ‘spills’ within the Coalition party-room in the last four years and two changes of prime minister outside of election processes. The electorate was more focused on policy and
political issues outside of who leads the Coalition, because the 2019 election was won shortly after the current prime minister, Scott Morrison, emerged as leader following a leadership challenge just months before. Two of the Coalition prime ministers, Morrison and Tony Abbot, have long-earned reputations as anti-welfare social conservatives. Malcolm Turnbull, the leader in between them, was more of an individualist, an economic conservative but a social progressive. He had many supporters in society because of this complex mix, but his policy record reflects that he served equally the Coalition’s increasingly conservative values while in office (Taylor 2016).

Taking the three Coalition governments that have been in office since Labor was defeated in 2013, the common thread in social policy has been intensified anti-welfare political rhetoric. Though its ministers and other parliamentary members have never been totally united in social conservatism, key examples of the government effectively siding with conservative forces in society include its stances taken on ‘religious freedom’, freedom of speech, same-sex marriage and the broader rights of LGBTIQ communities (Hilkermeijer et al. 2019). Recent governments of both the Labor and Coalition varieties have been marked by continuum rather than differences. One important piece of evidence for this lies in the virtually unchanging rate of public expenditure on welfare, not only since the mid-1990s, but indeed since the early 1980s (Whiteford 2018).

It has been a principle informing this book, however, that social policy needs to be understood in terms of its relationship with the broader institutions of social protection. This goes well beyond the reliance on government expenditure. Even then, as can be seen in this chapter so far, change has been moderate. The commitment to activisation under Labor in the Accord years led to mutual obligations and the Job Network under the Howard-led Coalition government. From 2007, Labor’s commitment to social inclusion effectively represented a continuum with that. Since 2013 the Coalition has re-branded the Job Network as ‘JobActive’, after Labor had re-named it Job Services Australia. The common thread throughout has been the use of market-based contracting as the primary regulatory means to provide employment and employment-allied services. The emphasis on conditionality, however, has been continuously increased, and it has been steadily extended to new categories of
beneficiary; especially those that governments want to force to demonstrate more ‘active’ job-search. As well as the unemployed, this applies especially to youth, sole-parents, and people with disabilities.

New Zealand

The electoral system of New Zealand is the most important determinant of change in social protection since the mid-1990s. Mixed Member Proportional (MMP) voting was first used in the 1996 election, having been introduced in 1994. This was important in reflecting voter concerns over the accountability of governments for the policies they are constitutionally able to pursue. MMP has also seen unprecedented pressure for power-sharing amongst political parties in government, with every government since 1996 having to form coalitions. This has been instrumental in affecting the speed and the substance of detrimental policy change in relation to social protection (McAndrew 2010: 90). As revealed here, the change path of New Zealand has been dominated by a partial re-collectivisation of employment relations and a movement in social policy towards integration with the world of employment. Both trends have meant that New Zealand and Australia look more alike than at any previous stage.

‘Good Faith Bargaining’ and a ‘Re-collectivisation’ of Employment Relations?

In 1997 Jenny Shipley replaced Jim Bolger as prime minister after a successful leadership challenge, in the process becoming New Zealand’s first woman to officially lead the country. The governing Nationals subsequently suffered a breakdown in the relationship with their New Zealand First coalition partner. They lost office in 1999 to the Labour Party, which was in a coalition that was initially with various other parties. In 2000 under new prime minister, Helen Clark, the Employment Relations Act was introduced. It replaced the Employment Contracts Act and ushered in a major change
process, the main objective of which was officially to restore a nominal power balance in the employment relationship.

The new act, which remains in force to the time of writing, was designed ‘to build productive employment relationships through the promotion of good faith in all aspects of the employment environment and of the employment relationship’ (Section 3a). It also sought to ‘promote the effective enforcement of employment standards’, principally by giving enforcement powers to a new labour inspectorate and by strengthening and streamlining arrangements for grievance handling. Other aims included increasing trust and confidence between employers and workers. Finally (Section 3), it was an objective to encourage collective bargaining for workers who were members of unions, and to make provision for negotiation for workers who were not.

Labour inspection processes were enhanced primarily through the introduction of a Mediation Service within the Department of Labour, whose representatives travelled to individual workplaces to help solve disputes at that level. Workers or employers could initiate mediation. At higher administrative levels, an Employment Relations Authority was set up as a means to solve disputes not solved by the mediator. The Employment Court, which had been set up under the Employment Contracts Act, continued to exist to decide on matters not resolved by the authority (Chelliah and Mukhi 2004: 11–12; McAndrew 2010).

It can be seen from the wording of the Employment Relations Act that the Clark government wanted to directly address the problems created by the Employment Contracts Act. However, the record of the act in this regard is mixed. In a rigorous assessment, Lafferty and Dorsett (2018) find that in the transition between the two acts, workplace outcomes and cultures were transformed. Further, they argue (p. 68) that the newer act ‘rendered any resurrection of the 1990s decentralisation and deregulation of employment relations less politically plausible.’ They also contend that minimum labour standards were improved within an environment that admittedly was and remains to this day predominantly decentralised. Their evidence is convincing, being based on multiple data sources. These include: surveys of collective agreements made under each of the two acts; surveys of non-wage clauses in industrial awards existing up to the introduction of the Employment Contracts Act; analysis of specific
clauses on consultation in 82 collective agreements which covered highly
unionised organisations employing more than 500 workers each; annual
surveys of trade union membership; and face-to-face interviews with
union officials who were active between 1991 and 2008, the latter being
the final year of the Clark Labour government before its defeat at the
hands of the Nationals.

As Lafferty and Dorsett (2018) highlight, the Employment Relations
Act managed to address some of the extreme variations in conditions
faced by workers. There was also evidence of a more good-faith approach
to employment relations through workplace consultation and bargain-
ing. There were increases in membership for some unions, though the
public sector shows far more success than the private sector in that realm
(Rasmussen 2010). Finally, increases to the minimum wage were more
generous under the Employment Relations Act, which serves as a protec-
tion particularly relevant to non-unionised workers.

It is important, however, to re-emphasise that the gains from the new
act were, and remain, partial. Decentralisation under the Employment
Contracts Act was ‘not total’, mainly because the Employment Court was
created by that act as a watchdog, and because the minimum wage con-
cept was retained. Bargaining at the workplace level remained under the
Employment Relations Act, as did the possibilities for individualised
arrangements in workplaces that are decidedly anti-union (Burton 2010).
Some also point out that the benefits of unionism under the Employment
Relations Act can often easily flow to non-unionised workers through
what is called ‘passing on’ (Kelly 2010). Finally, other benefits stemming
from the current act do not take New Zealand back to the environment
under any era existing before the Employment Contracts Act. The envi-
ronment created in 1991 clearly had, and continues to have, its decen-
tralist legacy.

To be sure, after several previous rounds of relatively small amend-
ments to the act (Foster and Rasmussen 2017: 102), the Jacinda Ardern-
led Labour government, elected to power in 2017 and in power at the
time of writing, has introduced a series of further changes (Employment
New Zealand 2019). These include: improvements in provisions for rest
and meal breaks; some enhancements in protection against worker
dismissal; restrictions on the kinds of businesses that can hire workers on
the basis of a ‘trial period’; improved protections for workers in highly casualised industries; enhanced union entry rights into workplaces; and stepped-up protections against discrimination on the basis of union membership. Yet the fact that the amendments do not represent a change in the spirit of the act or the policy stance behind it, partly explains why the previous National-led governments of 2008 to 2017 did not opt to substantively repeal Labour’s policy approach.

The work of political conservatives and free-marketeers, at least to some extent, had been done under the Employment Contracts Act. Its legacy lives on, and as will be seen in the comparative section of this chapter, it does so in relation to how connected employment relations can be to social policy.

**Coupling for the First Time? The New Zealand Social Policy Path**

Movements in social policy in New Zealand since the 1990s have been closely reflective of the traditions of the two major parties. National has moved it to the right of politics and Labour has moved it a little to the left. In this way it stands in contrast with employment relations, where both parties have kept the same overall framework, even if there have been party-based variations. Welfare activisation has been a part of policy in New Zealand, though more punitive forms have existed under the Nationals.

Activisation had its beginnings mainly in the mid-1990s while National was still in power under Jim Bolger’s leadership. This was before the first MMP election. A report by the Prime Ministerial Taskforce on Employment, entitled *Focus on Employment*, recommended: case management for both young job-seekers and the long-term older unemployed; publicly funded childcare places for some unemployed; income support arrangements designed to encourage more active job-search; education and training initiatives; a Maori labour market strategy; and a separate Pacific Islanders strategy (New Zealand, Prime Ministerial Taskforce on Employment 1994). In addition, there was a scheme assisting sole-parent beneficiaries to (re-)enter paid work which was
initially modelled on Australia’s JET program from the 1980s (Nixon and McCulloch 1994; Rochford 1995). In an administrative change symbolising the closeness of employment and welfare, the Department of Social Welfare and the New Zealand Employment Service were merged, becoming Work and Income New Zealand (WINZ). Finally, a work-for-the-dole scheme was introduced, whereby those receiving unemployment payments would ‘work’ for a so-called Community Wage, which served as the benefit and not an actual wage.

Australia had embraced activisation earlier than New Zealand, and New Zealand abandoned significant parts of it relatively quickly after implementation. The Community Wage—to give the example of the more stringent variety of workfare of the kind that governs the Australian system—was abandoned by the Clark Labour government in 2001. That government also made other welfare changes, some before that and some after, which added limited generosity back to the system. This included enhancements in assistance to low-income families as part of the Working for Families package. The relation of the minimum wage to the pension level was restored. Community housing was made more affordable by relating it to proportions of family income, and a Family Tax Credit was introduced as an additional boost to family incomes. All benefits were guaranteed pegging with the rate of inflation. Interest on student loans while students were still studying was abolished, and expenditure on early childhood education was increased. An in-work payment was established, replacing a child tax credit. Some labour market groups were exempted from work requirements when in receipt of unemployment payments, and the ministries that encompassed work and incomes were merged into a new ministry called Social Development (McClelland and St John 2005). In short, employment was still largely coupled with welfare in the broader policy context of a ‘third way’ approach (Piercy et al. 2017). The institutional pattern was a more social protection-friendly one and the coupling was a little less close.

The National government under John Key’s leadership, with Bill English over its final year, was in office from 2008 to 2017. It took a more actuarial-based, ‘social investment’ approach to social policy (Maidment and Beddoe 2016) and was more broadly concerned with the obligation of beneficiaries to either work or to engage in education or training. This applied also to an increasing number of categories of benefit recipients,
including sole-parents and people with disabilities, and it included income management for young beneficiaries (Baker and Davis 2018: 541). This is a version of the ‘work-first’ philosophy to which the chapter previously alluded in the Australia section. Key himself referred in 2009 to giving social security beneficiaries ‘a kick in the pants when they are not taking responsibility for themselves, their family, and other taxpayers’ (Gray 2019). In short, in the transition from a Clark Labour to a Key National government, the third way gave way to a stronger form of welfare conditionality, calling on beneficiaries to demonstrate behavioural change in exchange for the money they receive. To Australian observers this is a familiar story, though scholars on New Zealand more often use the term ‘workfare’ to describe the phenomena of welfare conditionality and activisation.

Since coming to office in 2017, Jacinda Ardern as the current Labour Prime Minister has sought first to conduct extensive reviews of policy across a wide range of areas, including the formation of a Welfare Experts Advisory Group (2019). Second, she has sought to instigate change in a more progressive direction (Fletcher 2019). Recognising that the increasingly stringent workfare model of the Nationals for the most part did not yield positive social progress or employability outcomes, her government has been focused on ‘wellbeing’, including the introduction of wellbeing measures to the national budget. This is in addition to instigating a new Families Package, measures to address homelessness and the affordability of both private and public housing, and making the first year of a university degree free for new students. The relationship between employment relations and social policy has not taken an historically distinctive shape to the time of writing, but it is in general a model that is closer to that of Australia’s.

What Is the Latest? A Comparative-Historical Analysis for Our Time

An important message of this book has been that, if and where they endure, most of a nation-state’s institutions through long histories can remain important to the present time. Given that, some of the comparative analysis of this chapter is partly pre-determined; though only partly. It is
important to consider how much of the contemporary comparison is covered in the literature covering the last 25 years.

Scholarship is necessarily partial and patchy in its coverage of Australian and New Zealand social protection. Researchers can only be expected to probe questions that they set out to address. There are key large-N analyses which feature the two countries in multi-country studies, notably on unemployment benefit conditionality (Knotz 2018), corporatism (Siaroff 1999), social assistance (Gough 2001), and liberalism and neo-liberalism in the ‘liberal’ welfare state context (Deeming 2017). These are valuable studies in their own right. They do not specifically seek a deep understanding of the relationship between employment relations and social policy. Small-N or direct comparative analyses are more helpful, though it must be conceded that they mainly cover one or the other of the two primary areas of interest: social policy (McClelland and St John 2005) or employment relations (Barry and Wailes 2004; Bray and Rasmussen 2018; O’Donnell et al. 2011). The small-N authors also only cover part of the period to the present time, though an exception is Bray and Rasmussen’s (2018) update on their analysis of ‘accord and discord’. That perspective on the comparison has been discussed extensively in previous chapters. Finally, there are analyses which engage with Castles’ (1985) original wage-earners’ welfare state framework, or its more recent iterations (Castles 1994, 1996). These include my own writings (Ramia and Wailes 2006; Ramia 2005) and work by others (Deeming 2013; Wilson 2017; Wilson et al. 2013).

Despite the existence of this body of work, it has been demonstrated in this book that there is a need to analyse recent developments in light of a comprehensive comparative and historical narrative in the long haul. Using this narrative here, two questions need to be addressed. The first is, why did policy in Australia shift to the ‘right’, and in doing so move closer to the New Zealand regime? The second is, why did New Zealand shift to the ‘left’, and in doing so move closer to the Australian regime? Alternatively stated in one question, why did the two re-converge after having been very different in the previous period, from the early 1980s to the mid-1990s?

As witnessed in the first section of this chapter, there are two main manifestations of Australia’s move to the right. The first was the
introduction of WorkChoices in 2005, which was a temporary move as that legislative programme was replaced by the Fair Work framework of the Rudd Labor government. Yet Fair Work did not take Australia back to the regulatory framework that existed before or during the Accord. Australia’s employment relations system has remained relatively decentralised (Walpole 2015; Olson 2019). In that sense WorkChoices has left a legacy. The chapter has also shown that social policy has continued to be dominated by the policy legacies of the Howard government. This is despite the Rudd-Gillard Labor government having shifted the predominant policy language from ‘mutual obligation’ to ‘social inclusion’ (Marston and Dee 2015). As shown convincingly in the literature (Hilkermeijer et al. 2019; Taylor et al. 2016; McGann et al. 2019; Whiteford 2018), the Coalition governments since 2013 have variously continued and in some arenas toughened the social policy path toward individualisation.

On the other hand, New Zealand’s move leftward and away from the radical starting point of 1996 is seen in two main developments. One development was the abandonment of the Employment Contracts Act and its replacement by the Employment Relations Act. The latter was introduced by the Clark Labour government but has been kept since then by both National and Labour governments alike. The other development was the adoption of a workfare agenda, which shared a basic similarity with Australia’s version, precisely in terms of integrating employment and welfare. The second development is easier to explain than the first. Given that workfare in New Zealand was established while maintaining the government monopoly over the delivery of employment services, New Zealand policy has been closer to a ‘third-way’ approach in straddling the traditional Labour and National positions. It was less individualising while also embracing the mutuality of obligation (Piercy et al. 2017). The first phenomenon, being the introduction of the Employment Relations Act, has a more complex explanation, which is discussed below.

In explaining the similarities and differences, it is important to start with Australia, and specifically the Howard government’s introduction of WorkChoices. Howard was able to capture both Houses of Parliament in the later years of his government. The fact that he did greatly assisted the passage of the legislation, but it also prompted the anti-WorkChoices
political campaign by the trade union movement as well as the election campaign of the Labor Opposition. Both of these dimensions led to the defeat of the Coalition in 2007. Hence, in addition to the second parliamentary chamber, the relationship between the two arms of the labour movement were vital to moderating the employment relations agenda.

Explaining Australia’s social policy trajectory is not as simple. The Rudd-Gillard Labor government largely maintained Howard’s workfare agenda despite the adoption of different policy language, and despite changes in employment services which led to the re-naming and re-structuring of the employment services network (Ramia and Carney 2010). The relatively harsh workfare agenda has been retained throughout (McGann et al. 2019). Once it had been brought in under Howard, subsequent governments have found it to be electorally expedient to continue.

On the New Zealand side of the Tasman, again institutional and political considerations are most important. As pointed out in the previous section, the last government to have won office on the first-past-the-post electoral system was National, led by Bolger. That government was the most radical-right on social protection in terms of both social policy and employment relations. Policy making since that election, in 1996, is arguably most influenced by the new voting regime in combination with a sense of fatigue with hard-right policy (McAndrew 2010). It is no accident that no government since 1996 has been able to win and maintain office while not in a coalition. That requires policy compromise and works against extremes in policy.

**Conclusion**

In addition to the comparative picture painted here, perhaps the most important indicator that the New Zealand and Australian policy patterns have met in the middle is that both countries have maintained a third-party industrial arbitration function. It will be recalled that historically the fate and the status of arbitration is the single most influential factor on the path taken in social protection. The function is not identical in the two countries, and in New Zealand’s case it was re-established in different
circumstances, and perhaps ironically as part of the Employment Contracts Act. Yet there is a re-convergence in more recent times. As well as the factors already identified, this is seen in the state of the union movement, which is lower in density and power than it historically was in both countries. Minimum labour standards once again also look similar, and both countries continue to embrace workfare, even if Australia is a three-sector model based on contestability and New Zealand maintains a government monopoly in employment services provision.

The period to the current time is less action-packed than the previous period, mainly because it is a period characterised mainly by similarity. It is also less exciting in the sense that the groundwork for restructuring had been laid earlier, in the 1980s and 1990s. Of course, this is only talking in terms of institutional change, and not the social effects of that change. The analysis here has been mainly about the processes of change, and not the measurement of institutional or policy impact. That would be more suitable for economic studies.

References


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The opening chapter drew attention to international concepts and debates in social protection, with a view to highlighting the implications for the relationship between employment relations and social policy. The subsequent five chapters presented a comparative-historical case study of that relationship in the context of two countries since 1890. It is now apt, here in the final chapter, to provide a summary of the main findings, and more importantly to re-connect with the wider international applicability of the case study. The discussion thus draws implications from the Australian and New Zealand analysis for methodology in comparative policy analysis, and for social protection in and for other countries.

Social Protection in the Long Term

Before the end of World War II and just a few short years before the inauguration of the so-called golden age of the welfare state, economic anthropologist Karl Polanyi (1944) showed that social protection was a necessary and permanent architectural feature of capitalism. Indeed it was indispensable if the working classes were to be adequately shielded from the...
worst effects of the market, primarily through ‘protective legislation, restrictive associations, and other instruments of intervention’. Importantly, social protection also served the interests of the ‘landed classes’, who generally supported the processes of ‘productive organization’ by providing regulatory cover from the effects of markets that could not re-produce themselves (Polanyi 1944: 132). The social policy research community has implicitly, though rarely explicitly, recognised this. As identified in Chapter 1, using a diversity of language, a limited number of social policy scholars have made clear that the welfare state was indispensable in protecting vulnerable individuals from the freely functioning market. It was necessary to establish a ‘welfare economy’ (Rein 1981) and a ‘welfare society’ (Rein and Rainwater 1986a). This implied strongly that social policy analysis should go above and beyond the welfare state narrowly defined.

In common with earlier social reformers from the late nineteenth and early twentieth centuries (Hobhouse 1911, 1922; Hobson 1901; Rathbone 1924; Webb 1919), social policy scholars began in the 1980s, through the work of comparativists (Castles and Mitchell 1992, 1993; Esping-Andersen 1990; Lewis 1992) and feminists (Land 1971; Pascall 1986; Williams 1989; Wilson 1977), to see the need to incorporate the worlds of work and employment into discussions of state-provided welfare. Indeed, as Chapter 1 showed, it is arguable that this intellectual movement had started earlier, having been born in the contributions of specialists in post-war welfare state analysis. Titmuss (1958) and Marshall (1963) were prime among them. Scholarship on the ‘rediscovery of poverty’ (Abel-Smith and Townsend 1965; Townsend 1954, 1962, 1979) also made a major contribution, principally by demonstrating that being in paid work was no guarantee of being out of poverty.

Equally, an intellectual conundrum was identified. How could social policy analysis address the evolution of workers’ conditions faced in employment if it was not adequately reflecting on changes over time in the employment relations systems which governed paid work? This is where the historical comparison between Australia and New Zealand came in, and it is what gives the case study driving this book its primary source of value. Francis Castles’ (1985) wage-earners’ welfare state framework was a vital contribution because it presented the two countries’
social protection settlement—yes, mainly the one and the same settlement for the two nations—in terms of four interlocking sets of welfare institutions. Two of these related to trade protection and restricted immigration, which together provided employers with relative economic certainty through the absence of ‘foreign’ competition, to provide customary Australasian employment standards. The other two sets of institutions related to arbitration-based minimum labour standards, and a residual social security system funded through general taxation revenue.

The primary objective of this book has been to examine the relationship between social policy and employment relations, with two considerations in mind. One consideration was the conundrum presented by the relative absence of employment relations in social policy scholarship on the work–welfare relationship. The other was the treatment of employment relations as mainly non-dynamic. The latter was especially problematic in scholarship on Australia and New Zealand, given that Castles’ (1985, 1989, 1996) wage-earners’ welfare state framework had placed labour standards at the centre of the four-pronged approach to social protection. Employment relations was presented as central, but it was treated as almost unchanging once implemented. Hence the same two countries that Castles analysed formed the basis for the comparative case study of this book.

Chapter 2 covered the period from 1890 to World War I, an era characterised by employment relations being dominant and relatively advanced while social policy was in the early days of its development. Chapter 3 dealt with the period between the two world wars, when the relationship between the two spheres of interest was consolidated, in that social policy had well and truly evolved to the point where it was a social protection partner of equal prominence. Chapter 4 discussed the post-World War II era up to and including the early 1980s, during which the social policy dimension of the welfare state matured, and the relationship it formed with equal pay and other labour market institutions became more complex. Chapter 5 covered the period from the early 1980s to the mid-1990s, when social protection was restructured as governments and labour movements in both Australia and New Zealand dealt with the increasing pressures wrought by global economic change. Finally, Chapter 6 brought the historical coverage up to date.
Though each chapter dealt with a distinct era, each applied to its own period the central argument as laid out in Chapter 1. In addition, each chapter sought, through two-country comparative case analysis, to identify and to analyse the institutional and political causes of similarity and difference between Australia and New Zealand. The overriding argument that inspired and drove the analysis was not specific to Australia and New Zealand. It has been argued here that allowing both employment relations and social policy to be dynamic produces a different and more nuanced understanding of similarity and difference in comparative social protection analysis. In the specific case of Australia and New Zealand, the arbitration system was presented as the most important social protection institution, as differences in the New Zealand and Australian versions of it acted to shape most of the other similarities and differences. The literature which informed the comparative analysis in each chapter built from both small-N and large-N comparative studies that have considered Australia and New Zealand. The principle that informed the utilisation of the literature was that the contributions of each of employment relations and social policy were not only considered but the implications of each for the other were assessed.

Thus Chapter 2 found that Australia and New Zealand were more different during the earliest period of social protection formation than existing accounts have been able to identify. This is mainly because the institutional and political factors which determine the results of the comparison have rarely been considered together in past studies. The primary consideration, though not the only one, was that Australian social protection was formed in a setting dominated by labourism. In New Zealand, by contrast, government policy was mainly driven by a form of liberalism, and social protection was forged partly with the additional interests of the agricultural sector in mind. The very different constitutional settings also played a major role in determining difference, shaping as they did the existence of protective legislation outside of arbitration in New Zealand. Such legislation was all but absent in Australia as it was constitutionally impossible.

The arbitration system was thus formed in different institutional settings from the earliest days. This factor mattered for the rest of time. In Chapter 3, arbitration was found to be more precarious in New Zealand
than it was in Australia. In New Zealand, arbitration was subject to more serious political attacks from the trade union movement. Compulsory unionism there also played a role, and the vulnerability of arbitration had important implications for the evolutionary story from that point forward. Arbitration was always more securely placed in Australia. In Chapter 4 it was argued that the voluntary nature of union membership in Australia, combined with the absence of direct minimum labour standards legislation at the national level, meant that arbitration continued to be more solidly based. Equal pay in that country, for example, was channeled through the arbitration system. In New Zealand it was subject to direct government legislation.

After both Australia and New Zealand were characterised by incremental improvements in social policy during the inter-war years, there was renewed interest in the post-war period, particularly in New Zealand, where the world’s most comprehensive, and the earliest, welfare state was built. As Chapter 4 argues, the relationship between employment relations and social policy was thus made more complex after World War II, and its Australian variant was the less socially generous of the two.

Chapter 5, which covered most of the 1980s and the first half of the 1990s, found the greatest and most consequential differences between the two national regimes. New Zealand pursued a radical programme of individualisation in both employment relations and social policy. Australia, by contrast pursued an agenda of slower and more politically measured change and oversight, which together represented an integration between employment relations and social policy under a neo-corporatist accord signed by the trade union movement and the Labor government. By contrast, National governments in New Zealand effectively decoupled the two, and a regime of severe cuts in protection prevailed. This produced a model which was closer to classical Friedmanite neo-liberal principles.

Finally, Chapter 6 took the comparative evolutionary narrative to the time of writing. It showed clearly that since the first utilisation of a mixed-member-proportional electoral system in the 1996 election, New Zealand has been governed by coalitions which have necessarily been more moderate, regardless of whether they were led by Labour or National. For its part, Australia has been moving closer to where New Zealand was in the
1980s and 1990s, and the two countries are now closer than perhaps they have ever been in the long history to meeting in the middle. Both have arrived at similar situations in relation to arbitration, and both are now characterised by relatively integrated social protection arrangements in general. Integration now, however—as in the 1980s and 1990s in Australia—should not be taken to mean superior social protection. Under the Ardern-led Labour government, New Zealand currently sees a slightly less integrated relationship than does Australia, but it offers somewhat better treatment for workers and for the beneficiaries of the welfare state. The prospects for social protection in New Zealand are brighter than they are in Australia, where a conservative government is continuing to increase the harshness of welfare conditionality, to politicise beneficiaries, and to signal more anti-unionism and further decentralisation in employment relations.

Methodology

The book has achieved its objectives by applying the methodology of historical-institutionalist approach to comparative social science. Historical institutionalism is based on the premise that institutions structure strategic and political decision-making and preference-formation (Steinmo et al. 1992). But institutions do not act alone. They interact in and with the political realm, and with markets and societal interests over time. Historical institutionalism is particularly suited to understanding the relationship between politics and meso-level institutions, of which welfare states and employment relations systems are typical examples (Ramia and Wailes 2006; Wailes et al. 2003). The most compelling reason for adopting this approach is that the analysis is needed to understand institutions—welfare, employment relations and social protection—simultaneously and over a long period of time. As Mahoney and Thelen (2010: 2) make clear, historical institutionalism facilitates long-haul histories because it is especially useful for revealing ‘gradual or piecemeal changes’, the significance of which is only revealed in aggregate and in the long term. The significance of change is only fully realised, as some say, in the ‘fullness of time’. 
Institutionalist methodology tends to be dominant in comparative social protection research. Employment relations scholars are more explicit in their adherence to it than are their social policy counterparts (Hyman 2001; Ramia and Wailes 2006; Wailes et al. 2003). After all, as argued throughout the book, comparativists are like those analysing the national level, in that both groups of scholars are largely split between the two fields. Regardless of who admits to using which methodology, however, this book makes no claim to representing the only means to conduct comparative-historical research. Indeed, there is a longstanding and influential body of comparative political economy scholarship which, instead of prioritising institutions, focuses attention on ‘material interests’ in shaping cross-national similarity and difference, particularly in the context of economic change (Gourevitch 1986; Swenson 2002; Schwartz 1994a, b; 2010). The important point here, though, is that for this book the political context is more directly relevant than the economy. The link between the two is not neglected.

There can be little doubt that if this analysis took a different approach, the main findings may have been different. This is not surprising, and debate ought to be welcomed. The social sciences are not precise sciences, and they are necessarily open to debate. Consider also that there are studies which marry interest-based approaches with institutionalism (Garrett and Lange 1996; Hall 1999; Wailes et al. 2003). However, for a long-historical work such as this, historical institutionalism was more appropriate, given that the literatures on social protection focus more on institutions than on interests.

Implications for Other Countries

Francis Castles (1985, 1996) argued that Australia and New Zealand developed as ‘wage-earners’ welfare states’. In his view the two regimes consisted of a four-pronged social protection framework, consisting of restricted immigration, trade protection, compulsory arbitration, and mainly residual social policy. As revealed throughout the book, however, issue is taken with Castles’ perception of the similarities and differences between the two regimes over time, and the analysis is profoundly critical.
of Castles’ treatment of arbitration and employment relations in general. The former problem is a direct result of the latter. To be fair, Castles’ (1985) framework represents the original and a prescient contribution to the comparative literature. It was arguably the first post-war book-length work in the field of Anglophone social policy to have seriously incorporated institutions outside of the welfare state. In that sense, it was and remains a major contribution to the broader understanding of the welfare state and indeed of social policy. Castles’ legacy has been amply recognised in the literature discussed in the first chapter and throughout.

In a special issue of the *Journal of Comparative Policy Analysis* on ‘social policy by other means’, Béland (2019) argues that scholars should ‘understand that traditional public welfare state programs are only one of the many potential sources of social protection.’ The special issue includes contributions on: migrant workers, working women and labour supply in post-war Europe (Afonso 2019); agricultural and housing policy in Turkey (Dorlach 2019); energy policy in Uruguay (López-Cariboni 2019); and the public/non-state mix of provision in Belgium between 1800 and 1920 (Moeys 2019). On the ‘work’ side of the work–welfare relationship, Béland (2019: 308) refers specifically to ‘economic and labour policies’, and Seelkopf and Starke (2019: 220), in their theoretical introduction to the same special issue, refer to ‘high levels of labor market regulation with a strong legal norm of a “family wage”’.

These formulations stand in contrast to the field of employment relations more broadly defined. The current book sits comfortably within the same body of work and is a kindred spirit with the idea that social policy can be implemented through non-standard or unorthodox institutions, but it adopts a broader definition of employment relations than the social policy literature generally has.

A key part of my central argument is that allowing for greater dynamism in employment relations over the long historical term—in any country and not just the two studied here—can affect perceptions of not just employment relations but social policy and social protection. If Britain were the country of interest, for example, analysis could explore in-depth, and through a continuous evolution, the implications for social policy of what was by tradition a relatively non-interventionist state in employment relations (industrial strikes aside). Though this aspect of
British labour history is known in the comparative employment relations literature (Bean 1994), its implications for the development of the welfare state are barely explored.

There are other policy arenas which can contribute to the broader understanding of social protection. Harris (2018), for example, unpacks the impact of the decline in mutual aid organisations on the development of the welfare state in the case of Britain in the nineteenth and twentieth centuries. Moeys (2019) achieves something similar in the case of Belgium, though his focus is interplay between public and non-state religious and philanthropic organisations’ social provision functions. An important comparison-point to these, based on the current analysis, would be between a country that has a strong tradition of such non-state provision, and a country that does not. Or between two countries that do, but which have other differences that are pertinent to a comparative research design. This would be in line with the Millian justifications for the comparative method (Mill 1882). Implications for contemporary policy and theory can be drawn.

The alternative forms of social provision may shed light on social protection if comparative analysis includes what some have termed ‘functional equivalence’ (Seelkopf and Starke 2019). This attributes the same protective function in two or more countries, while each provides for it through different institutional means. Castles (1992) himself uses the example of ‘sickness days’, which Australia traditionally provided through the industrial awards system, but most other countries provided through the welfare state. Based on this book, family policy makes for a fruitful analysis of equivalence. In history, Australia and New Zealand delivered the state’s family-based policy aims mainly through the employment relations system, especially through ‘family wage’ concepts in arbitration. Most other developed countries have relied on the welfare state to deliver for families; which is to say nothing of adequacy in any particular country. An additional or alternative study might consider the interplay between employment relations and social policy in the design and delivery of family-based policies or policy agendas. Naturally, such studies are plentiful, and some have been discussed and cited in previous chapters, though the recommendation here would be for new research to allow for
changes in employment relations over time; to see if and where such changes may affect social protection patterns or outcomes.

This kind of research would be useful, first of all, in understanding, and second, in addressing the societal, labour market and demographic transformations and challenges which were foregrounded in Chapter 1. It will be recalled that these included: the long-term absence of full employment and the growth of under-employment, particularly in the context of de-industrialisation; the proliferation of the working poor; employers’ use of ‘zero hours contracts’ and so-called gig work; long-term shifts in fertility rates; increases in the proportion of sole-parent households; the increased recognition of mental health conditions, which may make employment more difficult to find or to keep; conflicts between work, employment and family life; the impact on work and employment of new technologies and especially digitisation and artificial intelligence; and the increasing need for care work, and its recognition as work. Each and potentially all of these manifestations of change have given rise to the new class of workers that British economist Guy Standing (2011) calls ‘the precariat’; the kind of class whose members find few prospects for economic status improvement. In Standing’s view, the precariat is a politically ‘dangerous class’ because it can rise up further in resisting growing inequality, and it has done so in the ‘occupy’ movement, for example.

Employment relations research, if it is placed in the context of social protection, is crucial for determining the processes which establish the working conditions and the broader rights of precarious workers. Supplementing such research with the welfare state can help to identify working and wider social conditions together. This is vital, given that the vulnerable subjects of societal transformation are often in and out of employment, or are doing care or other forms of work at home which are not officially recognised. In addition, taking into account workfare may provide more clues on how work and employment interact with social policy to determine the living standards and lifestyles of precariously placed people.

Precarity connects with questions on tax-transfer systems and policy trade-offs, particularly the receipt of in-work social security benefits and tax credits. As will be recalled, the identification of ‘fiscal welfare’ as a specific category dates back to Richard Titmuss (1956/1976), and in
more recent times it has been associated with a so-called hidden welfare state. This is the term used by Christopher Howard (1997) in the context of the United States. Titmuss (1956/1976) additional innovation, as problematised in his essay on the ‘social division of welfare’, was the concept of ‘occupational welfare’. That concept referred specifically to benefits gained through participation in the workplace, but also serves as an example of ‘private’ benefits or sources of welfare, which can include occupational medical and health insurance and pension plans (Béland and Gran 2008; Rein 1981; Rein and Rainwater 1986b). Such private provisions engage the individual beneficiary in the market, through participation as an employee, and often through the commercial (as opposed to the ‘social’) side of the insurance industry. My reference to ‘beneficiary’ here is intentional. As Titmuss (1956/1976) argued, occupational welfare is ‘welfare’ in much the same sense as other forms of welfare, though its sources and its recipients are not the same.

This involvement of the private sector in welfare has its limits, however. Polanyi (1944) had warned in his treatment of the relationship between social protection and ‘economic liberalism’, of the dangers of the ‘self-regulating market’. As pointed out earlier, social protection serves not only workers and vulnerable members of society. It acts in the interests of the capitalist and landed classes by providing a counterweight to unsustainable market forces. The concept of social protection entailed not only welfare measures and minimum labour standards. In Polanyi’s framework it included institutions which keep money and land intact for the service of people across society’s classes and for the upkeep of the economy.

Translated for the purpose of understanding policy making, social protection prevents over-exploitation within the market, and it is there to demonstrate the limits of the market to governments who should heed its message. In the New Zealand case, as argued in Chapters 5 and 6, the introduction of the Mixed-Member Proportional voting system was the key institution. Its introduction, and the abandonment of the First-Past-the-Post system, demonstrated the limits of the Bolger governments’ political capacity to prioritise market self-regulation at the cost of human welfare. In Australia, that same tipping-point was arguably reached and demonstrated in the failure of the Howard government to stay in office in
the election of 2007. That election was fought in large measure over WorkChoices and the threat that it represented to workers and trade unions. It will be recalled that the government had control of both chambers of the parliament. The pivotal institution in that case was the Senate, which had over-reached in allowing WorkChoices to pass into legislation.

The main implication of both of these episodes in policy making is that, in the comparative research community, we have more extensive explanations for the retreat of social protection, and fewer explanations for improvements in it, or the in-built limitations upon it. There are exceptions to this; a prominent analysis being Paul Pierson’s (1994) Dismantling the Welfare State, which demonstrated the institutional limits that the Reagan Administration and the Thatcher government faced in attempts to retrench welfare in the United Kingdom and the United States respectively.

An important question raised by such limitations, which were observed in the past, is whether some policy agendas in social protection internationally can be sustained in the future. For instance, can the march toward workfare continue or will it face institutional impediments in the longer term? Approaches that come from the ‘material interests’ standpoint will be important there, because the economic context may be the primary determinant of ongoing feasibility. In addition, though as part of the same line of research, what will be the limits placed upon the melding of the work and employment agendas with social policy developments? What will employment look like in the future, given the technological trends that can be seen today and projected from our time? One possible saving grace could come from more progressive interaction patterns, to be designed by policy makers, between social policy and employment relations. In comparative social protection analysis in Australia and New Zealand, this book has argued that the key institutional interaction has been between arbitration in particular, and social policy. In that sense arbitration has been the lynchpin institution; if indeed there can be a single institution that is of such pivotal importance that other institutions radiate from it or respond to it. Analyses of other countries arguably benefit from a search for institutions with this kind of centrality to wider policy agendas.
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