

Compulsory Arbitration in New Zealand: The First Forty Years. By James Holt. Auckland University Press, Auckland, 1987, 247 pp. NZ price: \$39.95.

THE INDUSTRIAL Conciliation and Arbitration Act, first enacted in 1894 and amended many times in its history, has been the dominant influence upon the evolution of industrial relations in this country. The Act was repealed in 1973 but its legacy is clearly discernible in the controversial Labour Relations Act which came into force on 1 August 1987. For too long industrial relations history has been written by historians whose prime interest lay elsewhere, in political developments. This volume was written by an historian increasingly interested in economics, and it is concerned with industrial relations in its own right. The reader is assumed to have a working knowledge of the political context in which events occur. Dr Holt intended this work to span the entire history of the Act. Sadly his untimely death in 1983, shortly after his departure from Auckland University to become Chief Historian with the Department of Internal Affairs, cut short the project. The draft he left has been edited by Dr Erik Olssen of Otago University, and covers the years up to 1932, when the suspension of compulsory arbitration brought to a close the first phase in the history of the Act.

Compulsory arbitration was the distinctive feature of the New Zealand legislation. Holt explains the enactment of this provision, which had been rejected elsewhere, as a reflection of the weakness of the union movement in the wake of the Maritime dispute of 1890. Unions were prepared to accept compulsion because they had little prospect of extracting concessions from employers through collective bargaining. Although the employers had industrial muscle, they lacked the political influence to prevent the passage of the Act.

The Act had been introduced against an international background of industrial conflict and Holt asserts that the prevention of such conflict was Reeves' prime objective, despite his later references to the 'sweating problem'. Although there were very few strikes in the first fourteen years of the Act, Holt demonstrates that few disputes during that period seem likely to have resulted in strikes in the absence of the Act. The arbitration system developed in a way that was very different from Reeves' expectations. It came to be a system of state pay-fixing which standardized wages and conditions rather than one which prevented strikes, and was exploited for this purpose by both unions and employers.

Over time the union movement sought more and more state involvement in wage-fixing, enforcement and general labour regulation, reflecting the continuing lack of industrial strength. The employers acquiesced in this while economic conditions were buoyant, increased costs could be passed on, and competitors were bound by the same awards. By providing an alternative to collective bargaining the Act perpetuated union weakness and a multitude of small unions flourished.

The debate on the form of conciliation in the years up to 1908 reveals the extent of this weakness. Before 1908 Conciliation Boards were standing bodies composed of elected representatives of unions and employers, together with an independent chairman. In 1908 J. A. Millar, Minister of Labour, proposed that these be replaced by ad hoc bodies composed of workers and employers in the industry in which the dispute had arisen. The unions strongly opposed this change because it would necessitate direct negotiations and expose workers to the possibility of victimization.

Holt draws on his meticulous research into the decisions of the Court in tracing

the development of the principles which underlay these judgements. Initially the Court declined to state the reasons for its judgements, and claimed to treat each dispute on its merits. Sim, President of the Court from 1907 to 1914, described the role of the Court as prescribing minimum wages for unskilled labour, and margins for skill above that minimum. The rise in prices during the First World War, and the subsequent falls in the early twenties, forced the Court, and the government, to consider the basis of award decisions explicitly. The Court was empowered to set wages in accordance with 'the cost of production', but at the same time to guarantee 'a fair living wage'. Frazer, the President of the Court, devoted considerable energy to reconciling these two irreconcilables. In 1925 he stated that a man must be regarded as a social unit and not just an economic one. A worker should obtain the market value of his labour when trade was prospering, but in more depressed times he must not be paid less than the wages regarded as sufficient for the maintenance of himself, a wife and two children, plus a margin for skill where appropriate. Frazer recognized that variation in family size posed a problem, but thought the government would have to resolve this, possibly by legislating for a system of child allowance.

This conflict between two incompatible expectations of the wage system persists in contemporary New Zealand. In a purely economic sense wage rates are a price in the market for an input (labour) in the production process, and should be free to reflect supply and demand for that input. Employers will not employ labour if the cost of doing so exceeds the returns. Set against this is the New Zealand tradition that the wage system should also reflect principles of morality, and should provide a socially acceptable living wage. The tendency has been for the latter view to prevail, and society has required employers to deliver such a wage regardless of economic conditions. The Family Support package is in part an attempt to address this issue, but there is as yet only limited awareness of the problem.

Holt reveals a cycle of approval and criticism of the arbitration system corresponding to the business cycle. The increased criticism of the Act which culminated in the suspension of compulsory arbitration differed in that farmers joined with employers, and in fact took the lead. Awards were criticized as too detailed and rigid, and not accounting for local conditions. The minimum wage was said to have become the standard, differentials were narrowed, innovation and productivity suffered. Protected industries were able to pass on wage rises, which produced an inflationary spiral, while export industries were unable to do this and found their profit margins squeezed.

Such criticisms have outlived compulsory arbitration and are heard in the current debate on the wider issue of labour market reform. Given the importance of this debate for our economic, social, and political future it is fortunate that we have such a perceptive and thorough examination of this formative period in the evolution of New Zealand industrial relations. The quality of this work makes it even more regrettable that Jim Holt was unable to complete his project.

GRANT WATSON

Wellington