

RESEARCH NOTES

A seminar on *Employment Contracts: Prospects for 1993*, sponsored by the Foundation for Industrial Relations Research and Education, was held on the campus of Otago University on December 4, 1992. Included in a variety of important presentations were research reports on the impact of the Employment Contracts Act from two prominent sources: the Industrial Relations Service of the Department of Labour, and Raymond Harbridge of the Industrial Relations Centre at Victoria University of Wellington. Adaptations of the two reports are reproduced here.

Labour Market Adjustment under the Employment Contracts Act

Craig Armitage and Richard Dunbar*

The Employment Contracts Act was introduced primarily in response to a perceived lack of progress in the rate of adjustment in the labour market. While product and financial markets had been reformed, the labour market was still regulated by relatively prescriptive legislation. In order to measure adjustment since the Act was introduced, the Heylen Research Centre and Teesdale Meuli & Co. were contracted by the Department of Labour to survey labour market adjustment under the Employment Contracts Act. This report on that survey indicates that various adjustments have occurred, particularly in terms of employment contract structures and several important bargaining issues. Enterprises can be categorised according to the type of changes they and their employees have undertaken, and their size. Three particularly important outcomes emerge. Enterprise bargaining is now far more widespread. Some enterprises have taken the opportunity to begin or speed up strategic industrial relations reforms, while others seem to have simply removed union rights and cut labour costs in the short term. Finally, while the overall rate of labour market adjustment has increased, adjustment has generally been concentrated amongst larger enterprises.

* Craig Armitage is Policy Advisor, Industrial Relations Service, Department of Labour, Wellington. Richard Dunbar is Research Director, Heylen Research Centre, Auckland.

The description in this paper of the survey of labour market adjustment under the Employment Contracts Act is adapted from two previous publications prepared by the authors: the full report on the surveys entitled *A Survey of Labour Market Adjustment under the Employment Contracts Act 1991* and a summary of the surveys contained in *CONTRACT*, Special Edition, November 1992.

Introduction

With the liberalisation of New Zealand's domestic markets and the removal of many of New Zealand's border trade barriers during the 1980s, increasing adjustment pressure was concentrated on New Zealand's labour market. Deregulation and technological change exposed New Zealand enterprises to increased competition, forcing changes in company strategies and pressure on employment. New Zealand enterprises had to contend not only with domestic market pressures, but also with international market pressures.

New Zealand's labour market had been undergoing a process of reform during the 1980s which centred on the removal of State intervention and placed responsibility for workplace outcomes on registered employee and employer representatives. These reforms came in several steps. Compulsory arbitration was removed in 1984. In 1987 the introduction of the Labour Relations Act, after lengthy consultation with employer and union groups, sought to further decentralise bargaining in the private sector. The State Sector Act of 1988 applied most of the industrial relations arrangements in the private sector to the public sector for the first time¹. Despite these labour market reforms, increasing unemployment and the gradual pace of movement towards enterprise based bargaining structures during the decade² were the impetus for the comprehensive industrial relations changes made in 1991.

The Employment Contracts Act was enacted in May 1991. The stated objective of the Act was to improve the adaptability of enterprises in their competitive marketplaces. The Act does this by allowing employers and employees to make choices; they have the ability to choose their representation and the ability to choose to negotiate different forms of employment contract.

The introduction of the Employment Contracts Act saw the end of registered awards and agreements and the end of centrally registered trade unions. Thus many of the previously existing information sources available to the Department of Labour for monitoring labour market trends disappeared. To meet these monitoring requirements, the Industrial Relations Service of the Department of Labour invited tenders for a national survey of labour market adjustment. The Heylen Research Centre and Teesdale Meuli & Co. were commissioned in May 1992 to conduct the survey. Heylen essentially developed and conducted the survey, while Teesdale Meuli assisted them by providing a knowledge of the industrial relations system and legislation.

¹ OECD. (1993: 56).

² Although some changes in bargaining structures had resulted from the industrial relations reforms of the 1980s, by 1990 most employees were still covered by national multi-employer awards related in some way to occupation, and most employers were covered by more than one of these awards (McAndrew, 1992a: 261).

Research requirements

The objectives of the research were to survey and identify the rate of adjustment under the Employment Contracts Act in achieving efficiency in the labour market. The research focussed in particular on the application of the representation and negotiation choices underpinning the Act.

Quantitative data were sought on bargaining structures, outcomes and representation, taking into account the varying sizes of industries, enterprises and regions. Qualitative data were sought on bargaining issues and productivity. These objectives led to data being collected under six broad headings: employment contract structures; the bargaining process; employment contract and bargaining outcomes; productivity changes; and attitudes and opinions of employees and employers, which included their views of remaining barriers to adjustment.

Methodology

The project was divided into two stages. Firstly, a qualitative investigation was undertaken in the form of case studies, and key participant interviews were conducted. This helped to identify the range of issues to be covered. Secondly, a quantitative stage was based on three separate surveys of employees, enterprises and directors. The surveys, conducted in July and August, covered 1000 employees, 1437 enterprises employing 216,041 employees, and 500 company directors.

A random sample of enterprises, stratified by industry, enterprise size and location, was drawn by the Department of Statistics and a self-completion questionnaire mailed to them. The identity of the enterprises remained confidential to the Department of Statistics.

Enterprises are defined as separate businesses or service entities operating in New Zealand as a company, partnership, trust, estate, incorporated society, producer board, local or central government organisation, voluntary organisation or self-employed individual. The Department of Statistics Business Directory Service advised that there were 30,835 such enterprises in New Zealand. Of 3200 mailed, 1437 usable questionnaires were finally returned, giving a net response rate of 48.4% taking into account "enterprise deaths". Given the original target of 50% and taking into account enterprises no longer operating which had not been notified, the response rate met expectations.

Two categories of enterprises were excluded from the survey. Central and Local Government non-trading enterprises were excluded. At the time the survey was designed, these sectors were still largely covered by agreements negotiated under the previous Labour Relations Act. As the objective of the survey was to assess adjustment under the Employment Contracts Act, it was considered appropriate at that time to exclude any clearly identifiable sector which had yet to formally experience industrial relations under the new Act.

Small enterprises employing less than four people were also excluded. There are approximately 100,000 people in trading enterprises with less than four employees in New Zealand, and this represents approximately 9% of the total workforce. Each person is counted as one employee regardless of whether they are part or full-time. Taking into account the self-employed people within this category, only a small proportion of employees were actually excluded from the survey. The omission of small enterprises was not expected to produce any significant bias in the survey results. In fact, the survey would seem to have a much higher representation of small enterprises and their employees than other research sources available at the time.³

One thousand employees were randomly selected from telephone directories. As with the enterprise survey, Government, Local Government, and small enterprise employees were not eligible. These exclusions gave an estimated population of 766,876 employees. A response rate of 64% was achieved.

As the main focus of the survey was adjustment under the Employment Contracts Act, only those employees who were in the same job as in May 1991 were included. It was considered that the impact of the Employment Contracts Act on individuals who had changed jobs would not be discernible from differences between the two jobs. Up until 1988, the Quarterly Employment Survey provided data on staff replacement rates. At that time up to 24% of employees changed jobs in any one year period, although this rate is likely to have dropped in recent years due to tighter demand conditions in the labour market.

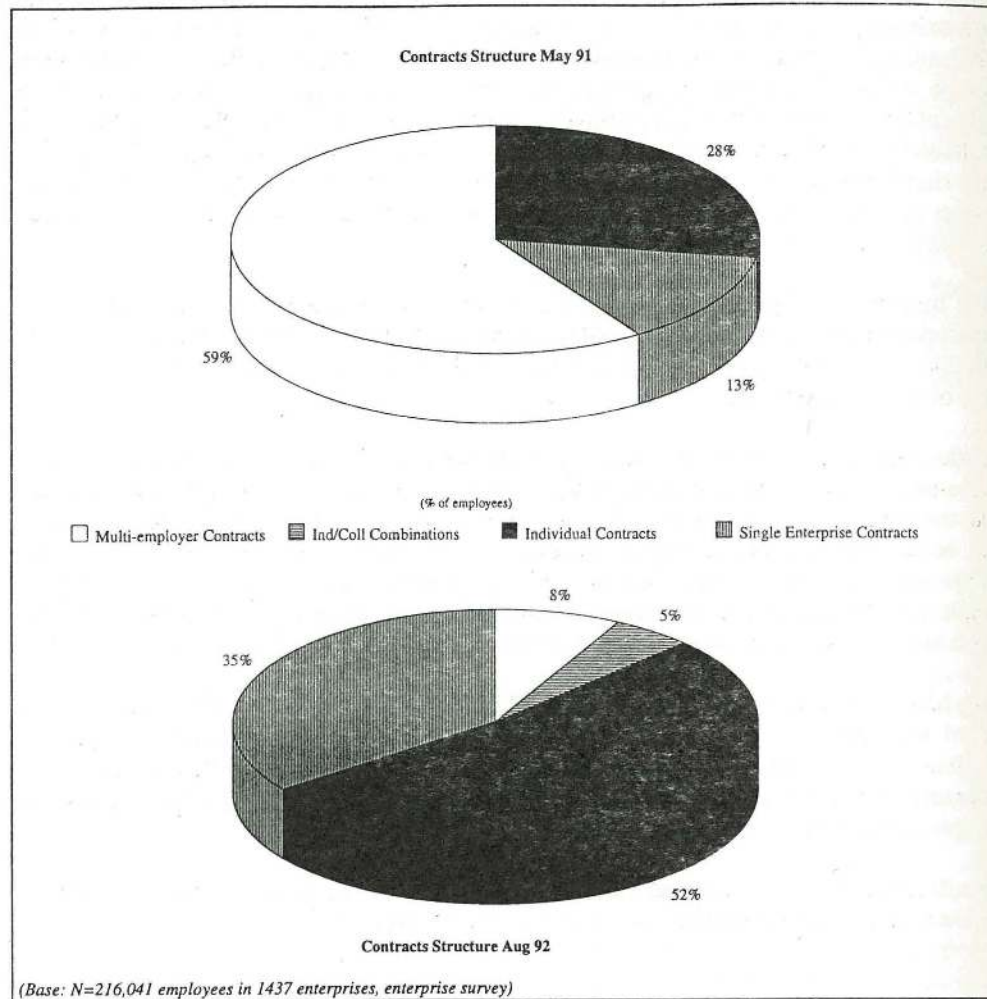
Five hundred directors were randomly selected from the Business Who's Who. Directors and board members of enterprises considered for the enterprise and employee surveys were eligible for the directors survey. The *Business Who's Who* lists approximately 17,000 directors. A response rate of 69% was obtained for this survey. Because of the nature of the sample frame, there is an inbuilt bias towards larger enterprises.

Details of the survey method and questionnaire design were subject to scrutiny and approval by the Government Statistician.

Structures

The enterprise and employee surveys asked respondents to record the nature of their employment contracts in May 1991 and August 1992. The enterprise survey results shown in the following graphs show the significance of the initial impact of the Act upon labour market organisation.

³ Given subsequent criticisms of the exclusion of small enterprises from the survey, a lowering of the size threshold may be considered for any future surveys, subject to a reasonable cost/benefit ratio.



By August 1992 the prevailing pattern of employment contract structures had changed considerably. Enterprises reported that employees covered by multi-employer employment contracts had reduced from 59% in May 1991 to 8%, while individual employment contract coverage had grown from 28% to 52%. There were 13% of employees whose old awards and agreements had expired and whose terms and conditions of employment were continuing unchanged and were deemed to be under an individual employment contract. Only 3% of employees were still covered by a current award or agreement negotiated before the introduction of the Employment Contracts Act. Single enterprise collective employment contracts were now more prevalent, covering 35% of employees compared to 13% in May 1991.

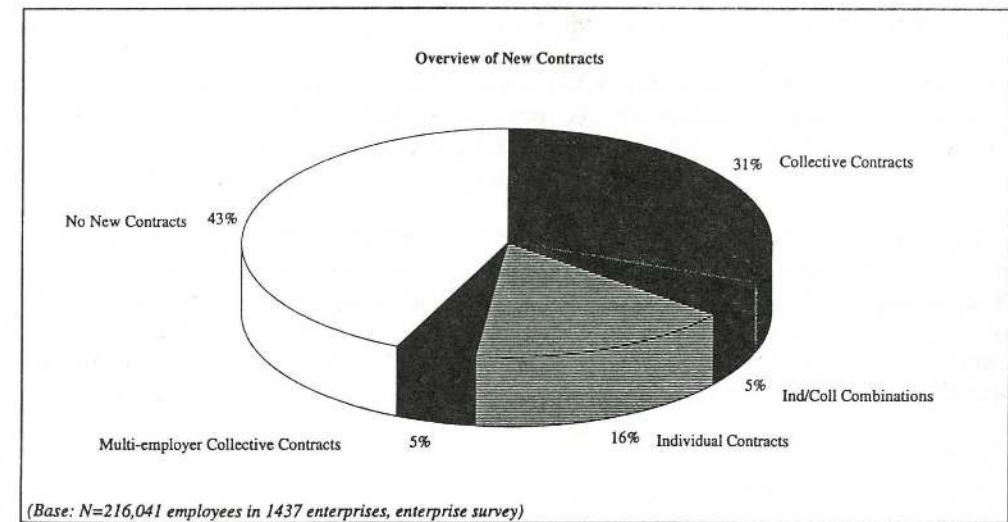
These figures graphically illustrate the extent of decentralisation within the bargaining system. Multi-employer documents had gone from being the most common arrangement to being much less common.

Less detail was collected from individual employees as they were not expected to be as familiar with the terminology associated with employment contracts. Compared to the results of the enterprise survey, employees reported more multi-employer employment contracts and fewer single enterprise arrangements. They reported fewer individual employment contracts, although 9% indicated they 'don't know' what type of employment contract they had. The differences between the two surveys point to some confusion about the type of employment contract now covering employees, as well uncertainty about the distinction between and coverage of awards and agreements under the previous Labour Relations Act.

Nevertheless, the importance of decentralisation is borne out by both sets of data. There were far fewer multi-employer collective employment contracts and far more individual employment contracts than there were in May 1991.

Process

Larger employers have made much more use of the choices available under the Act to negotiate new employment contracts. Whereas 82% of enterprises with over 100 employees had settled at least one new contract, only 24% of enterprises with 4-9 employees had done so. Overall, it is estimated that 37% of the enterprises covered by the survey had negotiated at least one new employment contract since May 1991. Because larger employers were more likely to have negotiated new contracts, the 37% of enterprises with new contracts employed a greater proportion (57%) of employees. The following diagram shows the employee coverage of the different types of new employment contracts.



Employees covered by new documents were almost twice as likely to be covered by a collective employment contract as an individual employment contract. This may suggest that the employees deemed to be on individual employment contracts based on their old award or agreement were more likely to move to a new collective employment contract than an individual employment contract in the future.

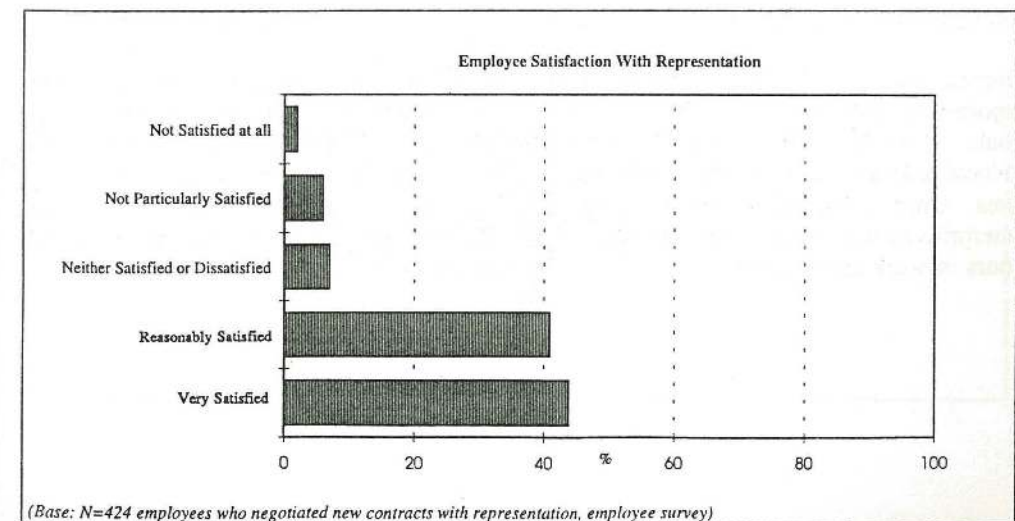
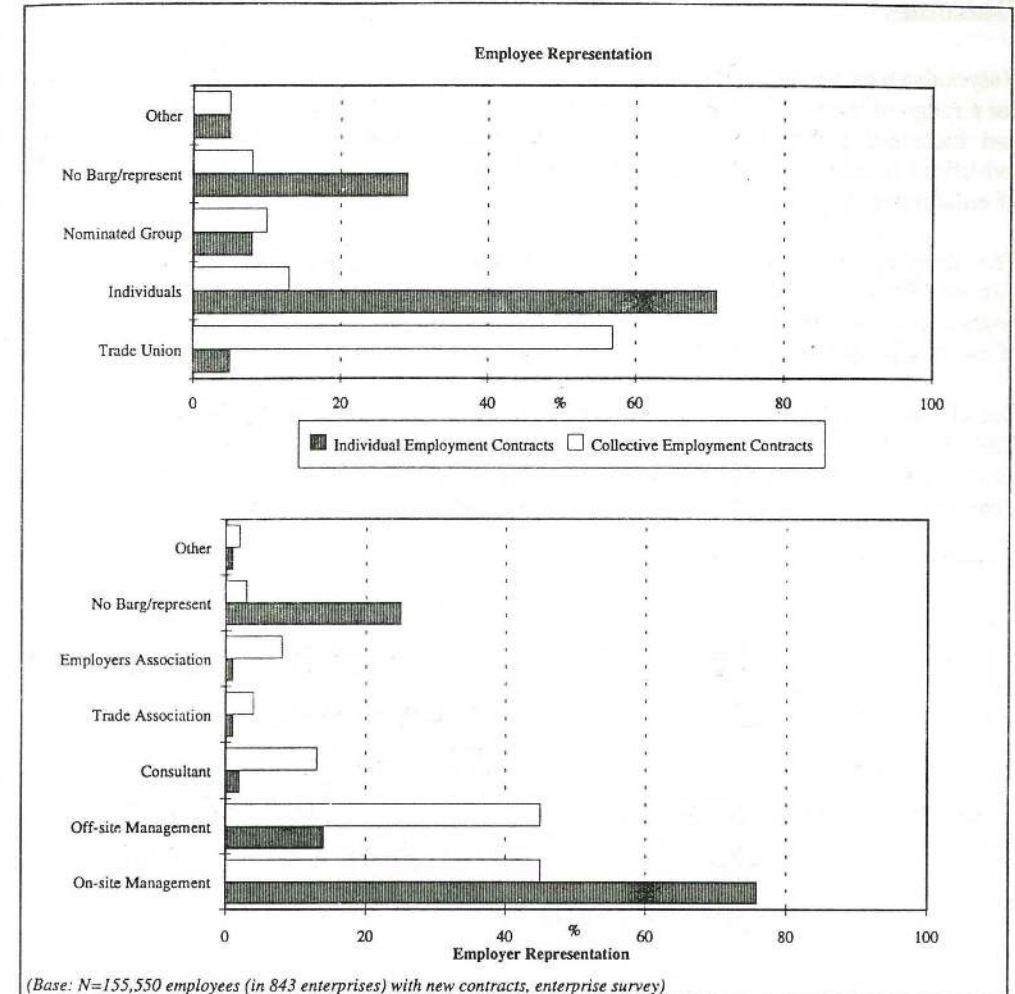
The relative incidence of the use of bargaining representatives varied by contract type. Respondents to the enterprise survey reported that very few individual employment contracts had any third party representation. In 29% of individual employment contracts, enterprise respondents reported no bargaining actually took place. Employees reported that where no bargaining took place, it was because either no negotiations were offered, none were needed, or because the employee felt threatened by the employer. Overall, however, employees reported that in 86% of cases, some discussions or negotiations were held over new employment contracts. Only a very small proportion of employers appear to have offered contracts on a 'take it or leave it' basis or 'imposed' new contracts in a unilateral fashion.

The enterprise survey showed that nearly all employees covered by new collective employment contracts were represented, with trade unions being most often used. The 28% of employees who were not represented by a union in their negotiations for a collective employment contract nevertheless represented a significant change from the previous labour relations system where unions had monopoly bargaining rights for collective documents. Figures from the employee survey also showed marked differences in the pattern of representation between individual and collective employment contracts. In the following diagram, which portrays employee and employer representation patterns, 'Nominated Group' refers to a group of employees nominated by other employees to negotiate on their behalf.

The tables show both employer and employee representation in terms of the proportion of employees represented in negotiations. There were marked differences in employer representation between individual and collective employment contracts. According to the enterprise survey, individual employment contracts were usually settled by on-site management. Off-site management were just as likely as on-site management to be involved in negotiations for collective employment contracts.

Enterprises were asked about controversial issues in the negotiation process. Clearly penal rates were by far the most controversial issue reported (18% of enterprises covering 29% of employees). Another frequently mentioned issue was hours of work (7% of enterprises covering 18% of employees). A very wide range of other issues was reported.

In summary, 87% of employees covered by new employment contracts indicated they felt free to choose their representation. Under the previous system, employees had virtually no choice of representation in collective negotiations. A significant minority (13%), however, felt that their fundamental right to choose their representative had been denied. Overall, 85% of employees indicated that they were reasonably or very satisfied with their representation in negotiations. The diagram below illustrates employee satisfaction with representation.

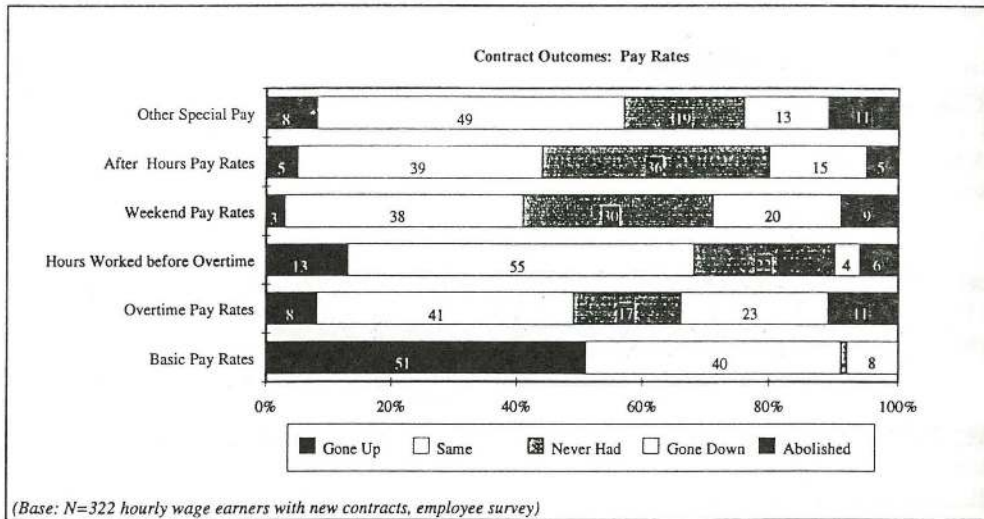


Outcomes

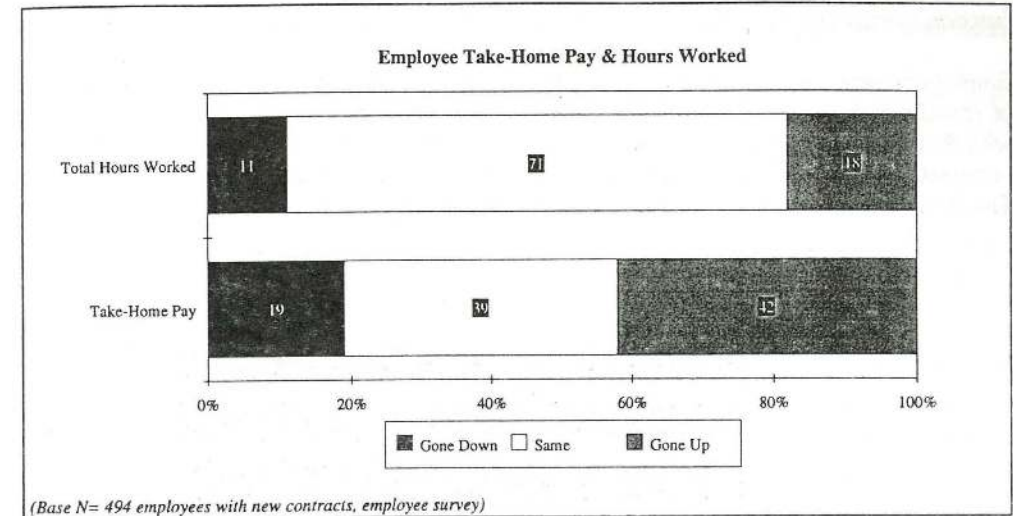
Respondents to the enterprise survey were asked to indicate general trends in their enterprises for a range of terms and conditions of employment. The results show that 51% of enterprises had increased basic pay rates for their employees. There had also been considerable reductions in and abolition of penal rates to offset these. Take-home pay increased in 40% of enterprises.

The magnitude of changes to penal rates is consistent with anecdotal evidence to date. A total of 43% of enterprises had reduced or abolished weekend pay rates and overtime. After-hours pay and allowances were also commonly reduced or abolished. There is some evidence of consolidation of cuts in penal rates and allowances into basic pay rate increases.

Out of 490 employees surveyed who had negotiated new employment contracts since May 1991, 65% were hourly wage earners. Of these, approximately 34% reported their penal rates reduced or abolished, while half received an increase in their basic hourly rate. The following chart shows pay rate outcomes for hourly wage earners with new employment contracts.

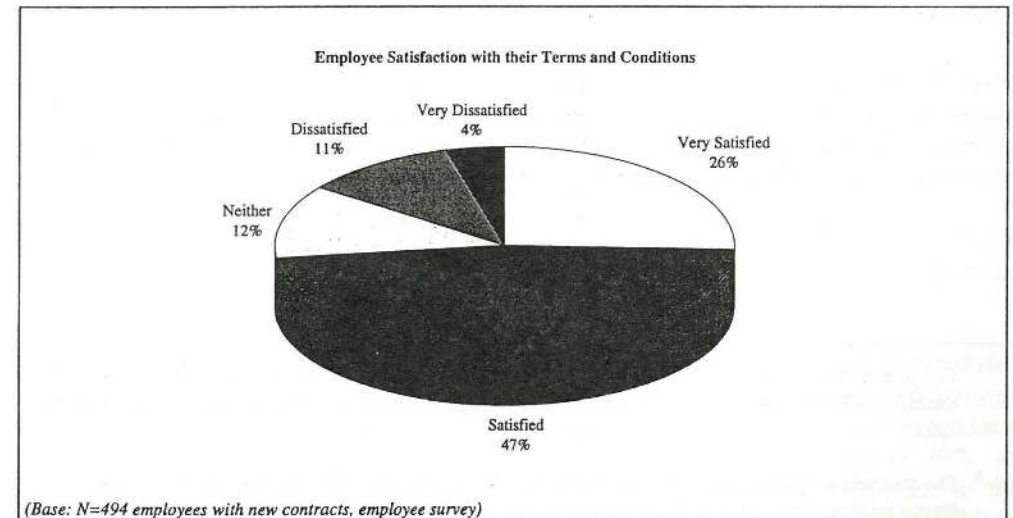


Overall, including salaried employees, 42% of employees with new employment contracts reported an increase in take-home pay. A total of 18% of employees were working longer hours. Only 39% reported a decrease in take-home pay, so take-home pay was more likely to have gone up than down, and larger employers were more likely to have adjusted those pay rates. Once again, the employee survey results reflected the same broad trends as did the enterprise survey results. The following diagram shows employee survey take-home pay and hours of work information.



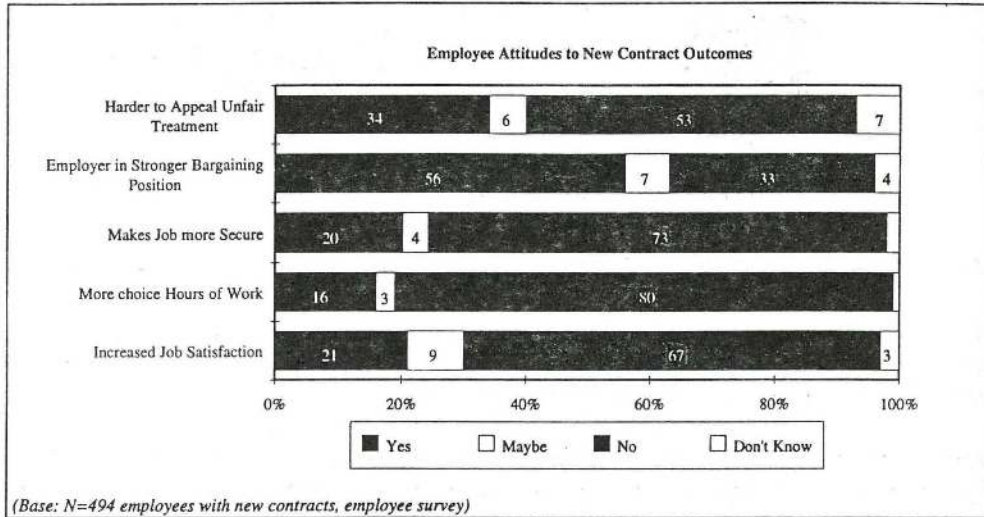
Very little change was recorded to leave entitlements by employees. The only noticeable changes were in employees' ability to accumulate leave. Redundancy provisions were more likely to have been reduced or abolished than increased.

Employees showed a high level of satisfaction with their contract outcomes. A total of 74% of employees described themselves as either satisfied or very satisfied with their new terms and conditions while only 15% were dissatisfied or very dissatisfied. The following graph illustrates these results.



Whatever the overall perception of the Act, the new employment contract outcomes were clearly satisfactory for most employees involved⁴. These figures may, however, reflect a large measure of relief in individuals' minds. If they had low expectations of potential outcomes under the Act, their actual experience may have proved better than they expected.

Employees were asked their attitudes towards their contract outcomes in relation to a number of specific issues. The results appear to contradict employees' overall view of satisfaction with their contract outcomes. Less than 25% of employees believed their new contracts have increased job satisfaction, improved choice about hours of work or enhanced job security. The following chart illustrates these results.



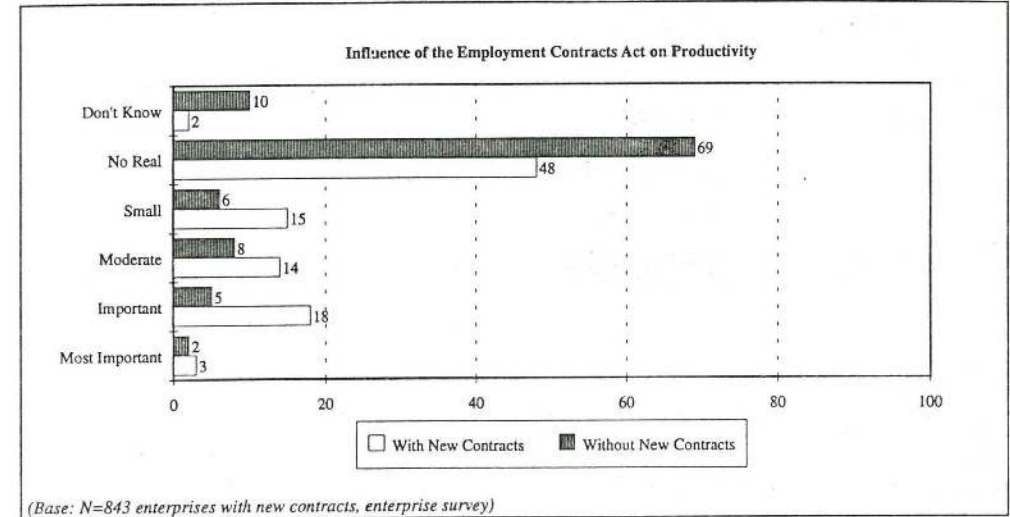
Productivity⁵

Most enterprises reported general increases in productivity since May 1991 (52%). Enterprises which negotiated new employment contracts were more likely to perceive increases in productivity. When the size of enterprises is considered, the relationship between new employment contracts and improved productivity was stronger.

⁴ The perceptions of the Act reported in these surveys were broadly similar to those reported in the Insight Research poll, the results of which were published in a National Business Review article on 4 September 1992.

⁵ The measurement of productivity is an area fraught with difficulties. The questions on productivity in the survey relate to the respondents' perceptions of productivity changes and influences, are not necessarily based on some externally defined standard measure of productivity.

Although there appears to be some relationship between perceived productivity changes and new employment contracts the nature of the relationship is not clear. Responses from enterprises suggest that the Act was seen as facilitating productivity growth rather than being a direct influence. A total of 50% of enterprises indicated that the Act had made some contribution, as shown in the following chart.



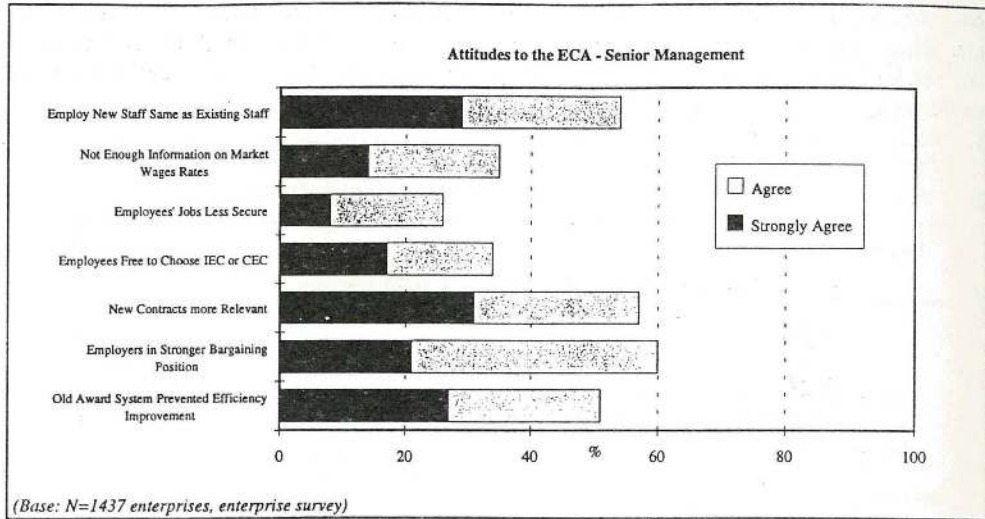
Employees were also asked for their views on changes in certain aspects of productivity in their workplace. These results show that employees were much less likely than management to perceive productivity improvements.

A significant contrast with the enterprise survey is the issue of employee trust of management. In the enterprise survey 42% of respondents from enterprises with new contracts perceived an increase in employee trust of management compared with only 12% of employees. A total of 30% of employees reported a decline in trust of management. Similar results were found for views of cooperation between management and employees. Directors' perceptions of productivity were in line with those of managers rather than those of employees.

Attitudes

Initial case studies conducted to help with research design identified a number of key attitudes concerning the need for, and operation of, the Act. The following chart summarises those attitude statements.

The main points from this summary included the fact that 51% of senior managers agreed that the old award system prevented their organisations from improving efficiency. Opinion was divided on the issue of employee support for the changes. The majority (60%) of respondents thought the Act had strengthened employers' bargaining positions. A total of 79% of enterprises with new contracts believed that their contracts were more relevant to the workplace. Lack of information on prevailing market wage rates was noted as a problem, particularly by smaller employers.



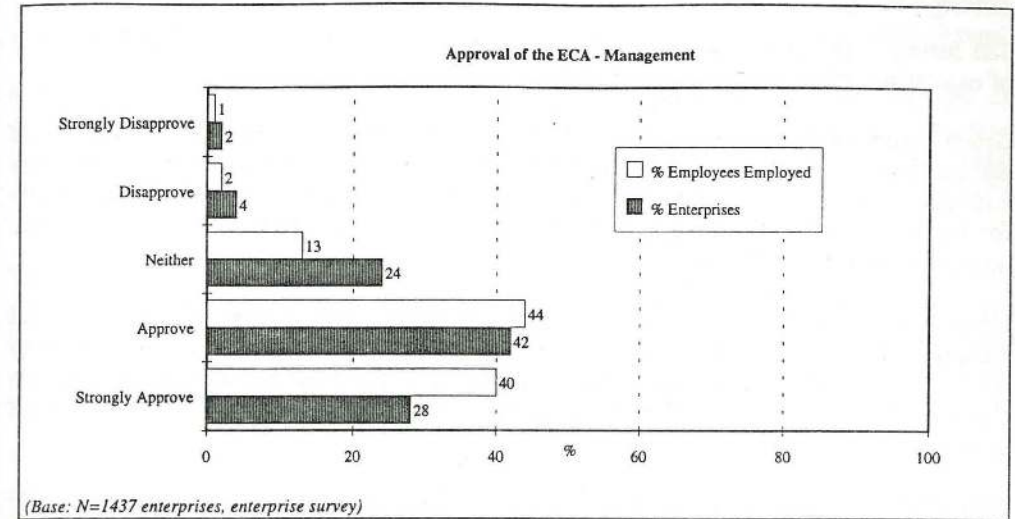
The different perceptions of employers and employees about the Act goes some way towards explaining the different levels of support for the Act overall. The majority of employers reported that they did not consider the Act weakened job security. A substantial majority of employees did not consider that their new employment contracts made their jobs more secure.

Directors' attitudes were similar to senior management, particularly regarding the problems with the old award system and the bargaining strength of employers. Directors rated employee support for the changes higher than did senior managers.

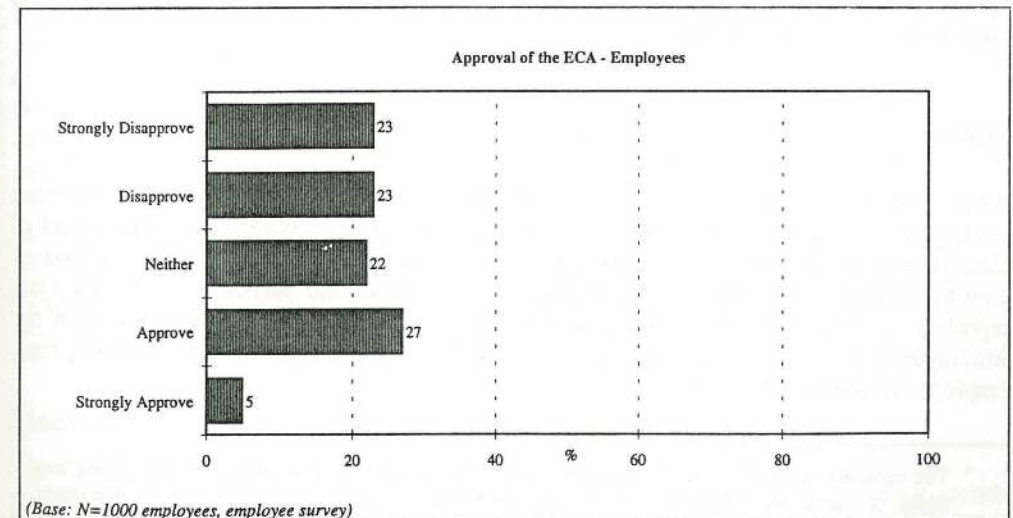
Opinions

Support for the Employment Contracts Act is strong among employers with 70% of enterprises covering 86% of employees approving of the Act. Support is higher amongst larger employers. The following chart illustrates this information.

Relatively few suggestions for change were made by respondents to the enterprise survey. Larger employers were split between those who felt employees needed more protection and those who felt the Employment Tribunal and Employment Court gave them too much protection. Small employers were more concerned about the need for more guidance and advice.



Consistent with views expressed elsewhere in the surveys, support for the Act among employees was much weaker than that indicated by the respondents to the enterprise survey. Only 32% of employees approved of the Act while 45% disapproved. Once again, the difference between employees' views on the Act (32% approval) and their individual contract outcomes (74%) satisfaction is noticeable. A sizable minority (18%) expressed neither approval nor disapproval. This figure is likely to change once more individuals have personal experience of industrial relations under the new Act, and the prevailing pattern of contract outcomes becomes clearer. The following chart shows employee opinions of the Act.



Enterprise types

The survey, using an analysis of enterprises under various headings⁶, identified four groups of enterprises which were distinctive in some way.

Group 1 were labelled "Traditionalists". They accounted for 37% of the enterprises surveyed and employed 33% of the 216,041 employees. These enterprises perceived fewer problems with the old award system and have made relatively few changes. The group is distinctive for its perceived lack of progress in employee relations and employee job satisfaction. Smaller enterprises tend to be over-represented.

Group 2 were called "Technologists". They accounted for 16% of surveyed enterprises and employed 18% of employees. This group is distinctive for its increasing use of technology since May 1 1991. Enterprises from the Business & Financial Services Sector and the Community, Social & Personal Services Sector were over-represented. Relatively few of these enterprises had cut penal rates.

Group 3 were labelled "Revisionists". They accounted for 25% of enterprises with new contracts and employed 29% of employees. This group is most likely to have reduced trade union rights (48%). They were convinced that the old awards prevented efficiency improvements, and that their new contracts are more relevant. This group reported by far the biggest reductions in wage and salary costs.

Group 4 were called "Progressives". They accounted for 22% of enterprises with new contracts and employed 20% of employees. This group reported the highest increases in: emphasis on performance based pay, cooperation between management and employees, employee work effort, employee job satisfaction, and trust. This group was least likely to have reduced trade union rights. This group also reported the lowest reduction in wages and salaries as a percentage of turnover.

Summary

An indication of changes in workplace flexibility was one aim of the surveys. The reduction in coverage of multi-employer contracts represents a dramatic increase in the involvement of management at individual enterprise level in the determination of terms and conditions of employment for their employees. In addition, more casual and part-time employees were reported. It is estimated that full-time employment fell by 4% since the introduction of the Employment Contracts Act, while part-time employment increased by 4%. Overall, total employment dropped by 2.5%⁷.

⁶ The variables assessed included: overtime pay rate changes, emphasis on performance in setting wages, rights of access for employee organisations, work effort changes, employee trust of management, employee cooperation with management, job satisfaction, technology use, wage costs as a proportion of turnover, attitudes to the old awards, relevance of new contracts, and, employee support for change.

⁷ According to figures produced by the Department of Statistics from the Quarterly Employment Survey, total full-time filled jobs decreased 4.2% in the period May 1991 to August 1992. In the same period, total part-time filled jobs increased 3.6%.

Further signs of increased flexibility can be seen in the range of bargaining agents used. Trade unions are less likely to represent employees than they were previously. The growth in the number of individual employment contracts is likely to have contributed to this change.

Change would appear to have been concentrated in larger companies. While over 80% of enterprises employing more than 100 people had negotiated new employment contracts, less than 25% of enterprises employing less than 10 people had done so. The result is that even within this sample (i.e., excluding the government sector and small firms), only half the employees had settled new contracts in the first sixteen months of the Act.

There are a number of conclusions from the research which point to improvements in procedural efficiency. Less than one percent of surveyed employees were affected by industrial action such as a strike or lockout. Employees' relatively high level of satisfaction with contract outcomes suggests that the bargaining procedures ran relatively smoothly in the first round of negotiations under the Employment Contracts Act⁸.

The surveys provide evidence of substantial improvements in perceived productivity, although the direct contribution of the Act to these improvements is not entirely clear. What is clear, however, is that the Act is generally credited as having been a positive influence in enabling improved workplace productivity. It is also clear that the majority of employers considered that the old award system prevented efficiency improvements.

The attitude of employees was much less positive. While 42% of senior managers indicated increased trust of management by employees, only 12% of employees thought so. Similar differences could be seen on questions about job security.

While employees have the right to choose to seek to negotiate an individual or a collective employment contract, the employer has the freedom to make contrary suggestions. Within this context, it is significant that both employers and employees believe that employers are presently in a stronger bargaining position than previously. A significant majority of employees, however, were still satisfied with their contract outcomes. The contradiction between employee satisfaction with contract outcomes and employee attitudes and opinions to the Act is interesting. It is likely to be explained by low levels of expectations being easily met or surpassed by actual contract negotiations.

In summary, negotiating power is acknowledged as important under the Employment Contracts Act, and employers are seen to have more of that power. Despite this, initial employee satisfaction with the outcomes of negotiations is high. Employees did, however, show much less support for the Act than did employers.

Conclusions

The nature of this research, being a nationwide sample survey questioning labour market participants directly, makes it one of the most comprehensive sources of information available

⁸ For a review of bargaining procedures during the first year of the Act, see McAndrew (1992b)

at this time⁹. Other data is produced using 'paper based' contract analyses or is based on more comprehensive Department of Statistics surveys of particular issues such as wage/income changes, or more recently, employment contract structure¹⁰.

Two obvious information gaps appear in this research, however. Firstly, because of the surveys' focus on adjustment under the Act, employees not in the same job as they were in May 1991 were excluded. While this exclusion was the result of an attempt to isolate the impact of the Act on the labour market arising from the differences between jobs, it may have had the unintended effect of masking the trend identified by anecdotal discussions of "grandparenting" or new employees being employed on inferior terms and conditions of employment to those of existing employees.

Secondly, because the enterprise survey only covered firms existing on 15 May 1991, new enterprises were excluded, removing the possibility of any robust estimates on total employment effects. While the survey indicated an overall decline in employment amongst the enterprises surveyed, part of the rationale for labour market reform was to remove barriers to new employment, much of which may occur in new enterprises. The surveys did not assess this effect.

Given these limitations, three particularly important outcomes emerge. Firstly, enterprise based bargaining structures are now far more common. Up to three times as many employees covered by the enterprises surveyed were covered by enterprise based collective employment contracts in August 1992 as when the Act was first introduced. Unions are still the most common bargaining representatives, for both enterprise and multi-employer collective employment contracts. This pattern is reinforced by analyses of collective employment contracts undertaken by Raymond Harbridge of Victoria University and the Department of Labour¹¹.

The Employment Contracts Act has made it easier for employers and employees to change their employment contract arrangements. It is probable, however, that the patterns of bargaining behaviours and contractual outcomes will have much to do with the various commercial pressures to which enterprises are exposed, rather than to the industrial relations legislative framework.

McAndrew¹² concludes from his research that bargaining outcomes bear virtually no relationship to the differing market circumstances of New Zealand businesses. If, however, the Employment Contracts Act was designed to improve the adaptability of enterprises in their

⁹ Peetz et al. (1993: 231-2).

¹⁰ For a review of the results of the employment contract structure questions contained in the February 1992 QES, see Andrews & Rasmussen (1993).

¹¹ Information about Victoria University's database of collective employment contracts is published regularly in its publication *The Employment Contract* while information about the Department of Labour's collective employment contracts database is published in its publication *CONTRACT*.

¹² (1992a: 281).

competitive marketplaces by allowing the negotiation of employment contracts relevant to their circumstances, then perhaps a movement to enterprise based bargaining structures would reinforce this. It may not be necessary for bargaining outcomes to relate directly to current market circumstances. It is probably more important for bargaining outcomes to relate to the individual businesses' needs so that the business can remain or become competitive within their particular marketplace. If a movement to enterprise based bargaining arrangements was an objective of labour market reform under the Employment Contracts Act, then the increase in enterprise based employment contracts (either collective or individual) is evidence of success.

"... the Employment Contracts Act has ushered in the kind of major change to bargaining structure that the Labour Relations Act 1987 and its 1990 Amendment talked about but must now be seen to have failed to facilitate."¹³

Secondly, the analysis identified various groups of enterprises according to the type of changes they had or had not made since the Act was introduced. Broadly speaking, these categories could be simplified further into those who had done nothing, those who have in the short-term cut labour costs and union rights, and those who appear to have taken a strategic approach involving improved performance, measures aimed at enhancing workplace productivity and employee cooperation.

The Employment Contracts Act is not prescriptive, so none of these three approaches is necessarily inappropriate. It would seem, however, that cost cutting in isolation is not a desirable long-term labour market objective if employers wish to maintain initial levels of staff satisfaction over the longer-term and improve the employer-employee relationship in a manner that will align with an emerging trend in favour of quality products and services. Once again, as Boxall¹⁴ notes:

"In summary, then, a range of employer behaviour has been evident since the advent of the Employment Contracts Act. Most of it gives cause for optimism but there are examples of shortsighted and counterproductive behaviour that deserve to be pilloried."

Finally, the survey results indicate that change has been concentrated amongst larger enterprises. Whereas 82% of enterprises with over 100 employees had settled at least one new employment contract, only 24% of enterprises with four to nine employees had done so. Overall, 37% of enterprises and 57% of employees surveyed had negotiated a new employment contract, demonstrating the greater involvement of larger employers in new employment contracts. When asked for their opinions of the Act, smaller employers were more likely to be concerned about the need for more guidance and advice on industrial relations issues.

¹³ Boxall, P. (1993), *Management Strategy and the Employment Contracts Act 1991*, in Harbridge (1993: 158).

¹⁴ (1993: 161).

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