

BERL Report

BERL's recent research on sector bargaining – the framework by which working people and employers in a single industry negotiate employment terms and conditions on a nationwide basis – shows that this model of setting wages and conditions is macro-economically neutral.

The wide-reaching literature review also shows that a return to a modern form of sector bargaining will significantly improve the wellbeing of working New Zealanders while maintaining economic growth. It is a call-to-action for New Zealand and the New Zealand Government to make better working lives possible for all Kiwis.

New Zealand's abandonment of sector bargaining in the 1990's is linked to a decline in real wage growth. The report concludes that such changes to collective wage bargaining are the result of political, rather than economic decisions. Alongside this conclusion is the determination that there is clear evidence that increases in the disparity between productivity increases and wage increases are associated with the erosion of collective bargaining.

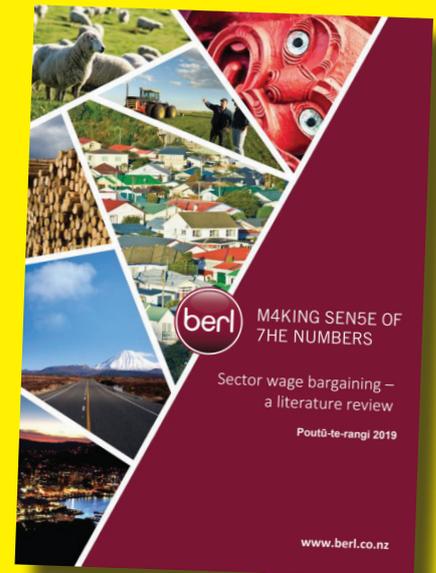
What this means

The introduction of sector bargaining in the form of Fair Pay Agreements is the single biggest thing this Government can do in the area of wellbeing. FPAs will be critical to fixing the problems of income inequality and child poverty as well as tackle sector specific problems around skill development and health and safety. There is no economic rationale for the current individualised bargaining framework, however there is a strong social wellbeing rationale for sector bargaining.

New Zealand's existing employment law model - of individual and enterprise bargaining - has failed over the last 30 years. It's primary legacy is the transfer of tens of billions of dollars of productivity gains away from working people to corporate interests. The OECD is clear that globally this approach has helped cause social and economic woes such as inequality, reduced productivity, undermining of social mobility, the holding back of progress in living standards, and political instability.

FPAs can be the foundation for a better way of doing business that supports good employers to compete on quality and innovation instead of constantly cutting corners and undercutting wages. FPAs can also be an important sector governance mechanism, helping individual workers and small firms that have limited capacity or capability to support such structures.

The Council of Trade Unions believes Kiwis deserve a better deal at work. This research shows that Fair Pay Agreements will deliver that, while also providing drivers for greater productivity and economic growth. They can lift pay and conditions across an entire sector, give working people a fair return of the profits made by business, and stop bad employers undercutting people's wages. BERL's work shows this is a political decision not an economic one. This Government has a choice between the current employment system that has created disparities and inequality, or one that grows the economy and provides the benefits of that growth more fairly to all New Zealanders.



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*Richard Wagstaff
NZCTU President*