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**SWEDEN & NEW ZEALAND: A COMPARATIVE
ANALYSIS OF AN ALTERNATIVE TO THE
*EMPLOYMENT CONTRACTS ACT 1991***

A thesis presented in partial fulfilment of the requirements for the degree of Master of
Philosophy in Social Policy at Massey University.

Christopher John Turner

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ABSTRACT

The Employment Contracts Act 1991 (ECA) was extremely controversial when it was introduced and it remains so to this day. In fact, the future of the ECA is very uncertain. Pressures are coming to bear upon it and it is possible that key aspects will be amended, or the Act repealed, in the near future.

This thesis analyses the current industrial relations frameworks in Sweden and New Zealand. An alternative to the ECA is sought with a view to alleviating what is clearly a very imbalanced and inequitable framework. The emphasis throughout has been placed upon the social policy consequences of the application of the market-liberal/classical economic model of perfect competition to the real world.

This analysis indicates that the most notable 'achievement' of the ECA (and the application of the perfectly competitive model to real world labour market problems), in all likelihood, lies in reinforcing greater income inequality (increasing wage dispersion or widening income gaps), particularly between those in strong versus weak labour market positions. Further, it does not provide, but reduces opportunity for many and, in fact, will not achieve much that it was claimed it would, without increasing income inequality. Further, it will be argued that an ECA style framework is likely to exacerbate unemployment, particularly amongst those who comprise the secondary labour market, even in a growing economy.

Any country, it seems, which applies the perfectly competitive model will suffer such an increase in inequality. Sweden is no exception. The rising level of unemployment, coupled with more 'performance oriented' pay schemes are examples of the increasing segmentation which is taking place within the Swedish labour market. However, it will be argued that the degree to which income inequality increases is very dependent upon the level of decentralisation/individualisation, and general marketisation, that takes place. A range of factors (all discussed in the body of this thesis) is important. Of key importance here is the level of collective bargaining that is retained. Without the ability to organise and act

collectively workers are in a very weak bargaining position relative to their employer, particularly when unemployment is high.

For much of its alleged 'success', the ECA, it will be argued, relies on the coercive elements of high unemployment and employment uncertainty coupled with an imbalance of power favouring employers. Generally, should skill shortages continue and/or unemployment drop substantially, this 'success' is likely to be undermined. Increased strikes (and lockouts) may well result. Rises in such activity are already apparent.

Finally, this thesis concludes by arguing for a system of contracting which provides for a greater degree of collective bargaining. Impediments to the effective operation of such a system are indicated. Two such impediments that are discussed are the low level of union density and voluntary unionism. Further, this thesis indicates that a constant testing of the ECA framework will occur before many New Zealand workers will be able to effectively protect their interests via some form of collective bargaining.

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ABBREVIATIONS

DoL	Department of Labour.
EC (or EU)	European Community (or European Union).
ECA	Employment Contracts Act 1991.
EEO	Equal Employment Opportunities.
EFTA	European Free Trade Association.
ERNZ	Employment Reports of New Zealand.
GATT	General Agreement on Tariffs and Trade.
GDP	Gross Domestic Product.
GNP	Gross National Product.
ICAA	Industrial Conciliation and Arbitration Act 1894.
ILO	International Labour Organisation.
Kommunal	Swedish Municipal Workers' Union.
KTK	Federation of Salaried Local Government Employees.
LO	Swedish Trade Union Confederation.
LRA	Labour Relations Act 1987.
MMP	Mixed Member Proportional Representation.
MRP	marginal revenue product.

Metall	Swedish Metalworkers' Union.
NAFTA	North American Free Trade Agreement.
NAIRU	non-accelerating-inflation rate of unemployment.
n.d.	no date.
NZCTU	New Zealand Council of Trade Unions.
NZHR	New Zealand House of Representatives.
NZIER	New Zealand Institute of Economic Research.
NZILR	New Zealand Industrial Law Reports.
OECD	Organisation for Economic Co-operation and Development.
PTK	Federation of Salaried Employees in Industry and Services.
s	section.
ss	sections.
SACO	Swedish Confederation of Professional Associations (Central).
SACO-K	SACO division for Salaried Local Government Employees.
SACO-S	SACO division for State Employees.
SAF	Swedish Employers' Confederation.
SAV	National Agency for Government Employers.
SF	Swedish State Employers' Union.
SIF	Swedish Union of Clerical and Technical Employees.
TCO	Central Organisation of Salaried Employees.

TCO-S	TCO division for State Employees.
TUEA	Trade Union Education Authority.
UN	United Nations.

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