Chapter 4

Collective Bargaining
Collective Bargaining

Bargaining coverage was not associated with workplace financial performance. Its effects on climate were quite difficult to interpret. In both the public and private sectors, managerial perceptions of climate were most positive where there was mid-range bargaining coverage. Although this is consistent with the notion that climate is best where there is a balance of power between unions and management, other measures of union strength were not significant. Furthermore, the effect was not apparent for employees.

Although management attitudes to unions and union membership were not associated with workplace financial performance, they were associated with the employee relations climate. Employee perceptions of climate were better where management were supportive of unions. Where employees thought management were opposed to union membership, and where they thought management did not take unions seriously, employee relations were perceived to be poor.
Managerial perceptions of climate were also better where they expressed support for unions, although further investigation revealed that this association was confined to unionised workplaces. These findings are consistent with the notion that employee relations are better where management and unions support one another. However, unionisation clearly influenced employee perceptions of climate.

Union recognition was associated with poorer perceptions of climate, though this association is largely accounted for by voice-induced complaining on the part of union members. Employee perceptions of climate were also poorer in the presence of strong unions, as indicated by high union density or the presence of an on-site union representative. However, unions also had beneficial effects on climate where employees perceived them as effective.

Bargaining arrangements refer to the ways in which unions (and employers) are organised for bargaining purposes. An individual union may negotiate separately for different groups of workers but, in the main, the number of recognised unions at a workplace sets a limit on the number of separate bargaining groups. Separate unions may negotiate together. Where all recognised unions negotiate together this is known as 'single-table bargaining'.

During the 1990s, there was a major switch away from separate bargaining to joint bargaining in workplaces where collective bargaining was the dominant form of pay determination. In 1990, only 40 per cent of these workplaces had single bargaining units. This had risen to 77 per cent in 1998. The trend was apparent in private services, private manufacturing, and
the public sector. The principal cause of the trend to single-table bargaining was not the reduction in multi-unionism which occurred over the period, but a simplification of bargaining arrangements where more than one union existed.

Bargaining structures are not simply determined by unions. Indeed, when Millward et al. investigated the reasons why continuing workplaces had shifted to single-table bargaining, they concluded that 'many, if not most, of the moves towards simpler negotiating arrangements were at the instigation of management'. The percentage of workers whose pay is jointly determined by employers and unions through collective bargaining is a crucial measure of union influence in the workplace. By this measure, unions have lost a good deal of influence over joint regulation since the mid-1980s, despite being formally recognised for pay bargaining.

There has been a marked decline in collective bargaining coverage in unionised workplaces since 1984 affecting all three broad sectors of the economy. Mean collective bargaining coverage among unionised workplaces with 25 or more employees fell from 86 per cent to 67 per cent between 1984 and 1998. Furthermore, for the first time, a sizeable proportion of workplaces with recognised unions reported having no workers covered by collective bargaining.

The rate of decline, and the emergence of many unionised establishments with no effective bargaining, has been so dramatic that commentators suggest it 'may mark a qualitatively different phase in the development of unionism'. Where unions are recognised, pay bargaining may occur at workplace-level, higher up in the organisation where the workplace is part of a multi-
site organisation, in a multi-employer setting, or a combination of these. How near or far the locus of decision-making is from the workplace can determine the significance of workplace-level inputs from management and workers on-site. It may therefore shed light on conditions under which workplace unionism has an impact on performance.

Influence of Bargaining on Workplace

Relations between unions and employers are often portrayed as a 'zero-sum game', where union members benefit at the expense of employers, and vice versa. However, there is theory and evidence to indicate that both workers and employers can benefit from unions under certain conditions. Unions may have offsetting influences on workplace performance and climate arising from their dual function in bargaining on behalf of members for improved pay and conditions, on the one hand, and in representing the 'voice' of workers to management on the other.

Consequently, their actual impact on performance is a matter for empirical investigation. Where unions use their bargaining power to take a greater share of profits at the expense of the firm, this will reduce profitability. If this entails discord or conflict, or managers find union strength limits their ability to manage effectively, managers' perceptions of management-employee relations climate may deteriorate. However, if managers are content to pay higher wages, there may be no impact on employers' perceptions of climate.

Higher pay may make employees more inclined to view climate positively. But again, if the process of
negotiation results in discord or the inability of managers to work efficiently promotes employee perceptions of managerial incompetence, this may colour employee perceptions of climate in spite of the better conditions they enjoy. By giving 'voice' to workers' concerns and grievances, and by helping to represent those concerns and grievances to management, unions may significantly increase worker motivation and organisational commitment, thereby improving productivity and performance, as well as improving perceptions of good workplace governance and contributing to collaborative management-employee relations.

So strong unions may be beneficial or harmful to management, influencing perceptions of performance and climate. However, weak unions may also be problematic for management. Although they will be unable to wield much bargaining power, they may also be unable to act as an effective voice for employees, in which case one might expect them to have a negligible effect on performance and climate. It makes little sense for employers to maintain ineffectual unions, since unions require influence if they are to reduce the employer agency costs in maintaining and enforcing desired levels of worker effort.

Also, distributive bargaining relies on 'interdependency' between employer and union, at least in the long run. Bargaining arrangements are equated with bargaining power: complementary workers will choose separate bargaining, while substitutable workers will choose joint bargaining. If workers are close substitutes they will do better by joining forces in either a single union or joint bargaining arrangement, helping them to avoid divide-and-rule tactics by the employer.
Joint bargaining is also attractive from an employer perspective when it limits inter-union rivalry in the bargaining process which may result in 'leapfrogging' claims, and where it reduces the costs to employers of engaging in bargaining with multiple unions.

**Impact of bargaining on performance**

- Aspects of bargaining as proxies for union power
  - complementary workers will choose separate bargaining
  - substitutable workers will choose joint bargaining
  - balance of power versus unions 'too strong' or 'too weak'

- Fragmented bargaining
  - inter-union rivalry
  - 'leapfrogging' claims
  - ability of employer to 'divide and rule'
  - costs to employer
  - capacity to meet heterogeneous workers' needs

- Problems with multi-unionism regardless of bargaining arrangements
  - demarcation disputes
  - jurisdictional disputes regarding rights to represent
  - membership poaching disputes
  - Impact of bargaining levels
  - removing contentious issues from bargaining at workplace-level
  - depends on nature of workers and product market.
If groups of workers are highly complementary, each group is powerful under separate bargaining as the employer needs all groups to maintain production. Furthermore, separate bargaining arrangements may permit consideration of different issues facing different groups of workers. If this delivers desirable outcomes for workers, the process may result in increased worker motivation, improved productivity and thus performance.

Nevertheless, separate bargaining always carries with it the risk that employers will be able to 'divide-and-rule', leading to a deterioration in employees' perceptions of the employee relations climate. What happens in practice depends on the relative bargaining power of the parties involved and on whether workers are complements or substitutes for one another. It is important to distinguish between the effects of the number of recognised unions per se, and separate and joint bargaining in a multiple union context.

One reason for this is that the mechanisms by which multi-unionism may reduce efficiency, such as demarcation disputes, jurisdictional disputes regarding rights to represent, membership poaching disputes, and 'competitive militancy' may all occur under joint bargaining, although it is rare in practice. It is also possible that multi-unionism may increase productivity among heterogeneous workers if it is a superior means of diagnosing and articulating workers' grievances.

Theoretical work demonstrates that, under certain conditions, industry-wide bargaining delivers higher wages, more strikes and lower profitability than 'local' bargaining. So there may also be grounds for linking bargaining levels with workplace performance outcomes. In Britain, there is support for the contention that
fragmented bargaining arrangements are associated with poorer performance, but the evidence on multi-unionism is mixed. Industry-level bargaining is associated with lower profitability.

The use of organisational strength to mean unions' strength on the ground, which gives them the opportunity or capacity to influence workplace outcomes. There are theoretical reasons for believing that union strength may have positive and negative impacts on workplace performance and the employee relations climate. Which predominate is an empirical matter. Union recognition for pay bargaining purposes is the basis for union influence in the workplace.

Although rights to represent members in grievance procedures and other matters, and rights to negotiate over non-pay issues are important in building a membership base and allow unions some influence over workplace matters, these rights rarely exist without the right to negotiate over pay. Since payment is generally regarded as 'the most conspicuous focus of collective concern for labour', unions that are not recognised for pay bargaining purposes can only address issues of peripheral interest to workers collectively.

When distinguishing unions according to their strength, analysts have traditionally compared union recognition with and without a closed shop, whereby at least some employees are required by the employer to be union members. However, the closed shop has been in decline since the beginning of the 1980s, and is now legally unenforceable. By 1998, only 2 per cent of workplaces recognising unions were maintaining a closed shop so it is not possible to rely on it as the single most important indicator of union strength.
Analysts have frequently combined the closed shop and management endorsement of membership as a single measure of union strength, since the recommendation of union membership by management may not differ substantially in practice from closed shop arrangements. Between 1984 and 1990, there was a small rise in the percentage of unionised workplaces with 25 or more employees where management endorsed membership.

However, management endorsement declined dramatically from 34 to 21 per cent between 1990 and 1998. The influence the union wields in the workplace is also likely to depend on the proportion of employees it can count among its members. Mean union density declined markedly in workplaces with recognised unions over the 1980s and 1990s, but there was a sharp increase in the rate of decline in the 1990s, implying a considerable loss. Following are the union-related measures linked to performance:

*Organisational strength:*

- membership density
- closed shop and endorsement of union membership
- on-site union representative

*Management support:*

- in favour or not in favour
- preference for direct consultation with employees

*Employee support/perceptions of unions:*

- union responsiveness to employee problems/complaints
— unions taken seriously by management of influence in the workplace.

Higher union density may influence employer and employee perceptions of a union's legitimacy in representing workers' interests, predisposing them to take greater account of what the union is saying. Where unions represent most of the workforce, they can represent workers' interests with a strong 'voice'. Where they represent a minority of workers, they may lack influence over sections of the workforce.

Consequently, their ability to work constructively with employers may be hampered by their inability to deliver worker support for change. Equally, their ability to disrupt production is diminished. These considerations may explain why employers are less likely to listen to the union if only a minority of employees back it than if the union represents a majority voice - even if the employer has chosen to recognise the union.

Despite being an indicator of union strength, workplace union density has not featured in many analyses of workplace performance or employee relations climate, primarily because of difficulties in interpreting its effects. The proportion of a workforce that is unionised may be directly influenced by the performance of the workplace. For instance, where performance is poor and workers fear for their jobs, they may be more inclined to join a union.

In this case, higher union density may be correlated with poor performance, but it is the poor performance that has resulted in higher density, rather than vice versa. Similarly, employees' propensity to join a union may be affected by the existing employee relations climate. The second difficulty in using workplace-level union density
in estimating performance and climate is the difficulty in interpreting what union density is capturing, since it is highly correlated with a number of other union measures, such as managerial support for unions, and managers' desire to consult with unions rather than directly with employees.

Another indicator of union organisational strength is the presence of a trade union representative. Union representatives may also be viewed as 'voice mechanisms', operating as a channel for communication between local membership and management, and assisting in the resolution of disputes and grievances. It indicates that workplace economic performance does differ with the strength of unions, but that the effect varies with the nature of the workers covered, the market the workplace operates in, and the interaction of unions with other employment practices. It also seems that the negative effect of unions on performance may have lessened over time.

Union effects on the employee relations climate are uncertain, a priori. However, empirical research indicates that the impact of recognised unions on managerial perceptions of a workplace's employee relations climate is contingent on the degree of union organisational strength. Of particular note is the finding that climate is worse where the strong and weak versions of unionisation exist than it is in non-union workplaces or those with middling union strength.

Fernie and Metcalf suggest that 'the benefits from having a union representing the bulk of the labour force in a workplace... flow from greater voice and representativeness and less fragmentation of workplace employee relations'. Managerial perceptions of a poor
employee relations climate where weak unionism exists may reflect the union's ability to voice employees' grievances coupled with its inability to deliver worker commitment in resolving problems.

There is little reason to believe that unions can deliver a harmonious employee relations climate alone. What management says and does is likely to matter just as much. The acts or omissions of one party may be able to sour employee relations, but no matter how constructive a union wishes to be, or how strong it may be organisationally, a co-operative environment is likely to require that management engages constructively with the union, and vice versa. Only then can the 'space' for collaboration be created.

Where employees worked in workplaces with 'strong' unions with on-site representation, a good climate was best achieved where employees thought that management encouraged union membership. Climate was poorest where strong unions were met by management opposition to union membership. However, among non-unionised workplaces encouragement of union membership was very rare and employees were most likely to view employee relations positively where union membership was not considered an issue.

The formal right to negotiate collectively over aspects of work offers unions the opportunity to influence workplace outcomes. The degree to which unions can actually affect the terms and conditions of members depends upon the effectiveness with which they can capitalise on such opportunities. According to Deery et al., the perception that a union is effectively protecting and advancing its members' interests can result in positive perceptions of the employee relations climate.
The effectiveness of unions is referred to as 'union instrumentality', defined as 'the degree to which the union achieves the valued goals of employees'. Deery and colleagues suggest that 'where a union is perceived to be more effective or instrumental in achieving valued goals for its members it could be hypothesised that those employees would hold more positive attitudes about the industrial relations climate'.

Deery et al. seek to account for these divergent findings in terms of 'the strategies and actions of management and union officials', suggesting that the 'critical determinant of the relationship between employee relations climate and organisational and union outcomes may be the role that each party plays in delivering particular benefits to employees'. It seems that, although union instrumentality may influence perceptions of climate by engendering greater employee allegiance to both the union and the employing organisation, thus resulting in more co-operative and harmonious management-employee relations, this is not the only mechanism by which union instrumentality may improve perceptions of climate.

It may also occur because perceptions of union effectiveness are associated with perceptions of 'a fairer, more challenging and satisfying work environment. This, in turn, can positively influence perceptions of the employee relations climate. Gallie et al. find that employees perceive supervision to be tighter, and technical and bureaucratic methods of management control to be more evident where unions are perceived as having greater influence.'
Procedures for Collective Bargaining

The typologies which focus on two distinct aspects of bargaining. The first distinguishes between single union establishments and multiple union establishments with joint or separate bargaining arrangements. The second concerns the locus of collective bargaining, identifying whether collective bargaining takes place at the workplace level, industry level or, for multiple-establishment enterprises, at the organisation level. In 36 per cent of workplaces there was at least one union recognised by management for negotiation over pay and conditions for some sections of the workforce. The recognition rate was four times higher in the public sector than in the private sector.

Although there is considerable interest in the effects of multiple unionism on workplace performance, just 14 per cent of all workplaces recognised multiple unions, and only 5 per cent of private sector workplaces did so. Where there was more than one union recognised, respondents were asked 'Does management negotiate jointly with the recognised unions, or are there separate negotiations?' Three answers were pre-coded: joint negotiation; separate negotiation with each recognised union; and separate negotiation with groups of recognised unions. Roughly three out of five multiple union workplaces negotiated jointly with the recognised unions.

In most other multiple union workplaces, separate negotiation took place with each recognised union. Three out of five multiple union workplaces recognised just two unions, with a further 25 per cent recognising three. More than half the multiple union workplaces with separate
bargaining with groups of unions, recognised four or more unions.

The identification of levels of collective bargaining is more complex and is determined by the answers given to the following questions.

— Question 1. Were one or more unions recognised by management for negotiating pay and conditions for any sections of the workplace?

— Question 2. Does collective bargaining over pay setting cover:

(a) no workers

(b) fewer than 50 per cent of workers

(c) 50 per cent or more of workers?

— Question 3. Does collective bargaining occur at:

(a) one level

(b) more than one level?

There is no link between the two sets of questions. Furthermore, respondents are only asked whether unions are recognised for pay bargaining if they have said that there are union members on-site. In fact, it is possible for a union to be recognised for pay bargaining, even when none of the workers covered is a union member. This might occur, for example, where bargaining at organisation-level determines pay across all establishments in the organisation, including some without any union members. However, there are good reasons why managers may report some coverage despite the absence of a recognised union.

For example, if an employer follows an external collective bargaining agreement, they may report the
presence of collective bargaining irrespective of the presence of union members or recognised unions at the workplace. Equally, there may be reasons why managers report no collective bargaining coverage despite the presence of recognised unions. It could be that the recognised unions are not effective in pay bargaining.

In some cases, a small minority of an occupational group may have union recognition while the majority in that group have pay determined in some other way. In this case, the managerial respondent would say there was union recognition, but collective bargaining would not characterise the way pay is set for the majority in any occupational group.

Collective Bargaining and Management Perceptions

The links between collective bargaining and managerial perceptions of the employee relations climate, captured by responses to a single question asked at the end of the face-to-face interview conducted with the most senior workplace manager responsible for employee relations. The question is: Finally, looking at this scale, how would you rate the relationship between management and employees generally at this workplace? The five-point ordinal scale runs from 'very good' to 'very poor'.

From the small amount of empirical research conducted in Britain, it seems that management perceives the workplace employee relations climate to be better where they deal with a unified worker voice able to represent the majority of workers. This may occur where there is a single union, rather than multiple unions, provided that the union represents a sizeable proportion of workers. It may also occur in a multi-union context if
the unions are able to negotiate jointly with management on a single-table.

Both routes avoid the fragmentation of bargaining that can result in inter-union rivalry, 'leapfrogging' claims, and the costs to the employer in bargaining with unions, all of which may contribute to management having a poorer perception of climate. There are a number of caveats to this broad argument. The first is that employees will only be satisfied with a single union or joint bargaining if these arrangements meet their needs.

To the extent that multi-unionism is better able to reflect the needs of heterogeneous workers, it may foster a better climate that is apparent to employees and employers alike. Single unionism may be particularly unsuited to meeting the majority of employees' needs because it covers a relatively small percentage of workers.

Secondly, climate may deteriorate in the presence of multi-unionism, not because of the bargaining process, but because of other aspects of multi-unionism. These include demarcation disputes, jurisdictional disputes regarding rights to represent, and membership poaching disputes. If this is the case, multi-unionism may be associated with poorer managerial perceptions of climate, whether there is joint bargaining or not.

Thirdly, the theoretical and empirical literature indicates that what matters ultimately is the relative bargaining power of workers and management. What is most conducive to a positive managerial perception of climate is a balance of power between unions and management. 'Weak' unions, on the other hand, may be ineffectual as a voice for employees or as an agent for
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employers in bringing changes management views as necessary.

Bargaining structures are often equated with bargaining power. Yet, it is often assumed that workers are free to adopt the form of bargaining best suited to their needs. In reality, the move towards single-table bargaining during the 1990s appears to have been at the behest of employers, suggesting that employers felt they had something to gain through the avoidance of separate bargaining arrangements. In practice, whether joint or separate bargaining represents worker strength or weakness depends on the extent of substitutability across workers.

However, if groups of workers are highly complementary, each group is powerful under separate bargaining as the employer needs all groups to maintain production. Thus, in theory, complementary workers will choose separate bargaining, while substitutable workers will choose joint bargaining. Turning to the level at which collective bargaining is conducted, theoretical work demonstrates that, under certain conditions, industry-level bargaining delivers higher wages than 'local' bargaining, but at the expense of greater conflict.

However, it is conceivable that organisation-level or industry-level bargaining may reduce conflict arising from negotiations that would otherwise occur at workplace-level. By removing the loci of bargaining away from the workplace, these forms of bargaining may improve workplace climate by allowing managers and workers to focus on less contentious issues, and minimise the blame attributable to either side when negotiations do not deliver what either side may have wished for.
Descriptive analyses reveal little difference in managerial perceptions of climate across workplaces with and without recognised unions, although managers were slightly more likely to view the climate as 'very good' where there was no recognised union. However, there are indications that climate deteriorates in multi-union workplaces, with the percentage of managers saying relations were 'very good' declining markedly where three or more unions are recognised.

There is a suggestion that climate differs across multi-union workplaces according to the bargaining arrangements in place. Climate is poorest where separate bargaining occurs with groups of unions. However, there is little to choose between climate in multi-union workplaces with joint bargaining and those with separate bargaining with each union. What is more, none of the multi-union bargaining arrangements are associated with climate that is as positive as the climate in a single union setting. There is some support for the contention that managers view climate most positively where there is a balance of power between management and workers.

Climate is poorest where there is full coverage, but it is also poor where there is zero coverage, that is, where workers' collective bargaining power is at its highest or is non-existent. If we can consider coverage alongside recognition and bargaining levels, this association between middle-level coverage and good climate is clearly apparent. Where there is union recognition and a minority of workers is covered by collective bargaining, 60 per cent of managers viewed climate as 'very good'. This compares to 38 per cent where there is recognition but no effective collective bargaining, and figures of between 25 and 39 per cent where a majority of workers
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in recognised workplaces are covered by collective bargaining.

Where there is majority coverage in recognised workplaces, managers view climate most positively where they are less involved in bargaining, namely where bargaining occurs at industry-level. Among workplaces without recognised unions, the percentage with 'very good' climate falls with an increase in bargaining coverage, from 45 per cent where there is no coverage to 32 per cent where there is majority coverage.

The descriptive analyses presented above indicate that managerial perceptions of climate vary with aspects of collective bargaining. In the public sector models without controls (model one in the top panel), managerial perceptions of climate are poorest in workplaces where management bargains separately with groups of unions. This effect persists with the introduction of industry controls, suggesting that the effect is not simply proxying an industry-specific effect.

It appears that the key to harmonious employee relations in the public sector lies in the avoidance of separate bargaining with groups of unions, although there are no advantages to joint bargaining over separate bargaining with each union. By contrast, in the private sector bargaining arrangements are not generally associated with managerial perceptions of climate. Among workplaces with majority coverage and union recognition, managerial perceptions of climate were unaffected by whether bargaining occurred at workplace-, organisation-, or industry-level.

In short, collective bargaining arrangements have little effect on management perceptions of climate. Ceteris paribus, managerial perceptions of the employee
relations climate do not differ across single and multi union workplaces, across multi-union bargaining arrangements, or between workplaces with and without union recognition. However, there is some support for the contention that managers view climate most positively where at least some workers have their pay determined by collective bargaining.

Following are the effect of bargaining on managerial perceptions of the employee relations climate - findings for the public and private sectors:

**Private sector:**

- Bargaining arrangements generally not significant, but climate deteriorates in the presence of three or more unions, relative to none

- Bargaining levels were not significant, except better climate in <1% cases with multi-level bargaining

- Bargaining arrangements: climate better where separate bargaining with groups of unions is avoided, but no advantage in single-table bargaining over separate negotiations with individual unions

**Perceptions of Management-Employee Relations**

Employees in general may be less constrained in their criticism of workplace relations than managers who are more directly responsible for them. Employees' perceptions may differ from their employer's because their perspectives are influenced by different factors. As well as making judgements with different information sets, employees' perceptions are likely to be influenced by factors such as their general feelings about what their
workplace is like to work in, their feelings about the effectiveness of their union, and how they view their own management.

Nevertheless, over half viewed the employee relations climate at their workplace as 'very good' or 'good'. Although there is little empirical research linking bargaining arrangements to employee perceptions of climate. A priori, there are no reasons to suppose that any particular bargaining arrangement will be more conducive to better employee perceptions of climate than any other arrangement. Much will depend upon the suitability of arrangements to the workers in question and the bargaining power they are likely to wield.

The impact that collective bargaining will have on employee perceptions of climate is likely to differ according to whether or not the individual worker is covered, and therefore whether they are likely to benefit from bargaining arrangements. Membership and coverage are not synonymous: non-members may benefit from collectively bargained terms and conditions at the workplace as 'free riders'. Other workers will belong to a union that has no bargaining rights at the workplace.

Union membership can be linked to perceptions of climate in other ways, too. For these reasons, it is not possible to interpret the effect of individual union membership simply as a coverage effect. Union-induced wage increases may make workers more positive about their working environment than they otherwise would be, so confounding estimates of a union-induced effect arising through bargaining arrangements.

Unions may also affect employee perceptions of climate through the performance of roles other than their bargaining function. If employees believe their union is
operating effectively in protecting and advancing members' interests, in whatever way, this can result in more positive perceptions of climate, either directly, or through the mechanism of 'dual allegiance' to employer and union.

For instance, a union may contribute indirectly to improved climate where it represents employees in grievance and disciplinary matters to employees' satisfaction, or where it effectively voices employees' collective concerns and ensures that management is responsive to employees' needs. However, there are also reasons to suspect that the unionisation of workers can lead to poorer perceptions of management and the climate of employee relations.

Freeman and Medoff offer an explanation for this in the greater politicisation of unionised workers. They suggest that unionised workers are more prone to express their voice 'loudly' to ensure that it is heard, resulting in 'voice-induced complaining' which they distinguish from 'true' dissatisfaction. They also suggest that 'some of the critical attitude of union workers is due to their greater awareness of problems and willingness to speak out'. As Gallie, White, Cheng and Tomlinson point out: 'unionism as an oppositional form of representation may highlight organisational inefficiencies and colour perceptions of management competence'.

In addition, as Freeman and Medoff note, other things being equal, the stock of dissatisfied workers will be greater in unionised workplaces because dissatisfied workers are less likely to quit in unionised workplaces than they are in non-unionised workplaces. A cooperative environment is likely to require that management engage constructively with the union,
unless it can devise alternative non-union employee involvement strategies which mean the union is not seen as an issue at all. Faced with a strong union, employers may respond by tightening methods of managerial control, as Gallie et al. found, a process resulting in a deterioration of employee perceptions of the working environment.

Managerial support for a union, strong or otherwise, may signal employer interest in the concerns of workers, a signal which may lead to more positive attitudes to management. Following are the possible links between unions and employee perceptions of climate

_impact of bargaining power:_

- conflict if union 'too' strong
- if perceive union as effective, can improve climate perceptions
- satisfaction with terms/conditions (union 'mark up')
- delivering for heterogeneous workers

_voice effects:_

- representation in grievances, disputes
- voice-induced complaining by reducing quits, increases stock of dissatisfied workers | Union interaction with management:
- neither side can deliver good climate alone
- conflict if management oppose a strong union
- benefits of management co-operation with strong union.
Descriptive analyses provide stronger evidence of an association between union recognition and perceptions of poorer climate among employees than there was for the main managerial respondent. As in the case of the main managerial respondent, employee perceptions of climate deteriorated in multi-union workplaces. The 'climate gap' between single union and multi-union workplaces remains, irrespective of the bargaining arrangements adopted by multi-union workplaces.

Where unions are not recognised, climate is poorest where a minority of workers are covered. In the unionised sector, on the other hand, there is little to choose between the perceptions of employees working with no coverage; minority coverage or majority coverage. However, among workplaces with majority coverage, employees have poorer perceptions of climate where they are more directly involved in bargaining over their own terms and conditions, namely where bargaining occurs at workplace-level.

Multivariate analyses of the associations between collective bargaining and employee perceptions of climate. To establish whether there is a truly independent association between bargaining arrangements and employee perceptions of climate use multivariate regression analysis. Significant positive coefficients indicate variables associated with better climate. They adopt an alternative approach, analysing the perceptions of all employees with non-missing data. After all, most managers experience 'being managed' or supervised. Those managers actually responsible for employee relations at sampled workplaces were eligible for the main management questionnaire, and were not included in the eligible sample of employees at the workplace.
There are two control variables in particular may not be independent of the outcome variable. These are union membership status and job tenure. Employees may become union members because employee relations are poor. Since union members are heavily concentrated in workplaces with recognised unions, this negative association between membership and climate may understate any negative association between union recognition and climate.

Job tenure may not be independent of the employee relations climate because those viewing the climate as poor may leave. Unions increase job tenure, other things being equal, and since perceptions of climate tend to deteriorate with increased tenure, models containing job tenure may understate any negative association between unions and climate.

The combination of employee data on demographics, qualifications, job characteristics, and attitudes to their job, management and unions, coupled with workplace data obtained from the manager responsible for personnel or human resource issues at the site, allows us to control for a very wide range of individual-level and workplace-level information to estimate precisely influences on managerial responsiveness to employees.

Among multi-union workplaces, employee perceptions of climate are more favourable where those unions bargain jointly rather than separately. This remains so on entering demographic controls and job characteristics. However, once workplace controls are added, employee perceptions do not differ significantly whether unions bargain jointly or as separate groups. Perceptions of climate remain significantly poorer where each union bargains separately.
Indeed, climate is poorer where each union negotiates separately than under any other form of bargaining arrangement, suggesting that it is the avoidance of this arrangement, rather than the adoption of any other particular arrangement, which is advisable from an employee relations perspective. Bargaining coverage of 80-99 per cent is associated with poorer climate when compared to zero coverage, but in the model with full controls the coefficient is similar to the coefficient for very low coverage, so the coverage effects are hard to interpret.

All demographic characteristics are strongly associated with employees' perceptions of climate, as are most job characteristics. Although workplace characteristics seem to be less salient, employees' perceptions do differ according to workplace size, workforce composition, ownership, industry and location.

Managerial perceptions of climate were poorer when the respondent was an employee relations specialist. The presence of an employee relations specialist is also associated with poorer employee perceptions of climate, indicating that the effect is not simply due to the outlook of specialists when compared with non-specialist managers, but may also be due to aspects of management practice associated with specialists.

Controls used in analyses of employee perceptions of the employee relations climate

**Individual-level:**

- Demographic: gender, age, education, ethnicity
- Job: occupation, workplace tenure, hours, contract-type, gross wage
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— Union membership status
— Employee perceptions of union effectiveness
— Employee perceptions of management attitudes to union membership

Workplace-level:

— Ownership: public, foreign, multi-site organisation
— Age
— Workplace activity
— Management practices: ER specialist, HRM practices,
— Industry
— Region

Employee perceptions of climate appear more favourable among employees in single union workplaces compared with multi union workplaces when other factors are not controlled for. This effect disappears with the inclusion of job controls. Climate appears most favourable where there is no union recognition, but the coefficient diminishes once controls are added.

The inclusion of workplace tenure and union membership may understate any association between union recognition and poor climate. As anticipated, the positive effect of no recognition strengthens, so that employee perceptions of climate are significantly better in non-unionised workplaces than they are in multi-union workplaces. However, relative to joint bargaining and separate negotiation with groups of unions, the positive effect of no recognition is only on the margins of statistical significance.
Single unionism is also more strongly associated with improved climate in these models, but again, the only difference that remains significant in the final model is that between single unionism and separate bargaining with each union. This confirms findings from the 'baseline' models indicating that it is where bargaining is most fragmented (where there is separate bargaining with each union) that employee perceptions of climate are poorest.

The association between separate bargaining with each union and poorer climate remained significant throughout relative to all other bargaining arrangements. Employees perceived the climate to be better where they said that unions at their workplace took notice of members' problems and complaints, and where they agreed 'unions are taken seriously by management at this workplace'. Both effects were highly significant. This lends support to the suggestion that unions that are perceived as effective by employees can contribute to improved employee relations.

Management support for unions also contributed to a better climate. Where management said they recommended union membership to their employees, or where employees thought their management was 'in favour' of union membership, employees' perceptions of climate were more favourable. Equally, where employees thought their management was 'not in favour' of union membership, climate was poorer. Again, the effects were highly significant. Although this evidence is consistent with the idea that employee relations benefit where management and unions support one another, not all the evidence points in this direction.
The presence of an on-site union representative was associated with poorer perceptions of climate. This may be an indicator of union strength on the ground, which may contribute to poorer climate. Alternatively, on-site representation may result in 'voice-induced complaining' discussed earlier. In general, the private sector models reflect those for the whole sample. The negative effect of separate bargaining with each union is apparent, as are the initial positive effects of single unionism and non-unionism that disappear with the introduction of controls.

In contrast to the whole sample model, however, employee perceptions of climate are most favourable where there is bargaining with separate groups of unions. The effect is not particularly robust, however: the sign on the coefficient only becomes positive in the final model with full controls, and is only significant at a 90 per cent confidence level relative to joint bargaining. This is likely to reflect the fact that this bargaining arrangement is uncommon in private sector workplaces, accounting for fewer than 1 per cent of these workplaces.

In the public sector, there are indications that employees perceive climate as poorer where there is separate bargaining with groups of unions. However, this effect loses significance with the introduction of workplace controls. The negative effect of separate bargaining with each union is very weak in the public sector, only reaching significance at a 10 per cent level in the penultimate model. The only public sector bargaining effect to survive the introduction of workplace controls is the positive perception of climate where there are no unions recognised.
Results for the unionised sector are not substantively different from the economy as a whole. However, effects differ markedly according to individuals' union membership status. The association between poorer perceptions of climate and separate bargaining arrangements is strong among union members. Although the difference between separate bargaining with groups of unions and joint bargaining is only on the margins of statistical significance when workplace controls are entered, the negative effect of separate bargaining with each union remains strong throughout.

By contrast, bargaining arrangements have little influence on non-members' perceptions of climate, even though this model is confined to those non-members in unionised workplaces. It may be that non-members' perceptions of the employee relations climate in their workplace are unaffected by bargaining arrangements because they are removed from bargaining processes and, if their terms and conditions are not set by bargaining, they will have less of a stake in the process and outcome of bargaining than members, many of whom are likely to be covered by bargaining arrangements.

However, non-members' perceptions of climate are poorer where there is low coverage than where there is no coverage at all. Although the effect is difficult to interpret, it does suggest that non-members located in unionised workplaces are not wholly untouched by collective bargaining. A similar modelling approach is adopted for estimating the impact of bargaining levels on employee perceptions of climate. Identical control variables are used, except that the bargaining level variable incorporates coverage too so that the separate bargaining coverage variable is omitted.
In the first model, which contains the bargaining levels variable without controls, two effects are apparent. First, perceptions of climate appear more positive among employees in workplaces without recognised unions than they do among employees in unionised workplaces. However, the effect is confined to non-unionised workplaces with no bargaining coverage and non-unionised workplaces with majority coverage.

The second effect in the model without controls is the strong association between poorer employee perceptions of climate and workplace-level bargaining. Both these effects become statistically insignificant with the introduction of workplace controls in the final model. Instead what emerges is an association between multi-level bargaining and better climate. The effect is significant relative to other bargaining arrangements, with the exception of no coverage and majority coverage in workplaces without recognised unions.

This effect is difficult to interpret and, in any case, relates to an arrangement existing in less than 1 per cent of all workplaces. This aside, among workplaces with majority coverage where unions are recognised, employee perceptions of climate did not differ significantly according to whether bargaining occurred at workplace-, organisation-, or industry-level. This was also the case with respect to managerial perceptions of climate. When individual union membership and workplace tenure are removed from the models for reasons discussed earlier, the positive association between no recognition and good climate comes through more strongly, as was the case in the bargaining arrangement models.
Indeed, the combination of no recognition and no coverage is associated with better employee perceptions of climate than any other scenario, other than majority coverage with no recognition and majority coverage with multi-level bargaining, where the difference is not significant. As in the baseline model that includes union membership and workplace tenure, the only significant effect within the unionised sector is the positive effect of multi-level bargaining. A similar pattern of results emerges when running the same models on unionised workplaces only, although the positive effect of multi-level bargaining is stronger. Once again, there are clear differences across the public and private sectors.

In the private sector model without controls, employee perceptions of climate are better where unions are absent or, where they are recognised, there is no bargaining coverage. However, these effects gradually disappear with the inclusion of controls until, in the final model with workplace controls, the only significant effect is the positive effect of multi-level bargaining relative to recognition with minority coverage.

In the public sector, multi-level bargaining is also associated with good climate in the fully specified model. In the first three models, it appears that workplace-level bargaining with majority coverage is associated with significantly poorer climate than bargaining at industry-level. However, the effect loses significance on the introduction of workplace characteristics. Both recognition and the extent of bargaining coverage are important. In the public sector, employees are most likely to view climate positively where there is no recognition but the majority of workers are covered by collective bargaining. This effect persists with the introduction of controls.
Financial Performance

Accounting measures of financial performance (accounting profits, price-cost margins, stock market valuations, and so on) do not have this property. For example, retailers frequently use sales per employee as a measure of financial performance, an indicator of no value in measuring the performance of a manufacturing plant that delivers all its output to another unit of the same enterprise.

Since the question is asked of all workplaces, whole economy analyses are feasible. However, among non-trading workplaces, and workplaces that perform administrative or support functions, concepts of profit and loss and 'financial performance' may be less meaningful. Non-response remains a significant problem. For the whole economy, 15 per cent of managers were unable to provide an indication of financial performance, and even in the private trading sector 9 per cent of managers were unable to do so.

Workplaces with mainly organisation-level or multiple-level collective bargaining also had slightly higher levels of non-response. Even within the trading sector some managers are better placed to estimate the relative financial performance of their workplace than others. Some establishments are cost centres, for which revenue cannot be disaggregated. Others are profit centres which hold information on costs and revenues, while others are full-blown enterprises which hold information on profits, revenues and capital employed. Only the last category corresponds to 'firms', for which indicators such as returns on investment may be appropriate.
There was little difference in perceptions of financial performance between workplaces with and without union recognition. However, there were some differences in perceived performance across different types of bargaining arrangement. Among multiple union workplaces, financial performance was viewed most positively where there was separate bargaining with each union, and was poorest in the small number of establishments where there was separate negotiation with union groups and where the type of bargaining was unknown.

There is no evidence of poorer performance arising from multiple unionism per se, although patterns clearly differed with the number of recognised unions. Turning to bargaining levels, among workplaces with no union recognition, those with no workers covered by collective bargaining were most likely to have performance 'a lot better than average'. Those with a minority of workers covered were most likely to report poorer than average performance and better than average performance.

Among workplaces with recognised unions, there was no clear pattern in the reporting of performance across the bargaining level categories. Where there was majority coverage, there was little difference between mainly workplace-, organisation- and industry-level bargaining. Managers were also asked to state their level of agreement with whether 'unions help find ways to improve workplace performance'. There was some evidence that where there was disagreement with this view the reporting of performance was better.

*Workplace control variables*

Many of the workplace control variables used in the
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modelling of financial performance are similar to those used for climate. Control variables used in analyses of following managerial perceptions of the workplace's financial performance

— Respondent's job title
— Workforce composition
— Workplace characteristics—sector, industry, location management practices: HRM, one-way and two-way communication, financial participation
— Market factors:
  — market share
  — value of sales
  — growing market
  — low competition
  — product diversity
— Other union measures:
  — strength
  — management attitudes to unions voice.

Compared with workplaces with no union recognition, financial performance was significantly lower where there was separate bargaining with groups of unions and where the type of bargaining was unknown. Financial performance in workplaces with other bargaining arrangements was not significantly different to that in non-unionised workplaces. The effects of bargaining arrangements lose their significance when control variables are added. There is no evidence of differences in financial performance by collective bargaining arrangement.
There are no significant differences relative to the reference category and no significant differences between any of the collective bargaining types. With the inclusion of controls, significant differences between the various types of collective bargaining emerge. Industry-level bargaining in workplaces with union recognition and majority coverage is associated with better performance than no recognition and majority collective bargaining coverage in workplaces without union recognition. Industry-level bargaining is also associated with better performance than organisation-level bargaining.

The negative coefficient on multiple-level bargaining increases so that workplaces with industry-level bargaining had significantly better performance than workplaces with multiple-level bargaining. Workplaces with industry-level bargaining also had better performance than workplaces where there was no union recognition but a majority of workers were covered by collective bargaining, and workplaces with recognition and no collective bargaining coverage.

Consequences of Collective Bargaining Systems

The general issue of the consequences of collective bargaining systems for macroeconomic performance has a long history. In the last fifteen years or so, the issue has been the subject of cross-country econometric research where variations in certain economic outcomes in different countries are related to indicators of these countries' bargaining systems and union movements. For most of this century, the collective bargaining systems in Australia and New Zealand entailed extensive regulation by agencies of the state that had the power to impose
wages on unions and employers and that, at times, prohibited strikes.

By contrast, the British system of collective bargaining has involved very much less direct state intervention, notwithstanding legal changes in the last fifteen years, and it is commonly described as a system where the law has made few encroachments into unionism and collective bargaining. In particular, Britain provides an excellent illustration of the role of the state in championing unionism and collective bargaining through government policies toward labor markets (both union and nonunion) and product markets.

By the 1970s, the Australian and New Zealand industrial relations systems were a complex assortment of collective bargaining structures with some bargaining taking place at the national level, some at the industry level, and some bargaining at the enterprise level. However, underpinning this union-management bargaining were quasi-judicial systems to which the parties could appeal to settle differences. These differences were resolved by labor courts that were endowed with remarkably broad authority to set wage minima and other aspects of the employment contract in a wide range of occupations.

As the courts' decisions (or "awards") specified only necessary terms of employment, a second tier of bargaining to raise wages above these minima (sometimes called "over award payments") emerged in certain industries. The courts' awards often came in the form of elaborate tables that made fine distinctions among detailed occupations. A union had to register with the arbitration bodies so that it had access to them and so it might enjoy the privileges accompanying registration.
Australia, one such privilege was that, once registered, a second union could not be registered if there already existed another to which employees could "conveniently belong". Evidently, existing unions were largely protected from competition from new unions.

In New Zealand, for many years, union membership was mandatory so unions were not required to tailor the services they provided workers by the need to compete for new members. The result was that in both Australia and New Zealand the typical union looked first not to its members and the workplace as the source for its authority, but to regulatory bodies dominated by civil servants and lawyers. The system did not engage a plant's union and employer in the joint resolution of ongoing problems at the workplace, but pitted the union and the employer as adversaries in litigation.

The compulsory arbitration legislation not only stimulated the growth of unionism, but also led to the creation and spread of employers' associations. There was little incentive for an employer to avoid belonging to such an association as non-membership conferred no advantages. In submitting claims to the tribunals, a typical union's practice would be to serve very many employers and this tactic automatically made these employers a party to the claim whether they wanted to be involved or not.

Expressed differently, the legislation's stimulus to unionization also provided an impetus to cartelization among employers whose effects are unlikely to have been restricted to the labor market, but probably manifested themselves in more product market cartel-like agreements as well. The fraction of workers who belonged to unions understated the reach of unionism. This was
because the wage decisions realized in the principal labor courts diffused quickly throughout labor markets as other courts applied the same wage increases to the workers (whether unionized or not) in their jurisdiction.

As the courts' decisions were guided principally by the notion of maintaining wage differentials among workers, any wage increase secured by one group of workers would soon be communicated to all workers in the economy including the public sector. Hence, variations among workers in their wage increases were small. When the courts were asked to certify a prior agreement between unions and employers' associations, they often applied an "extension" to a wage decision so that it covered all firms in an industry.

The express purpose of Australia's 1904 legislation and New Zealand's 1894 legislation was to design a system that made strikes unnecessary. Indeed, for many years, strikes were categorically forbidden and (on paper, at least) subject to specific penalties. Nevertheless, these penalties were rarely applied and the various regulations covering strikes were enforced infrequently. As a result, Australia and New Zealand have been characterized by a large number of strikes. Though frequent, the strikes were usually short as they were intended not to extract concessions out of recalcitrant employers, but to make a statement to the arbitration commissions.

The fact that an unresolved dispute will be handled by the courts has important consequences for the content of the out-of-court agreements reached. Similarly, in the old New Zealand and Australian industrial relations systems, at the last resort, quasi-judicial authority may be introduced into the bargaining between the parties and impose settlements covering many workers without
regard to the circumstances of particular firms or the productivity of the particular workers. The negotiations that take place prior to or separate from the arbitration system may be described as "bargaining in the shadow of the law". This means that the substantive content of the collective bargaining agreements is determined in part by (1) the knowledge that, ultimately, one or other party could take the dispute to arbitration and (2) each party's expectations of how arbitration would settle the dispute.

In those cases where a second tier of bargaining over pay took place over and above the wage level stipulated by the courts, an economic analysis of this bargaining would interpret the award wage or court-determined wage as the union's "threat point" or "security level". Without the involvement of the courts, the threat point would almost certainly have been lower. Most bargaining solutions have the feature that each party's share of the payoffs is a positive function of its threat point. Therefore, the fact that wages may exceed the court-prescribed minima does not mean that the court's awards are irrelevant. Far from it, by providing the union with a floor or fall-back position in wage bargaining, the courts play a key part in raising wage levels.

The recourse that unions had to the courts to press their claims made wages the fixed point in the system to which all other prices and quantities had to adjust. Instead of being on a Gold Standard, Australia and New Zealand were on a Labour Standard. For good reason, a principal arbitration judge described himself and his colleagues as the "economic dictator of Australia". One should expect at least two types of adjustments to the wages set by this Labour Standard. One is a tendency for cheaper imports to substitute for higher priced domestic products.
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To counteract this tendency, high tariff barriers and other import controls were needed to protect Australasian manufacturing. Though tariffs predated the compulsory arbitration legislation, both Australia and New Zealand became much more protectionist after the legislation was passed. Indeed, tariffs were augmented by other impediments to trade such as import licensing, exchange controls, and export incentives. A second consequence of the Labor Standard was for unemployment to rise as consumers substitute away from products especially those with high labor content.

These unemployment-increasing consequences were negated by expansionary monetary and fiscal policies whose undesirable side-effects were countered by foreign exchange restrictions, budgetary deficits, and economy-wide controls on prices, interest rates, and rents. In short, the Labour Standard fostered an economy buffeted by government controls, regulations, and protection in most markets - financial, product, foreign trade. As a result, the Labour Standard retarded the growth in New Zealand's and Australia's standard of living.

At the beginning of the 1980s, Australia engaged the ACTU (the union federation, the Australian Council of Trade Unions) in a series of incomes policies. Although the pre-1980 industrial relations model was amended to allow for wage increases at the enterprise level that were tied to productivity gains, the key features of the Labour Standard - the use of quasi-judicial agencies to adjudicate on wages and the need for other variables in the system to adjust to these mandated wages - were retained.

The Australian industrial relations system came under increasing criticism for being inflexible and, ultimately, the federal government responded with an
attempt at reform in the form of the Industrial Relations Reform Act of 1993. The stated goal was to reduce the influence of the arbitrated National Wage Cases and to increase the importance of plant-level agreements by allowing for "enterprise-flexibility" agreements that modify the general awards to suit the particular circumstances of the plant. These agreements need not involve any union.

However, the enterprise-flexibility agreements must be approved by the Australian Industrial Relations Commission before becoming legal and a registered union may present a case before the Commission regarding a particular agreement even if the union has no members at the workplace. Although the Act favored decentralization of collective bargaining agreements, it left in place the Commission's ability to set minimum employment conditions and, therefore, retained the Commission's influence on the content of collective bargaining agreements.

Even if the Commission were used infrequently to resolve disputes and even if most agreements were negotiated directly between employers and unions, the fact of the Commission's existence as an arbiter of last resort will affect the incidence and content of collective bargaining agreements. Moreover, in those instances where the Commission set minimum wages and where union-employer bargaining took place on top of this, the courts continue to provide unions with the threat points that enhance their bargaining power.

Although the move toward plant level bargaining is desirable, Australian industrial relations remains a system where legal regulation is much too intrusive. This encourages the politicization of bargaining and disputes
and results in a tendency for bargaining outcomes to bear only a loose connection to the actual conditions at workplaces. This is indicated by the growth of real wages and synchronous slump in employment in Australia in the 1970s and the lack of adjustment in real wages in the subsequent decades in the face of high and rising unemployment.

Some Australians believe the changes in the last decade have been profound. In fact, by leaving the courts as the key element of the system, the changes in the collective bargaining framework have been half-hearted.

New Zealand's reforms have been much more thorough and radical than Australia's. At the heart of the 1991 Employment Contracts Act (ECA) is the goal of allowing workers and employers in a particular establishment to choose their bargaining method. The Act introduced the notion of a bargaining agent. This agent could be a labor union or it could be any other entity or person selected by a worker or it could be the worker himself. The intent is to inject competition in the market for representation of workers in bargaining. Union membership is, therefore, no longer compulsory.

An employer is required to "recognize the authority" of the agent a worker has chosen for himself although no contract is allowed that would establish a preference for or against union workers. An Employment Court and an Employment Tribunal are empowered to address complaints about breaches of contract and have the power to correct these breaches. Indeed, several of its employment decisions in the last few years have seemed more in the spirit of the pre-1991 law and in this respect it "...has partially undermined the intentions lying behind the ECA".
Strikes and lockouts at the end of an employment contract are fully legal (though subject to some conditions). An employer has the right to suspend striking workers. Apart from matters covered by statute (such as nondiscrimination rules, minimum holiday entitlements, and minimum wages), employment contracts may embrace any issues. The consequence of the Act has been a growth in enterprise-level bargaining. Union membership has fallen although in some sectors of the economy (such as the public sector and in large firms) collective bargaining remains the dominant method of determining the terms of employment.

It is significant, however, that a larger nonunion sector is emerging that will operate to discipline wage-setting in the union sector without the need for government controls or offsetting measures. The coverage of collectively bargained contracts fell from over 70 percent in the late 1980s to about 40 percent in 1994. There has been a sharp fall in the extent of strike activity: in the first half of the 1990s, New Zealand had about one-fifth the days lost through strikes that it experienced in the last half of the 1980s.

For instance, there has been a growth of contracts specifying workweeks shorter than the traditional forty hours and there have been more performance-related compensation schemes. Because all sectors of New Zealand's economy have been the subject of reform over the past decade, it is impossible to determine the particular contribution made by the Employment Contracts Act. Indeed, as will be argued below, the positive impact of any labor market reform such as the ECA will depend upon the degree of competition in other markets so that, in the presence of such
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complementarities, it is inherently impossible to parcel out the separate effects of different types of reform.

Australia's and New Zealand's old systems of dealing with collective bargaining involved centralized agencies of the state intruding heavily into the operation of employment contracts. The intrusion took the form of extensive rules and regulations that covered workers in diverse types of employment and with different concerns in a variety of situations. By their very nature, such broad edicts emanating from a body removed from the place of work do not reflect the particular circumstances of an employer or the particular preferences of a worker.

The system was determining the terms and conditions of work for the vast majority of workers with little regard for their productivity or their wishes. Decisions that are naturally left to the employer and the individual worker or the union to determine were usurped by the agencies of the state. This sapped the enterprise of the union movement. The quasi-judicial procedures recognized the maintenance or restoration of relative wages as the principal factor determining wages, not issues of economic efficiency. Quantities and other prices in the economy were expected to adjust to judicially-determined wages - the Labour Standard - and when these adjustments had unsatisfactory consequences (such as foreign trade imbalances or growing unemployment) so further offsetting measures needed to be taken. The result was one of the most protectionist and state-intrusive economies in the non-Communist world.

Over time, Australia's and New Zealand's relative standard of living declined. This was not the result of the centralized wage determination system alone. But the
industrial relations system was an element of a complementary set of economic policies that resulted in misaligned prices, dulled incentives, and pressure group economic management. The consequences of these economic policies (of which centralized wage determination was one aspect) were not so apparent in inflation or in unemployment or in economic growth in a given year or a given decade - these are the sorts of variables that have been used in the econometric research on economic performance and collective bargaining systems.

The consequences became evident in a generation or more. This gives rise to the first principle for a productive collective bargaining system: the greater the extent of decentralization of unionism and collective bargaining, the greater the tendency for the desirable features of unionism to outweigh the undesirable aspects. Collective bargaining at the enterprise level is less likely to generate monopolistic wage increases than collective bargaining at the industry-wide level or higher. Also, productivity-enhancing work arrangements at an enterprise are more likely to be reached when the union has the authority for bargaining over wages at that enterprise than when collective bargaining is at the level of the industry or higher.

Furthermore, the leverage that unions exert as a pressure group on government is minimized if the locus of power in the union is at the local level, not at the economy-wide level. Finally, unionism's part in cultivating social capital is more effective when authority within the union movement is invested at the local level where members participate and interact in networks to further their interests, not when the critical decisions
affecting the members are taken by agents whom rank-and-file workers are less likely to have met and when the principal act of membership may be simply the routine payment of union dues.