In Defence of Living Standards

The Federation of Labour and the politics of economic crisis 1975-1987

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A thesis submitted to the Victoria University of Wellington in fulfilment of the requirements for the degree of Doctor of Philosophy

Victoria University of Wellington
2022

Abstract

This thesis examines the history of New Zealand's peak private sector union body, the Federation of Labour (FOL), and the politics of economic crisis between 1975 and 1987. It traces how the FOL wielded, attempted to defend, and then lost much of its power in political and economic life over those years. That period marked an important historical juncture, one overwhelmingly shaped by economic crisis, austerity, and then neoliberal reform. The twin oil shocks of the 1970s brought the postwar boom to a definitive end. The simultaneous emergence of high inflation and stagnation eroded real wages, fueled a more contested ritual of wage bargaining, and undermined longstanding economic orthodoxies. The Robert Muldoon led National Government (1975-1984) pursued austerity, to dampen domestic demand and encourage an export-led recovery, a tentative programme of restructuring and liberalisation, and various forms of wage controls, culminating in the rigid 1982 wage and price freeze. The Fourth Labour Government (1984-1990) then embarked on a rapid programme of deregulation, market liberalisation, and severe monetary tightening. For all their stark differences, both National and Labour administrations believed that real wages had to fall in line with the decline in national income, and that workers had to accept a decline in their living standards in the interests of tackling inflation and restoring economic growth. These attempts to engineer a fall in real wages ran up sharply against the FOL's key objectives of defending living standards and of ensuring that workers did not bear the brunt of the economic crisis. It would also be a hard sell to many workers facing a rising cost of living.

As the political and economic landscape shifted, the FOL was forced to confront a series of vexing questions about its strategy and its role. How, for example, would it fight for and make the case for the maintenance of living standards in the face of an economic crisis and high inflation? What was its economic alternative? How would it respond to the rapid free-market economic reforms after 1984? And how would it reconcile its traditional goals with a new political economy forged by the reforms? This thesis examines how the FOL grappled with these questions. Following an overview of the FOL's history between its 1937 formation and the crucial 1975 election, this study begins by examining its industrial campaigns against Muldoon's Government. It concludes with the end of the FOL following its merger in 1987 with the public sector peak body the Combined State Unions (CSU) to form a new peak body, the Council of Trade Unions (CTU) in the aftermath of rapid neoliberal economic reforms. By 1987, the new peak union body would oversee the abandonment of the traditional goal of raising and defending living standards in favour of a new focus on increasing productivity, growth, and a programme of job creation in partnership with government. This shift, characterised variously as capitulation or pragmatism, is often commented on, but

rarely examined within the longer story of the FOL's grappling with the economic crisis from the mid-1970s. Whatever its merits, this shift also took place in a moment of undeniable defeat for the labour movement. It marked the end of the peak body's status as a central player in political and economic life and the beginning of a precipitate decline in organised labour's size, bargaining power, and political influence. While providing a largely chronological account of these developments, the study also focuses on three interconnected themes. As the title implies, these are, first, the FOL's interactions with governments, the state, and party politics; second, the economic and inflationary crisis and policy responses, and third, the question of 'living standards' or the 'standard of living'.

Existing accounts of the FOL have been highly critical, suggesting that it played a largely reactive and self-defeating role, that it failed to adapt to changing economic orthodoxies, or that it failed to mount an effective opposition to economic restructuring and to state and employer attacks. This thesis moves beyond the traditional questions of what the FOL ought to have done. Rather, it seeks to analyse the FOL within the context of its successes, its limitations, and its failures, and emphasises the immense difficulties posed by the pressures of economic crisis and political hostility. It argues that the FOL played a more active and critical role in political and economic life than previously recognised, even if it was not always successful. By examining the FOL's response to the events as they unfolded, the more prosaic union rituals and debates—from union conferences, negotiations over wages, and debates about economic and industrial policy—come alive as places where opposing visions of the future of the union movement, politics, and the economy were contested and debated, rather than as markers on the road to inevitable defeat. Moreover, a study of the FOL provides a new vantage point from which to view these crucial decades, a way to yield a more rounded understanding of organised labour at a key moment in its history, and a way to illuminate and integrate the important connections between labour, political, and economic history. While wages, inflation, and employment have long been recognised as among the central political, economic, and social questions of the era, scholars have been strangely inattentive to the labour history of these years. Finally, this study suggests that the struggles between the FOL, employers and the Government over those questions between 1975 and 1987 were crucial in the making of the modern New Zealand political economy and political culture.

Acknowledgements

Spending the last three years working on this thesis has been a delight and a privilege. I have many people to thank for making it so. First and foremost, thanks to my supervisors, Cybèle Locke and Jim McAloon, who guided and encouraged me, and who read and discussed numerous drafts chapters. I was drawn to this topic by reading their excellent scholarship and was grateful to have them both as colleagues and advisors during this time.

Second, I would like to thank those who I interviewed or spoke with off-record: Ken Douglas, Rob Campbell, Graeme Clarke, Therese O'Connell, Mike Smith, Stan Rodger, and Rex Jones. Thanks to Ken for giving me access to his extensive personal files. Thanks also to Mike and Therese for sharing from their personal collections.

There were many other friends and fellow historians who read chapters and discussed the thesis. In particular, I would like to thank Ryan Bodman and Ryan Anderson for reading the draft thesis in full, a major commitment and very much appreciated. Many others read chapters, including Sam Hutchinson, Matthew Cunningham, Paul Husbands, and Lydia Whiting. The Wellington History Writers Group (Ben Schrader, Barbara Brookes, Jock Phillips, Emma Jean-Kelly, Pete Clayworth, Grace Millar, Paul Diamond, Jane Tolerton, Ewan Morris, Mark Derby, Elizabeth Cox, Ross Calman, and Tim Shoebridge) read a draft chapter and provided enormously useful feedback.

Many others, still, provided encouragement, friendship, and valuable insights into the topic. In particular, I would like to thank Emma Powell, Jared Davidson, Branko Marcetic, Jonathan West, Paul Taillon, Therese Crocker, Malcolm McKinnon, David Grant, and Richard Hill. On top of reading chapters, Sam Hutchinson provided countless pieces of valuable wisdom about historical research and thesis writing. Paul Taillon provided encouragement about the value of the project, so

long as I ‘don’t mess it up’. I hope I haven’t. Thanks to Malcolm McKinnon for the many valuable discussions over coffee at Vic Books.

Many thanks also to my friends and colleagues at the History Programme at Victoria University of Wellington, the Labour History Project, and to the many excellent archivists (past and present) at Archives New Zealand and the Alexander Turnbull Library. It’s hard to imagine doing labour history in New Zealand without the huge volumes of material saved by Bert Roth (1917–1994).

Thanks to my wonderful family: my mother and father, Yasmin and Michael Webb, and my brothers, Sean and Adam.

Finally, thank you to Catherine, for all of her love and support, for encouraging me to pursue the thesis, for being the breadwinner during the past three years, and for making sure I left my desk for the many walks we had along the Wainuiomata River. This project is done. Now for another delightful challenge: a baby, due in a month.

The writing of this thesis occurred during a series of world historical events: a pandemic, a jolting shock to the world’s economy, and the dawning realities of the climate crisis. I dedicate this thesis to all those who fight for alternatives and for a better world. How we remember and represent the past is central in that fight.

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Abbreviations

ACTU	Australian Council of Trade Unions
AES	Alternative Economic Strategy
ANZ	Archives New Zealand
ATL	Alexander Turnbull Library
CARP	Campaign Against Rising Prices
CSSO	Combined State Services Organisation
CSU	Combined State Unions
CTU	Council of Trade Unions
FOL	Federation of Labour
GST	Goods and Services Tax
GWO	General Wage Order
ILO	International Labour Organisation
IDC	Industries Development Commission
IMF	International Monetary Fund
NBR	National Business Review
NZJH	New Zealand Journal of History
NZJIR	New Zealand Journal of Industrial Relations
OECD	Organisation for Economic Co-operation and Development
PSA	Public Service Association
SIS	Security Intelligence Service
SUP	Socialist Unity Party

Prologue: State of the Unions

In September 1974, British TV journalist David Frost hosted a panel debate on New Zealand television entitled 'State of the Unions'. It was an interrogation into the increasingly contested role of organised labour in New Zealand political and economic life.[1] Among the many trade unionists in the audience were Secretary of the Northern Drivers Union and President of the Socialist Unity Party (SUP), Bill Andersen, and Secretary of the Electrical Workers Union, Tony Neary. Just two months earlier, Andersen was imprisoned for refusing to comply with an anti-strike court injunction, an event that sparked a mass union protest to secure his release. Such militant action bristled against Neary's more conservative vision of trade unionism; it would, he thought, imperil Labour's electoral advantage. Also featured in the audience was Peter Luxford of the Employers Federation, the peak employer body in matters of industrial relations and politics. The elderly ex-Labour MP and writer John A. Lee, and the young Labour MP for the Eden electorate, Mike Moore, represented the old and new of the Labour Party. There were also members of a number of newly formed anti-union organisations, such as People in Protest, a group campaigning against 'irresponsibility in unions', and the Society Against Compulsory Unionism.[2] The main guests, however, were Tom Skinner, the President of New Zealand's private sector peak union body, the Federation of Labour (FOL), and Robert Muldoon, the leader of the Opposition National Party. These were commanding voices in society, likely well-known to the audience watching at home. Altogether, those attending represented New Zealand's mid-1970s industrial and political conflicts and debates in microcosm.

[1] Over several episodes between 1973-1974, 'Frost Over New Zealand' addressed a number of key issues, including politics, censorship, abortion, marriage, and religion. Frost would become perhaps best known for his interview with US President Richard Nixon following Watergate.
[2] 'Frost over New Zealand', August 1974, Nga Taonga Film and Video Collection, F44194.

Before inviting Skinner and Muldoon to the stage, Frost opened with an audience debate and called on Valerie Blake from the Society Against Compulsory Unionism to begin. Militant unions, she said, were a threat to 'our way of life', disruptive to the economy and internally coercive. Trade unionists responded. Low wage workers did not enjoy 'our way of life', said Bill Andersen, and the regular accusations of 'militancy' among unionists ignored the militancy of employers and farmers who wielded their own power in the economy. Tony Neary added that Blake's comments reflected the fact that unions 'seem to be the whipping boy for certain politicians'. But Neary also distanced himself from Andersen. Militants and members of the SUP were getting far more attention than they deserved, he said, giving 'responsible unionism' a bad name. Frost then called on John A. Lee to give his views. Lee, long hostile to unions who he believed favoured militant wage bargaining over the Parliamentary struggle for socialism, claimed that excessive union power now posed a threat to the welfare state. 'All power corrupts', Lee said, 'and absolute power corrupts absolutely'.

Luxford of the Employers Federation did not weigh in on the accusations of union coercion and 'gangsterism' nor the call for the abolition of compulsory unionism. While a conservative force, the Employers Federation did not engage in populist anti-unionism. Rather, the stability of the system remained their paramount concern; compulsory unionism was just one tenet of that system. Instead, Luxford pointed to what he saw as the central problem. Employers internationally, he said, were struggling to keep up with the 'surge of inflation', and 'union demands' that resulted. Trade unionists in the audience disagreed. The root of the problem was, instead, the failure of employers to respond to reasonable wage demands during what were difficult inflationary times. Employers were squeezing workers to drive excessive profits. And, to make matters worse, workers and unionists were now increasingly being blamed by political leaders, the press, and a good portion of the public for the economic crisis, a crisis for which they were bearing the brunt of the burden. 'It's become fashionable ever since a certain man from Tamaki, I forget his name off-hand', said Gene Leckey of the Waterside Workers Union, 'made political capital out of trying to undermine [workers'] security by pointing the finger at the unions'.

The audience debate was good television, but it was just the curtain raiser. The cameras panned to the main stage, where Frost invited his two main guests: Tom Skinner and the 'certain man from Tamaki', Robert Muldoon. Only one month before, Muldoon had taken on the leadership of the National Party, though he had served as National MP for Tamaki since 1960 and as Minister of Finance between 1967 and 1972. Skinner, meanwhile, had served as FOL President since 1963. He was known for his conservatism, his ability to serve as something of a safety valve, and to defuse gnarly industrial tensions. The pair had dealt with each other amicably in the past. Yet now, on Frost's show, Muldoon quickly launched into an aggressive denunciation of unions, repeating allegations of 'gangsterism', vote rigging, and corruption. He claimed to hold several letters from workers to prove his claims, though he refused to present them. 'We all believe in the welfare state', Muldoon said, '[but] the gangster unions will destroy the welfare state'.

This was a different side of the Janus-faced Muldoon that Skinner had dealt with, the side looking for political advantage, not to settle a dispute or restore industrial harmony. Muldoon's appearance on the show marked the beginning of his 1975 election campaign. National, Muldoon said, would serve 'the people of New Zealand' and not sectional interests. 'Employers and Unions are not New Zealand. The people who vote on election day are New Zealand. People who don't want a bar of either the Employers Federation or the Federation of Labour are going to decide the issue'. Skinner, seemingly unprepared for the onslaught, was unable to get his points across. 'The most important thing in this country today are industrial relations', Skinner said, almost unconvinced by his own words, 'the relationship between employer and workers'. If Muldoon ever got into power, Skinner continued, 'industrial anarchy' would ensue, undermining decades of industrial stability and FOL cooperation with National and Labour governments.

The debate continued for 70 minutes, 20 minutes overtime, and covered compulsory unionism, union democracy, the economic crisis, inflation, and the place of organised labour in national politics. With Muldoon clearly dominating the debate and overpowering Skinner, Frost called on the audience members to contribute.

Labour MP Mike Moore said that Muldoon's election pledge to remove compulsory unionism risked concentrating union power within the freezing works and the wharves. Trade unions were 'part and parcel of the economy of the country', Neary added, 'and there cannot be true democracy unless there is a free, democratically-run trade union movement'. Neary then warned Muldoon: 'Do not kill the trade union movement, like Hitler did'. With this, chaos erupted. Muldoon raged at the unionists in the audience, who shouted back. Skinner watched on helplessly and Frost was 'more referee than reporter', suggested one journalist.[3]

Frost's 'State of the Unions' came at a crucial moment when the convergence of several interrelated developments pushed organised labour to the centre stage of political debate. Rising inflation and declining living standards sparked a period of union militancy, a growing political and popular anti-unionism called into question the place of organised labour within political and economic life, and New Zealand entered a period of severe and sustained economic crisis. The debate on Frost's show was a harbinger of the more acrimonious industrial and political climate to come. Muldoon's aggressive style and attacks on organised labour would come to define his 1975 election campaign, and contribute to his victory, a decisive turning point in New Zealand history and the beginning of the narrative told here.

[3] *Listener*, 20 September 1974.

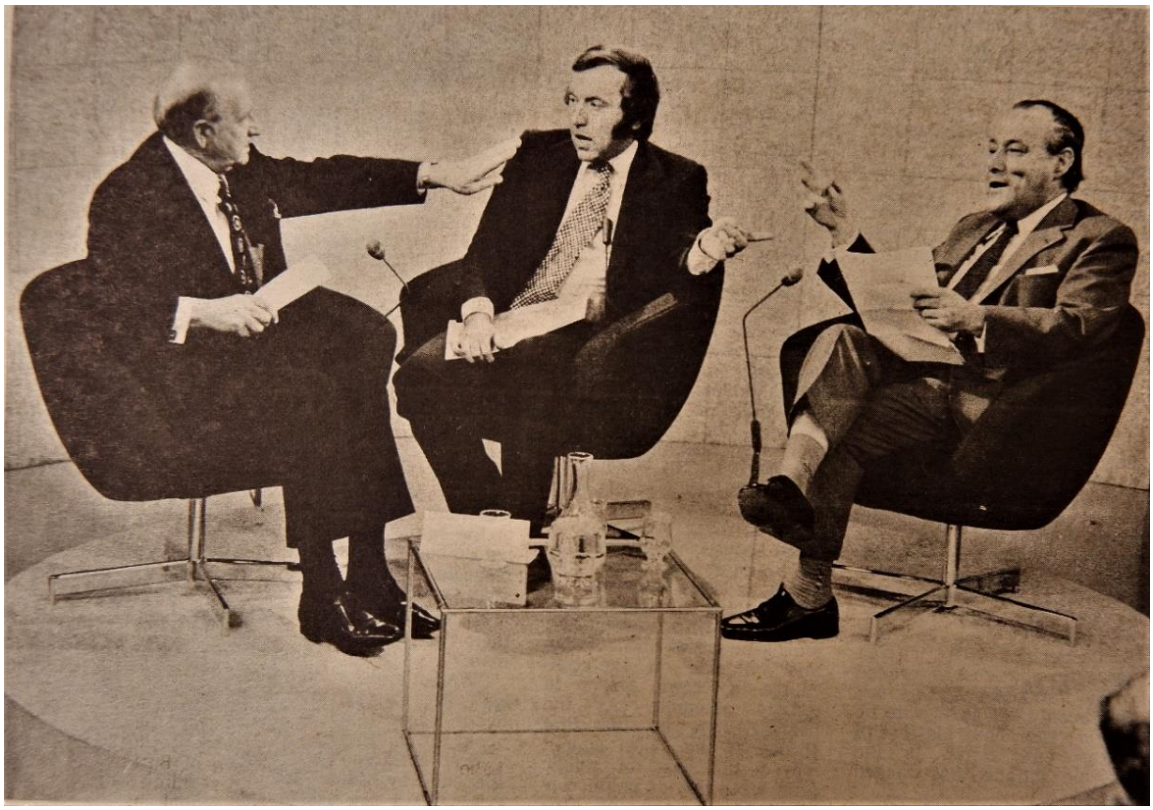

Figure 1. Tom Skinner and Robert Muldoon appear on 'Frost Over New Zealand'. *Listener*, 20 September 1974.

Introduction

By the 1970s, the Federation of Labour was a major force in New Zealand political and economic life. It had accumulated 'so much power', said one journalist in 1971, that 'the country seems to revolve around its actions'.[4] This was an exaggeration, to be sure, but a sign nonetheless of the FOL's power, or its perceived power. Representing 48 percent of the workforce at its peak, over half a million people organised into 250 affiliated unions, the FOL negotiated national wage cases, effectively setting minimum wage rates that then flowed through the private sector workforce.[5] It led efforts to settle protracted industrial disputes or rally workers behind strikes and campaigns, took progressive stances on domestic and international issues, campaigned for the Labour Party, and lobbied to influence its policy platform. FOL presidents—Tom Skinner (1963-1979) and then Jim Knox (1979-1987)—were household names and the recognised spokespeople for the whole labour movement. They commanded the attention and respect of prime ministers, regularly walked the halls of power, and featured in the media alongside business leaders and economists to debate the major developments of the day. Those in power kept close watch on the FOL annual conference, where decisions made could have a significant bearing on policy and politics. In short, the FOL served as a powerful countervailing force against employers and the state, provided a voice for workers in national politics, and fought to improve and defend workers' living standards and the institutional power of trade unions.

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[4] *Listener*, 16 August 1971.

[5] Public sector unions were represented by the Combined State Services Organisation (CSSO), later called the Combined State Unions (CSU), while a number of private sector unions remained unaffiliated. Peter Franks and Melanie Nolan, eds., *Unions in Common Cause: The New Zealand Federation of Labour*, 1937–1988, Wellington, 2011, p.209.

Figure 2. Federation of Labour march to Parliament, 1 July 1980. EP/1980/2086/10-F, ATL.

What follows is the story of how the FOL wielded, attempted to defend, and then lost much of that power during its final tumultuous years between 1975 and 1987. But it also tells a larger story about the fundamental transformations of New Zealand's political economy during these crucial decades, and the role of the FOL in that transformation.

Those decades marked an important historical juncture, one overwhelmingly shaped by economic crisis and political volatility. The twin oil shocks of the 1970s brought the postwar prosperity to a definitive end. The simultaneous emergence of high inflation and stagnation eroded real wages, fueled a more contested ritual of wage bargaining, and, in its very persistence, undermined longstanding Keynesian economic orthodoxies. The National Party led by Robert Muldoon campaigned and won the 1975 election on a platform of restoring New Zealand's 'shattered economy', tackling inflation, and, as part of that effort, dealing to organised labour. In power, Muldoon's National Government (1975-1984) pursued austerity, to dampen domestic demand and encourage an export-led recovery, a tentative programme of restructuring and liberalisation, the construction of a number of major capital- and energy-intensive projects, known as 'Think Big', and various forms of wage controls, culminating in the 1982 wage and price freeze. Muldoon's policies failed, however, to stem the crisis.

The Fourth Labour Government (1984-1990) pursued a very different approach. Led by its Finance Minister Roger Douglas, Labour embarked on an unprecedented programme of deregulation, market liberalisation, and severe monetary tightening. The cumulative effect was a jolting shock to the economy and society, and a major blow to organised labour, the system of wage bargaining, and the political commitment to full employment. For all the stark differences between 'Muldoonism' and 'Rogernomics', however, both National and Labour administrations, and their advisors in Treasury, believed that real wages had to fall in line with the decline in national income, that workers had to accept a decline in their living standards in the interests of tackling inflation and restoring economic growth. This was not an easy sell to workers, who faced an ever-rising cost of living

and steadily falling real wages. Seeking to engineer a fall in real wages also ran up sharply against the FOL's key objectives of defending living standards, maintaining the institutional power of trade unions, and of ensuring that workers did not bear the brunt of the economic crisis. This enduring conflict is central to this story.

As the political and economic landscape shifted beneath its feet, the FOL was forced to confront a series of vexing questions about its strategy and its role. How would it make the case for the maintenance of living standards in the face of an economic crisis and high inflation? How would it fight wage controls? Would it direct its attention to questions broader than wages? What was its analysis of the economic crisis? And what was its alternative? How would it communicate its message to an increasingly hostile public and counter a reliably hostile press? What was its relationship with the opposition Labour Party and party politics in general? If the FOL hoped that the 1984 election of Labour would offer some reprieve, the rapid economic reforms that followed only added a new set of conundrums. How, for example, would the FOL respond to the reforms? How would it confront the economic policies of its traditional partner and political wing without endangering its electoral prospects? More broadly, and most crucially, how would it reconcile its traditional goals with a new political economy forged by the reforms? Placing the FOL within its political and economic context, this study examines how—from the high-profile strikes of the era to the FOL conference floor, and from the often heated negotiations with the government and employers to the public debates in the media—these questions were contested, debated, and, ultimately, decided.

The FOL features here as a case study to explore union strategies during the economic crisis of the 1970s and the neoliberal response to that crisis in the 1980s. For the most part, this study focuses on the FOL leadership and its engagements with governments and party politics over key political and economic policy debates. Yet it also addresses how these high-level developments played out on the ground. Throughout these years, the FOL leadership needed to take seriously and act on the demands of its affiliates and their members, demands that took various, sometimes divergent, forms. It also examines a number of essential parallel developments that

punctuate the narrative. For example, it traces the changes within political parties and the broader debate about the economy, monetary, fiscal, and industrial relations policy. It examines what we might call the counter mobilisation; that is, the popular, political and policy anti-unionism of the era, and the changing attitudes within Treasury and the Reserve Bank, the Employers Federation and Business Roundtable, and press and popular anti-unionism.

This study proceeds in a chronological narrative. Following an overview of the FOL's pre-1975 history, our story begins in a moment of militancy and union strength following the election of Robert Muldoon's National Government in late 1975. We conclude with the end of the FOL following its merger in 1987 with the public sector peak body the Combined State Unions (CSU) to form a new peak body, the Council of Trade Unions (CTU) in the aftermath of rapid neoliberal economic reforms. With the creation of the CTU, the goal of New Zealand's peak union body was no longer the defence of living standards, but a programme of job creation and partnership with government in the pursuit of productivity and economic growth. If for some, the creation of the CTU was a sign of capitulation to the new political economy, and for others a strengthening exercise and a pragmatic solution, it also took place in a moment of undeniable defeat for the labour movement. It marked the end of the peak body's status as a central player in political and economic life and the beginning of a precipitate decline in organised labour's fortunes.

Perspectives

How did the FOL, which once occupied so large a place in national life, lose that position of strength and influence within a relatively short period of time? First, it is important to recognise that these were remarkably difficult years for organised labour internationally. In most western nations, union upsurge and promise followed in quick succession by marginalisation is a recurrent theme. A charge often laid against it is that it played a largely reactive and self-defeating role, and that it failed to adapt to changing economic orthodoxies. Others suggest that it failed to mount an effective opposition to economic restructuring and to state and employer attacks. In most interpretations, the labour movement is presented as

sowing the seeds of its own destruction. Internationally, scholars share variations on this interpretation. Of the US labour movement, one scholar writes that it 'ultimately died of the many external assaults upon it' but mostly because 'of its own internal weaknesses'.[6] Of the British labour movement, another suggests that it failed to provide a 'strategic reassessment' in the context of a changing economy, relying instead on 'a schizophrenic oscillation between strike action and political incorporation'.[7]

Scholars and commentators in New Zealand have long sought explanations for the near collapse of organised labour in the late twentieth century. For a number of scholars and activists on the left, the 1970s was a period of vibrant rank-and-file working-class struggle as a crisis of capital ruptured the postwar class compromise. In the context of a 'ruling class' counteroffensive after 1984, however, such rank-and-file energy was squandered, and the union leadership failed to lead a robust opposition.[8] The FOL, and above all its successor, the CTU, were thus complicit in the destruction of the labour movement. The very decision to disband the FOL and form the CTU, and to seek an incomes agreement with Labour, was a 'Faustian bargain', wrote Chris Trotter, 'a seat among the elite at the state's table, in return for the movement's democratic soul'.[9] For others, part of the problem was rooted in strategy and organisation. The union hierarchy was overwhelmingly 'white, male, and politically sectarian', wrote Jane Kelsey, 'sustained campaigns were rare and generally unsuccessful', compulsory unionism 'fostered a false sense of power and an accompanying neglect of the rank-and-file constituency', while pre-occupation with the Labour Party robbed it 'of political imagination'.[10] More recently, Cybèle Locke writes that the FOL's strategy after 1984 was one of

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[6] Jefferson Cowie, *Stayin' Alive: the 1970s and the Final Days of the Working Class*, New York, 2010, p.18.
[7] Chris Howell, *Trade Unions and the State: The Construction of Industrial Relations Institutions in Britain, 1890-2000*, Princeton, 2005, pp.119, 131-134.
[8] Brian Roper, *Prosperity for All? Economic, Social and Political Change in New Zealand Since 1935*, Melbourne, 2005; Tom Bramble with Sarah Heal, 'Trade Unions', in Chris Rudd and Brian Roper, eds, *The Political Economy of New Zealand*, Oxford, 1997, pp.131–132.
[9] Chris Trotter, *No Left Turn: The Distortion of New Zealand's History by Greed, Bigotry and Right-Wing Politics*, Auckland, 2007, p.290.
[10] Jane Kelsey, 'Employment and Union Issues in New Zealand, 12 Years On', *California Western International Law Journal* 28, No. 1, 1997, p.253.

‘nonconfrontation and uncensorious support of the Labour Government in the hope of influencing policies on labour issues’.[11] The perhaps implicit assumption behind much of this work is that a more militant stance would have challenged economic restructuring and halted or reversed labour’s decline. For others, this message is explicit. Toby Boraman, for example, argues that the economic restructuring ‘could perhaps have been reduced, and jobs, wages and conditions not so rapidly lost, if major and nationally coordinated campaigns had been able to be mounted’.[12]

For others, it was precisely a kind of wage militancy devoid of a coherent political programme that made the FOL singularly ill-equipped to deal with economic change. Bruce Jesson suggested that the FOL pursued a ‘self-destructive militancy’ after 1975, relegating it to a position of ‘passive irrelevance’ after 1984.[13] Colin James added that unions became ‘bastions of conservatism’ narrowly focused on a sometimes ‘aggressive economism’ over any broader socialist or even generally political ideology.[14] For many, what doomed the FOL from the outset was the failure to reach an agreement with Labour before 1984 akin to the ‘Accord’ between the Australian Council of Trade Unions and the Hawke-Keating Labor Government in 1983.[15] What scholars on the left see as the strength of the FOL at its militant peak—its decentralised, raucously democratic, and militant stance—is viewed in this interpretation as its distinct weakness and key to its inability to secure such an agreement. Presented as the softer, alternative path to the ruthless and elitist path of Rogernomics, a ‘New Zealand Accord’, has become the great counterfactual of these years. Related to this, some suggest that in its insistence on free wage

[11] Cybèle Locke, *Workers in the Margins: Union Radicals in Post-war New Zealand*, Wellington, 2012; ‘“Blame the System Not the Victim!” Organising the Unemployed in New Zealand, 1983-1992’, *International Labor and Working-Class History*, 71, 2007, p.170.
[12] Toby Boraman, ‘Resistance to Destructuring in the 1980s’, *LHP Bulletin*, 82, 2021, pp.17-24.
[13] Bruce Jesson, *Fragments of Labour*, Auckland, 1989, p.94
[14] Colin James, *Quiet Revolution*, Wellington, 1986, pp.14, 167. James draws on Douglas C. Webber, ‘Trade unions, the Labour Party and the death of working-class politics in New Zealand’, MA Thesis, University of Canterbury, 1976, p.74.
[15] Shaun Goldfinch, *Remaking New Zealand and Australian Economic Policy: Ideas, Institutions and Policy Communities*, Wellington, 2000; Francis Castles, Rolf Gerritsen and Jack Vowles, eds, *The Great Experiment: Labour Parties and Public Policy Transformation in Australia and New Zealand*, Auckland, 1996.

bargaining, the FOL must share some of the blame for the destruction of the industrial relations system.[16]

Others still suggest that the system itself limited the FOL to wages, conditions and distribution, leaving it 'incapable of devising and delivering a strategy'.[17] Industrial relations scholars emphasise the FOL's reliance on legislative protections, suggesting that the militant victories of the era masked an underlying weakness, one exposed by the shocks of global economic forces. Much of the assumed strength was thus illusory, 'a mirage'.[18] Numerous political leaders share variations of these views, though the focus is almost exclusively on the role of personalities. The denigration of FOL President Jim Knox, for example, is a recurring trope in the many political memoirs of Labour Party leaders. In some cases, such denigration served as a means to dismiss the role of the FOL, to reduce a complex history, and as a convenient alibi for their own role in organised labour's marginalisation.[19]

If there is a tendency in the interpretations outlined above to debate 'what could have been', to present this as a history of missed opportunities and failed leadership, then for those on the right, the political and economic changes of the era, and with it the marginalization of organised labour, were inevitable and necessary.[20] Excessive wage-demands and union 'bloody mindedness' fueled the spiraling inflation of the era, calling into question the whole foundation of Keynesian economic management. In this interpretation, the FOL is presented as one of the many sclerotic institutions, a representation of everything wrong with 1970s-style

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[16] Melanie Nolan and Pat Walsh, 'Labour's Leg-iron? Assessing Trade Unions and Arbitration in New Zealand', in Pat Walsh, ed., *Trade Unions, Work and Society: The Centenary of the Arbitration System*, Palmerston North, 1994, pp.9–38.

[17] Owen Harvey, 'The Rise and Fall of the Compact', in John Deeks and Nick Perry, eds, *Controlling Interests: Business, The State and Society in New Zealand*. Auckland, 1992, pp.60-63.

[18] Ian McAndrew, Alan Geare and Fiona Edgar, 'The Changing Landscape of Workplace Relations', in Gordon Andersen, Alan Geare, Erling Rasmussen and Margaret Wilson, eds., *Transforming Workplace Relations in New Zealand, 1976-2016*, Wellington, 2017, p.29.

[19] David Lange, *My Life*, Auckland, 2005, p.131; Michael Bassett, *Working with David: inside the Lange Cabinet*, Auckland, 2005, p.130; more recently; Michael Cullen, *Labour Saving: A Memoir*, Auckland, 2021, p.65, and Margaret Wilson, *Activism, Feminism, Politics and Parliament*, Wellington, 2021, p.75.

[20] Melanie Nolan, 'Neoliberalism at Work in the Antipodean Welfare State in the Twentieth Century: Collusion, Collaboration, and Resistance', in Leon Fink, Joseph A. McCartin, and Joan Sangster eds., *Workers in Hard Times: A Long View of Economic Crises*, Illinois, 2014, pp.161-183.

trade unionism and economic management. Members of the Business Roundtable, for example, claimed that New Zealand had a 'British-style trade union system with all its horrors', and that the FOL leadership's focus on its own parochial concerns inhibited the return of the much-vaunted economic growth of the mid-1980s and impeded New Zealand's integration into modern globalising economy.[21] This interpretation forms just one part of a 'comprehensive denigration' of the pre-1984 regime, one designed to legitimate certain policy directions.[22] Names like Jim Knox and Con Devlin, the Boilermakers and the BNZ, Marsden Point and Mangere Bridge have all become synonymous with excessive union power. This history by aphorism, solidified into orthodoxy, has retained an extraordinary staying power in the public memory of the era.

This remarkable polarity of opinion about the FOL reflects a number of broader interpretative differences. First, it reflects the long recognised ambiguities of a peak union body. Presented variously as 'indispensable or redundant, their positions as towering or subservient, and their policies as progressive or opposed to change', peak bodies internationally have received a similarly mixed response.[23] Like many peak union bodies, the FOL was—to borrow a phrase—a 'fragile juggernaut'.[24] Second, interpretations remain firmly gripped by ideological and political considerations; the debate about the FOL tracks a larger debate about the nature of New Zealand's economy and economic reforms in the final quarter of the twentieth century. The issues of wages, inflation, employment and the institutional power of unions were central to those debates. And yet, despite the differences of opinion, the assumption of failure on the part of the FOL—whether as a result of inevitable

[21] Doug Myers, in Jim McAloon, *Judgements of All Kinds: Economic Policy-Making in New Zealand 1945-1984*, Wellington, 2013, p.14; Roger Kerr, in *Ken Douglas: Traitor or Visionary?* [Documentary] (NZ on Screen, 2006).
[22] McAloon, 'Unsettling Recolonization: Labourism, Keynesianism and Australasia from the 1890s to the 1950s', *Thesis Eleven*, 92, February 2008, pp.50-68; Shaun Goldfinch and Daniel Malpass, 'The Polish Shipyard: Myth, Economic History and Economic Policy Reform in New Zealand', *Australian Journal of Politics and History*, 53, 1, 2007, pp.118-137.
[23] Heinz Hartmann and Christoph Lau, 'Trade Union Confederations: A Comparative Study of Identity and Strategy', *International Studies Quarterly*, 24, 3, 1980, pp.365-391.
[24] Robert H. Zeiger, *The CIO, 1935-1955*, Chapel Hill, 1995, p.1.

and inexorable economic forces or because of the specific betrayals and failings of individuals—is broadly shared.

Thesis focus and interventions

This study moves beyond the traditional questions of what the FOL ought to have done. Rather, it seeks to understand what it did do, to understand it within the context of its successes, its limitations, and its failures, and to emphasise the immense difficulties posed by the pressures of economic crisis and political hostility. This is not to suggest that the FOL always responded well. Far from it. Some of the criticisms laid against the FOL outlined above remain valid, though too often defined by sweeping generalisations and breezy dismissal. Nor was the FOL entirely helpless in the face of economic change. Instead, this thesis argues that the FOL played a more active and critical role in political and economic life than previously recognised. While not always successful, we need to understand how the FOL sought to respond to the challenges of the era. In taking this approach, this study emphasises the rhythms of historical change, the chains of causation, the various points of view, the actions and miscalculations of key players, and the pressures they faced.

By examining the FOL's response to the events *as they unfolded*, the more prosaic union rituals and debates—from union conferences, negotiations over wages, and debates about economic and industrial policy—come alive as places where opposing visions of the future of the union movement, politics, and the economy were contested and debated, rather than as markers on the road to inevitable defeat. Yet this study also seeks to place the FOL within the context of harder structural and institutional limits. In doing so, it follows the lead of labour historians in *Workers in Hard Times: A Long View of Economic Crises* who suggest that we must incorporate an understanding of political economy, and work not to 'uncritically recover and celebrate working-class agency' but rather to find a balance between agency and determination, between 'an appreciation of the impact that workers' struggles have had on history', and 'a clear understanding of the larger forces that

have limited working-class responses, especially in periods of crisis and transformation'.[25]

This thesis makes a number of historiographical interventions. Most directly, it is the first sustained historical account of the FOL during these pivotal years. Despite its significance, few historians have examined the FOL's role in much depth or have made use of the vast archival record available. A history of the FOL also adds a new dimension to our understanding of the era more broadly. While the political and economic transformations after 1975, and above all after 1984, have been the subject of numerous journalistic accounts and a vast scholarship in industrial relations, sociology, and political science, we still lack substantial historical accounts that centre the story of organised labour. While wages, inflation, and employment have long been recognised as the central political economy questions of these decades, scholars have been strangely inattentive to the era's labour history. The focus has largely been on the political and policy-elite.

More broadly, this study argues for the importance of the years between 1975 and 1987 in assessing the late twentieth century decline of organised labour. The perhaps understandable focus has been on the 1991 deregulation of the labour market. Historical writing that does examine the trajectory of organised labour during the preceding decades often focuses narrowly on industrial relations, the fate of the arbitration system, or on particular local struggles and union institutional histories; the broader political and economic context occurs largely off-stage. While still a partial view, then, a study of the FOL provides a new vantage point from which to view these decades, a way to yield a more rounded understanding of organised labour at a crucial moment in its history, and a way to illuminate and integrate the important nexus between labour, political, and economic history.

This thesis also contributes to three separate strands of an international literature. First it adds to an emerging scholarship that now recognises the importance of the

[25] Fink, McCartin, and Sangster eds., *Workers in Hard Times,* p.11.

1970s and 1980s to the making of the modern political economy.[26] This new literature seeks in part to emphasise the pre-neoliberal period and then to challenge and complicate the assumed triumphalism of the neoliberal story of inflation and disinflation. Second, it adds to a new literature that seeks to recentre labour history into the broader political and economic narrative of the era, and to assesses the ways in which labour movements respond to abrupt economic shifts.[27] Lastly, it contributes to an international literature on peak union organisation, particularly as they faced the challenges of the 1970s and 1980s.[28] The aim here, though, is not to provide a comparative study, nor 'simply to reveal another variant in the global trend phenomenon of neoliberalism'.[29] As Frank Bongiorno writes, 'globalisation produced different kinds of effects as it encountered a range of national contexts'.[30] The aim here is to situate the FOL experience within that history and scholarship, and to examine how New Zealand's unique political and economic context shaped the FOL's trajectory.

Themes

As the title implies, this thesis addresses three interconnected themes. First, it examines the FOL's interactions with governments, the state, and party politics. The FOL always posed a political problem for both major parties. While pragmatic National leaders made some accommodation with the FOL, Muldoon adopted a

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[26] Stefan Eich and Adam Tooze, 'The Great Inflation', Anselm Doering-Manteuffel, Lutz Raphael, and Thomas Schlemmer eds., *Vorgeschichte der Gegenwart: Dimensionen des Strukturbruchs nach dem Boom*, Göttingen, 2015, pp.183-196; Barbara Keys, Jack Davies, and Elliott Bannan, "The Post-Traumatic Decade: New Histories of the 1970s." *Australasian Journal of American Studies,* 33, no. 1, 2014, pp.1–17; Lawrence Black, 'An Enlightening Decade? New Histories of 1970s' Britain', *International Labor and Working-Class History*, No. 82, Fall 2012, pp.174-186.

[27] Jenny Breen, 'Working through the Seventies: Culture, Class, and Capital in the Era of Deindustrialization', *New Political Science*, Vol.32, no.3, 2010, pp.609-616; Derek Seidman, 'The Long 1970s and the Never-ending Labor Question', *Reviews in American History*, 41, 2013, pp.350-355.

[28] To list just a few: Clifford B. Donn, *The Australian Council of Trade Unions: History and Economic Policy*. Lanham, 1983; Bradon Ellem, Ray Markey and John Shields, eds., *Peak Unions in Australia: Origins, Purpose, Power, Agency*, Perth 2004; Lai To Lee, *Trade Unions in China, 1949 to the Present*, Singapore, 1986; Robert Taylor, *The TUC: From the General Strike to New Unionism*, New York, 2000; Vishwas Satgar, *Cosatu in Crisis: The Fragmentation of an African Trade Union Federation*, 2015; Timothy Minchin, *Labor Under Fire: A History of the AFL-CIO since 1979*, North Carolina, 2017.

[29] Nolan, 'Neoliberalism at Work', p.163.

[30] Frank Bongiorno, 'Labor, Labour and Australia's 1980s', 2017 Alex Macdonald Lecture, 7 June 2017, Brisbane Labour History Association, p.15.

stance that lurched between confrontation and negotiation. Meanwhile, if the historic relationship between the FOL and Labour was never entirely cordial, a parallel with social democratic parties and organised labour internationally, that important and enduring relationship was placed under significant pressure. During its long period in opposition between 1975 and 1984, Labour increasingly questioned whether the FOL was a necessary partner or an electoral liability. The FOL's attitude towards Labour changed over time, from hostility to calls for unity, independence to dependence. If, during the late 1970s and early 1980s, the FOL debated whether it could achieve more through industrial strength than through electoral politics, by early 1984 it saw Labour's election as crucial to its survival. Even while opposing the Labour Government's neoliberal reforms after 1984, the FOL leadership maintained that Labour needed to stay in power. Those political developments shaped and were shaped by the responses by union members and affiliates across the country. From concerns that the FOL was endangering Labour's electoral prospects or that it was becoming too reliant on the Party and losing independence, FOL members challenged the leadership and shaped how the organisation engaged with parliamentary politics.

Second, this study is concerned with the economic and inflationary crisis and policy responses. During these decades, politics turned on how to address the crisis; the efforts to restore growth and served as the major engine of conflict between unions, employers, and the government. While the crisis set off a sharper distributive struggle, its persistence also provoked a wider rethinking on the part of all parties—the FOL, employer and business organisations, Government, political parties and the policy-elite within Treasury and the Reserve Bank—about how to respond. All underwent what one scholar calls an 'institutional searching', all advanced their own contradictory and contested solutions.[31] Indeed, scholars have long demonstrated that economic crises are often periods of rupture, when 'economic models come into conflict, and policy prescriptions diverge'.[32] In this sense, this

[31] Brett Heino, *Regulation Theory and Australian Capitalism: Rethinking Social Justice and Labour Law*, London, 2017, p.62.
[32] Peter Gourevitch, *Politics in Hard Times: Comparative Responses to International Economic Crises*, New York, 1986, p.17.

study assesses the FOL's role in political economy, defined by Malcolm McKinnon as 'that terrain where power, financial and economic activity and economic theory meet and jostle'.[33] The politics of economic crisis also involves, to a considerable extent, a 'public construction'.[34] All parties vied in their interpretations of the crisis, of who was to blame, of who should bear the costs, and what the solutions were. This is not to say that such constructions are always false, or the events and crises not real, but rather that they require 'an active process of narration in which the "raw material" of crises are bound together and given meaning'.[35]

Drawing on this understanding, this study assesses both the FOL's response to the crisis, but also its contribution to the policy and public debate. It argues that rather than avoiding questions of economic policy, the FOL's contribution to the debate came in various forms: at the bargaining table, in efforts to shape policy, and in the development of its own alternative economic strategy. At the same time, a study of the FOL adds a new layer to our understanding of the economic debate. While the ideological shift from Keynesianism to neoliberalism among the political and policy-elite has been well traversed by scholars, few have examined how this development was understood and debated by the population at large. From the supermarket checkout to the petrol pump, the union conference hall to the bargaining table, trade unionists, employers, consumers and community groups joined the increasingly acrimonious debate about the economy. Similarly, while scholars have traced the fortunes of the arbitration system, this has led to a relative neglect of the relationship between organised labour and economic policy in general.

Finally, this study is concerned with the question of 'living standards'. While an enduring theme in New Zealand history, few historians have examined its changing meaning over time.[36] By the late-1960s and in the 1970s, in the context of inflation

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[33] Malcolm McKinnon, *Treasury: The New Zealand Treasury, 1840–2000*, Auckland, 2003, p.18.
[34] Colin Hay, 'Chronicles of a Death Foretold: The Winter of Discontent and Construction of Crisis of British Keynesianism', *Parliamentary Affairs*, no.63, 2010, pp.464-6.
[35] Robert Saunders, 'Thatcherism and the seventies', in Ben Jackson and Robert Saunders, eds., *Making Thatcher's Britain*, Cambridge, 2012, p.25.
[36] In a rare exception, Melanie Nolan examines the 'third, neglected objective' of the FOL in the postwar years. Nolan, 'The tyranny of averages and the politics of indexing: The Walsh Years, 1937-63', in Franks and Nolan, pp.137-138.

and a decline in the terms of trade, both major political parties agreed that a decline in living standards domestically was necessary to restore economic growth.[37] If the major political parties competed 'over which of them could sustain the highest standard of living' before the 1970s, thereafter, 'the focus shifted from living standards to a more amorphous goal: economic growth'.[38] Muldoon's Government attempted to restore growth by, among other things, imposing various forms of wage regulations alongside a broader deflationary economic programme, tentative restructuring and liberalisation, and 'Think Big'. Labour took a vastly different approach. It promised to 'raise permanently the living standards of all New Zealanders'. The inclusion of the word 'permanent' was an implicit critique of inflationary wage gains, an attempt to marry traditional Labour politics with its new focus on price stability, market-led liberalisation, deregulation, and tight monetary policy. Throughout the period, the FOL argued that the maintenance of living standards, often defined as the maintenance of real wages, was consistent with economic recovery, would address the 'crisis of underspending', stimulate aggregate demand, and reduce unemployment. That argument came under intense pressure during these years.

As unemployment increased and global economic orthodoxies shifted, the FOL found itself with few allies within the political and policy community, and even some dissension among its own leadership who argued for a new approach. These long-debated issues took on a new intensity after 1984. Labour's orientation towards a 'growth first' anti-inflationary strategy steadily undermined union arguments. As distributional conflicts intensified, the emerging 'New Right' coalition added a new weight and organisation to the view that the FOL, and the system of industrial relations it sought to protect, was a key obstacle to economic growth. With the end of the FOL, the new CTU largely conceded. While it continued to oppose deregulation and tight monetary policy, it oversaw the abandonment of the traditional goal of raising and defending living standards in

[37] McAloon, *Judgements*, p.172.
[38] Claire Robinson, *Promises, Promises: 80 Years of Wooing New Zealand Voters*, Auckland, 2019, p.120.

favour of a new focus on increasing productivity and growth, and a programme of job creation in partnership with a Labour Government. This shift, characterised variously as capitulation or a pragmatic response, is often commented on, but rarely analysed or examined within the longer story of the FOL's grappling with the economic crisis from the mid-1970s.

Historiography

This study builds on a broad scholarship that has examined the role of organised labour and the political economy during the transition from the postwar Keynesian settlement to neoliberalism. That scholarship developed in several waves. The first was the largely contemporary or near-contemporary accounts, the narratives of participants and the analyses by industrial relations scholars and journalists. Union activists and political leaders had a keen sense of the historical developments in which they were participating. Many recorded their impressions and contributed to the 'first draft' of a developing historical narrative. A large body of industrial relations scholarship provided contemporary perspectives on industrial relations law and union campaigns and disputes; this literature focused on the changing nature of the arbitration system over time, the pressures on it, and the various government efforts to control wages.[39] Pat Walsh and Jonathan Boston provided the foundational studies.[40]

Journalistic accounts on the broader political and economic changes of the decades quickly followed, the most influential being the works of Bruce Jesson and of Colin James.[41] But if journalists largely focused on politics and political leaders, Marxist scholars provided a broader structural analysis. These scholars account for the decline of organised labour in terms of a crisis of capitalism, and the neoliberal response to that crisis being led by a united ruling class of employers, the Treasury, and members of the Labour Party. As suggested, these scholars critique the union leadership for not opposing neoliberalism or leading a militant struggle against

[39] Much of which featured in the *New Zealand Journal of Industrial Relations*.
[40] Jonathan Boston, *Incomes Policy in New Zealand*, Wellington, 1984; Patrick J. Walsh, 'The Rejection of Corporatism: Trade Unions, Employers and the State in New Zealand, 1960-1977', PhD thesis, University of Minnesota, 1984.
[41] Jesson, *Fragment*, pp.93-94; Colin James, *New Territory*, Wellington, 1992.

employer and state attacks. This scholarship provides numerous valuable insights into the period, including important theoretical frameworks for understanding the crisis of capital accumulation from the 1970s onwards.[42] For historians, however, this work remains overly deterministic, provides little sense of agency and context, and little in the way of historical evidence or archival research.

More recently, historians have begun to address the topic of organised labour during these decades in a more sustained manner. Historians Melanie Nolan and Cybèle Locke have produced the bulk of new research into the labour history of the era. Nolan, for example, has explored numerous elements of New Zealand labour history, including histories of the breadwinner wage, social mobility, and egalitarianism.[43] On the period examined here, Nolan has also focused on 1970s gender and unionism, and the response of the union movement to neoliberalism, a response that was 'complex, involving resistance as well as collusion and collaboration'.[44] Locke's focus, meanwhile, has been on the 'bottom up' history of the era: workplace struggles, feminist campaigns in the private sector, the intersection of Māori activism and trade unions, and the role of the unemployed workers' movements.[45] Locke's work focuses on key challenges to the union

[42] Brian Roper, 'From the Welfare State to the Free Market. Part I: Explaining the Transition', *New Zealand Sociology*, 6 (1), May 1991, pp.38-63; 'Part II: Crisis, Class, Ideology and the State', *New Zealand Sociology*, 6 (2), November 1991, pp.135-176; Bramble with Heal.

[43] Melanie Nolan, *Breadwinning: New Zealand Women and the State*, Christchurch, 2000; 'The Reality and Myth of New Zealand Egalitarianism: Explaining the Pattern of a Labour Historiography at the Edge of Empires', *Labour History Review*, 72, 2, 2007, pp.113-134; 'Constantly on the Move, but going nowhere? Work, Community and Social Mobility', in Giselle Byrnes ed., *The New Oxford History of New Zealand*, Melbourne, 2009, pp.357-387.

[44] Nolan, 'Neoliberalism at Work', pp.161-183; Nolan and Shaun Ryan, 'Transforming Unionism by Organising? An Examination of the "Gender Revolution" in New Zealand Trade Unionism Since 1975', *Labour History,* 84, 2003, pp.89-111.

[45] Locke, *Workers in the Margin*; 'From Human Rights to Maori Sovereignty: Maori Radicalism and Trade Unions, 1967-1986', in Rachel Bell *et al.*, *The Treaty on the Ground: Where we are headed and why it matters*, Auckland, 2017, pp.75-89; 'Maori Sovereignty, Black Feminism and the New Zealand Trade Union Movement, in Carol Williams, ed., *Indigenous Women and Work: From Labor to Activism*, Illinois, 2012, pp. 254-267; 'Building solidarity at the flax-roots: standing committees for women, Maori and Pacific Island members inside the Wellington Hotel and Hospital Workers Union, 1979-1989', *Labour & Industry* 25, 3, 2015, pp.170-184; 'The New Zealand Northern Drivers' Union: Trade Union Anti-Racism Work, 1937–80', *Labour History*, 120, May 2021, pp.21-47.

movement, from the campaign for the Working Women's Charter to Te Hui a Kaimahi in 1986, when Māori trade unionists threatened to leave the FOL and CSU.

The FOL also began to receive more attention from historians. *Unions in Common Cause*, edited by Melanie Nolan and Peter Franks, provided an overview of the FOL's history, covering in various chapters its precursors, founding conference, role in postwar wage determination, its response to the 'troubled times' between 1966 and 1988, and the transition from the FOL to the CTU in 1987. The authors note that the lack of scholarship on the FOL results from an assumption that it was 'conservative' and therefore 'uninteresting'. This is, the authors noted, 'disconcerting' given its centrality to labour history and the vast available archives, which remain 'sufficiently rich to sustain any number of histories'.[46] Raymond Markey's essay in the volume on the FOL between 1967 and 1988 provides a useful way of thinking about the peak body and the various ways it operated during these years (as an 'agent of mobilisation', 'agent of exchange' and 'agent of regulation').[47] Not intended as a comprehensive history, *Unions in Common Cause* provides an introduction to the FOL's past, and sought to 'generate interest' and further research.[48] This study takes up that call for further research.

Elsewhere scholars have traced elements of the FOL's history, sometimes indirectly. Jim McAloon's history of postwar economic policy details the often tense relationship between the FOL and governments in the context of the economic crisis as policymakers sought an always elusive incomes policy.[49] This study draws heavily on McAloon's various writings on political economy.[50] Shelley Harford has examined the FOL alongside the Australian Council of Trade Union (ACTU) to examine the links between the two organisations as they sought to understand the

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[46] Peter Franks and Melanie Nolan, 'Rescuing the Federations of Labour from the condescension of history', in Franks and Nolan, *Unions in Common Cause*, pp.21-22.
[47] Raymond Markey, 'Troubled Times: 1967-1988' in Franks and Nolan, pp.145-181.
[48] Ibid., p.19.
[49] McAloon, *Judgements*, pp163-166, 188-194, 210-212.
[50] McAloon, 'Unsettling Recolonization'; McAloon, 'The State and Economic Policy in Twentieth Century Australia and New Zealand: Escaping the Staples Trap?', Christopher Lloyd, Jacob Metzer, and Richard Sutch, eds., *Settler Economies in World History*, Boston, 2013; McAloon, 'Robert Muldoon and the New Zealand economic crisis, 1975-84'. Asia-Pacific Economic and Business History Conference, Victoria University of Wellington, New Zealand, February 2010.

globalising world, acknowledge shared economic and industrial issues and work together on civil rights and shared concerns about the Pacific.[51] Ryan Bodman has explored the media representation of organised labour, and particularly the FOL, in the years before 1984. Bodman argues that while organised labour's marginalisation was rapid and dramatic after 1984, it was preceded by a shifting press attitude towards the movement, one that served to legitimise that marginalisation.[52] This study shares Bodman's assertion that we need to extend our focus to the important period before 1991, and even 1984. More recently, Toby Boraman has revealed important insights into the rank and file history of the 'long-1970s'.[53]

Memoir, autobiography and biography dominate the literature on the period. Numerous political leaders have attempted to shape the narrative.[54] Union leaders, too, have produced autobiographies and memoir, including Tom Skinner, Tony Neary, and Sonja Davies.[55] Biographies provide important insights into the period, including David Grant's on Ken Douglas and Barry Gustafson's on Muldoon.[56] Outside of brief *Dictionary of New Zealand Biography* entries, the FOL's two major leaders during this period, Tom Skinner and Jim Knox, lack full length biographies.[57] Neither Skinner nor Knox left much in the way of personal papers, nor were they interviewed at length for oral history collections. Outside of the

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[51] Shelley Harford, 'A trans-Tasman community: organisational links between the ACTU and NZFOL/NZCTU, 1970-1990', MA Thesis, University of Canterbury, 2006.
[52] Ryan Bodman, '"The Public Have Had a Gutsful and So Have We": The Alienation of Organised Labour in New Zealand, 1968–1984', MA, University of Auckland, 2013.
[53] Toby Boraman, 'Merging politics with economics: Non-industrial and political work stoppage statistics in New Zealand during the long 1970s', *New Zealand Journal of Employment Relations*, 41, 1, 2016, 64-82; 'Wildcat Homers, Gamifying Work, and Workplace-Whānau in the Meat Industry: Re-Examining the Subversiveness of Informal Workers' Resistance', *Journal of Labor and Society*, 20, 4, 2017, pp.467-485.
[54] To list just a few: Robert Muldoon, *My Way*, Wellington, 1981; 'The New Zealand Economy: A Personal View, Wellington, 1985; Hugh Templeton, *All Honourable Men: Inside the Muldoon Cabinet, 1975–1984*, Auckland, 1995; Bassett, *Working with David*; Lange, *My Life*.
[55] Tom Skinner, *Man to Man*, London, 1980; Tom Neary, *Neary, The Price of Principle*, Auckland, 1986; Sonja Davies, *Bread and Roses*, Auckland, 1984; *Marching On*, Auckland, 1997.
[56] David Grant, *Man For All Seasons: The Life and Times of Ken Douglas*, Auckland, 2010; Barry Gustafson, Barry, *His Way: A Biography of Robert Muldoon*, Auckland, 2000. .
[57] Peter Franks. 'Skinner, Thomas Edward', Dictionary of New Zealand Biography, first published in 2000. Te Ara - the Encyclopedia of New Zealand; Peter Franks. 'Knox, Walter James', Dictionary of New Zealand Biography, first published in 2000. Te Ara - the Encyclopedia of New Zealand.

labour history on these decades, this thesis also draws on the literature on the political and economic history of the era, histories of political parties and of key institutions, such as the Treasury and Reserve Bank.[58] It also draws on a largely undeveloped literature on employers, anti-unionism, and popular conservatism—all areas that require much more historical investigation.[59]

Sources and Chapter Summary

This study draws on a range of primary sources, from the vast archives of the FOL, political parties, and the Employers Federation held in the Alexander Turnbull Library, to the files of the Treasury, Department of Labour, and the various other government and political papers held at Archives New Zealand. I have also been given access to the personal archives of a number of individuals, such as Ken Douglas, Mike Smith and Therese O'Connell. Douglas' personal archive contains numerous files not yet viewed by researchers. While the focus is largely on the archival research, this study also draws on a number of oral histories conducted during the course of the research, and those already held in the ATL. I interviewed Ken Douglas, Graeme Clarke, Therese O'Connell, and Rob Campbell, and held informal discussions with a number of other key figures, including Mike Smith, Stan Rodger, and Rex Jones. I also draw on the ATL oral history collection.

The structure of this thesis is largely chronological with each chapter focused on a particular stage in the FOL's history. Chapter One examines the decades between the FOL's 1937 formation and the crucial 1975 election; it shows how the FOL came to accumulate and wield significant power within the broadly Keynesian economic order that prevailed for much of the period. Chapter Two and Three traces the FOL in the immediate aftermath of the 1975 election to 1980. If those years saw a number of major successes in terms of the resistance to wage controls, 1980-1981

[58] Barry Gustafson, *The First 50 Years: A History of the New Zealand National Party*. Auckland, 1986; Peter Franks and Jim McAloon, *The Labour Party*, Wellington, 2016; McKinnon, *Treasury*; John Singleton, with Arthur Grimes, Gary Hawke and Frank Holmes, *Independence and Innovation: The Reserve Bank of New Zealand, 1973–2003*, Auckland, 2006.

[59] Roper, 'Business Political Activism and the Emergence of the New Right in New Zealand, 1975 to 1987', *Political Science*, 44, 2,1992, pp.1–23; Roper, 'A Level Playing Field? Business Political Activism and State Policy Formation', in Brian Roper and Chris Rudd, eds, *State and Economy in New Zealand*, Auckland, 1993, pp.147– 171; Selwyn Parker, *Wealthmakers: A History of the Northern Employers' and Manufacturers 'Associations*, Auckland 2005.

also marked a turning point in the FOL's fortunes. Chapter Four assesses the FOL's response to a number of wider developments between 1979 and 1982, including restructuring and liberalisation, rising unemployment, the political fallout of a major anti-union protest march; it examines the FOL's attempt to develop an alternative economic strategy and its increasingly tense relationship with the Labour Party in the lead up to and in the aftermath of the 1981 election. Chapter Five traces the final term of Muldoon's Government (1981-1984), which was dominated by the 1982 wage and price freeze. The final two chapters trace how the FOL contended with the neoliberal economic policies pursued by Labour after 1984. Chapter Six traces the trajectory of wage bargaining, economic policy, and the FOL's contribution and response. Chapter Seven concludes by detailing the final years of the FOL between 1986 and 1987. These years were marked by an attempt to reach an incomes accord with Labour, a particularly difficult and unsuccessful wage round marked by employer aggression, and the passage of the Labour Relations Act 1987. Debate within the FOL about how to respond to economic reform culminated in the decision to merge with the CSU to form the Council of Trade Unions; it marked the final end of the FOL, and the end of an era in New Zealand labour history.

While late-1987 marks an important turning point, and the end of the narrative told herein, it is not the end of a larger story about the role of organised labour in late twentieth century New Zealand political and economic life. Following a summary of the arguments made, the conclusion traces the role of the CTU after 1987 in the hostile political and economic climate of the following decades and the implications of this history in the present. Combined with radical welfare state retrenchment, changes in tax policy, and the removal of public housing subsidies in the 1990s, many experienced a plummeting in their living standards, marking the beginning of New Zealand's current economic divide. Together, these transformations hastened emerging trends in the world of work and economic life: labour's declining share of national income, rising income and wealth inequality, and the rise of precarious work. The near collapse of organised labour's size, bargaining power, and political influence in the late twentieth century is a key element of that story, and one we are

yet to fully grapple with. But it is a story, this thesis contends, that begins in the mid-1970s. For better or worse, the FOL played a key role in that story.

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Despite their sparring on Frost's 'State of the Unions' in 1974, Muldoon and Skinner did agree on one thing, even if they did not explicitly say so: that union militancy and the economic crisis of the era posed a grave threat to a system that both men, for different reasons, favoured and were a product of. For Skinner, this was the arbitration system, a system that supported the organisation of unions, and, for the most part, maintained workers' living standards regardless of their industrial strength. It was a system that put workers and unions in a position of relative influence in New Zealand's political order, and gave workers a voice in national politics through the peak union organisation, the FOL. For Muldoon, it was the welfare state, the conservative Keynesian order of the postwar years. Both Muldoon and Skinner were products and proponents of that order. They met on television in 1974 and clashed amidst its unravelling. Muldoon's National Party won the 1975 election, igniting a period of sustained conflict with the FOL. Skinner, meanwhile, would increasingly face pressure from workers to fight attempts to restrain wages and living standards as the economy continued to deteriorate. Frost's 'State of the Union' thus foreshadowed a new era: the beginning of the end of Skinner's conservative leadership of the FOL, the beginning of Muldoon's domination of national politics, and one of increasing confrontation between unions, government, and employers. The forces driving these changes were at once deeply rooted in New Zealand's past and at the same time sparked by very immediate developments. We begin by looking at the deeper roots, at the long road to 1975.

CHAPTER ONE
The Long Road to 1975
The FOL and the Postwar Settlement

Formed in 1937, the FOL was the product of decades of labour organising, the system of arbitration and conciliation established in the 1894, and, more immediately, the reforms of the First Labour Government (1935-1949). Bringing together a fragmented and divided movement into one national body, the FOL's constitution, objections, and structure aimed to strike a compromise between the various and sometimes conflicting positions of trade unionists. Its purpose was to secure 'unity of action on all general matters for the national welfare of Unionism', and its three objectives were the promotion of worker organisation, the 'socialisation of the means of production, distribution, and exchange', and raising living standards. In many ways, its subsequent history was defined by the unresolved tensions at its founding: the tensions between the objectives of 'socialisation' and 'raising living standards'; central authority and local union control; arbitration and direct collective bargaining, and between loyalty to Labour and the immediate, sometimes divergent, interests of its members. For their part, Labour leaders expected a degree of discipline, and, at times, wage restraint in return for policies aimed at improving living standards and bolstering trade union institutional power. This was not only an acceptable imposition in exchange for full employment and the welfare state within a capitalist economy, they argued, but a vital corollary of reform, a means of stemming inflation and of heading off accusations of union domination of Labour. For the most part, FOL leaders acceded, and worked to promote its place as a responsible partner within the new political and economic settlement, one that continued even after Labour's 1949 election loss.

This chapter situates the FOL's history within the trajectory of that postwar settlement and traces its emergence as a powerful yet conservative force by the 1960s. It ends with an examination of its shift towards a more independent and militant organisation by the 1970s as the postwar boom came to an end.

First Labour and the FOL

In one sense, Labour's forging of a new political and economic settlement after 1935 was a continuation of the state-led development and arbitration system that was a hallmark of Australasian colonisation since the 1880-90s.[1] Established in 1894, the arbitration and conciliation system decisively moulded industrial relations, providing unions with institutional security while also imposing sharp limits. Unions negotiated through judicial procedures to secure 'Awards', strikes were illegal, and membership involvement discouraged. It created an enduring divide between workers who required its protection and those who, because of their industrial strength, chafed against its limits. Labour restored and strengthened that system. Yet the post-1935 reforms were also a radical departure, defined by the twin-crisis of the Depression and the Second World War, and shifts in international economic thought. Its key pillars were full employment, the welfare state, social security, protective tariffs, Reserve Bank nationalisation, and industrial development. Yet, crucially, Labour's restructuring of the political economy came with an acceptance of the operation and dominance of capitalist markets and accumulation. The 'historic compromise' tamed but did not abolish capitalism; it would be mirrored in much of the western world after 1945. This postwar settlement would define the trajectory of New Zealand's political and economic history, as would its position as a small, trade-dependent export economy.[2]

Key to Labour's reforms were improvements to workers' living standards and the empowerment of trade unions. Labour introduced compulsory unionism, the 40-hour week, and the ability to form national unions. Union membership soared, from

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[1] Len Richardson, 'Parties and Political Change', in Geoffrey Rice, ed., *The Oxford History of New Zealand*, Auckland, 1992, p.201-229. Malcolm McKinnon, *Broken Decades: Prosperity, depression and recovery in New Zealand, 1928-1939*, Otago, 2016, pp.357, 392; McAloon, 'Unsettling Recolonization'.

[2] McAloon, *Judgements.* Franks and McAloon, p.22.

81,000 in 1935 to 249,000 by 1938.[3] Empowering trade unions served multiple goals: the expansion of purchasing power to fuel demand, the creation of a countervailing force to defend the new rights of economic citizenship, and the uniting of the union movement for the purpose of discipline and co-operation as Labour embarked on its reform agenda.[4] Some unionists, however, such as Fintan Patrick Walsh, a former member of the Communist Party and leader of the Federated Seamen's Union, protested the constraints on the ability of unions to engage in 'direct negotiations with employers', while Labour MP John A. Lee critiqued those unionists concerned 'exclusively with wages and working conditions'. Unions should, Lee said, increase production to aid the transition to socialism, not simply bargain 'for more advantage'.[5] Labour was not afraid to show its determination to police the new order. Its Minister of Labour called a 1937 freezing workers 'stay-in' strike a 'challenge to the Government as to who shall govern'. In 1939, the Government acquired the power to deregister recalcitrant unions.[6]

Such union co-operation and discipline required a central organisation. Prompted by Labour, a union conference in April 1937 agreed to form a peak union body.[7] For five days delegates—from 212 industrial organisations, representing 170,800 trade unionists—debated its structures and purpose. It was a debate that reflected longstanding divisions between, generally, conservative craft unions and the larger and sometimes more radical industrial unions.[8] The conference settled on three objectives which reconciled these differences. These were: 'to promote the organisation of all workers to enable them to secure the full value of their labour and the grouping of workers on lines of class and industry; the socialisation of the means of production, distribution and exchange; and, to affiliate with the recognised

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[3] Bert Roth, *Trade Unions in New Zealand*, Wellington, 1973, pp.60-61; Peter Franks, 'Predominance of support for moderate policy: The formation of the New Zealand Federation of Labour', in Franks and Nolan, p.39.
[4] Franks and McAloon, p.99.
[5] Roth, *Trade Unions*, p.54; John A. Lee, *Socialism in New Zealand*, London, 1938, pp.128, 260.
[6] Graeme Dunstall, 'Governments, the Police and the Left, 1921-1951', in Pat Moloney & Kerry Taylor, eds., *On The Left: Essays on Socialism and New Zealand*, Otago, 2002, p.98.
[7] Erik Olssen, 'Precursors to the Second Federation of Labour', in Franks and Nolan, *Unions in Common Cause*, p.61.
[8] See Franks, 'Formation'.

labour organisations in other countries and to co-operate with these organisations in raising the standard of living'.[9] The new Federation of Labour signalled its 'ongoing revolutionary resolve to insiders', with its name, (a nod to its revolutionary precursor, the 'Red Feds'), its calls for 'socialisation' and 'one big union', and its adoption of the Industrial Workers of the World symbol, a forearm bearing a hammer. Yet that radical tradition was effectively foreclosed from the outset.[10] Compulsory unionism and the organisation and structure of the FOL created something of a new 'dominant coalition', one that tilted decisively towards conservatism, the emphasis on living standards as a key driver of union focus, stronger ties with Labour, and reliance on, and thus support for, the arbitration system.[11] The voting system gave smaller unions proportionally greater strength, ensuring 'a predominance of support for moderate policy'.[12] Similarly, implied in the FOL's incorporation into the settlement was the abandonment of its ambitions to socialise industry, even if that remained nominally an objective, as it was for the Labour Party.[13] The FOL's commitment to compulsory arbitration, too, was held to be the 'condition of partnership' with Labour.[14]

An organisational network was established. The National Executive included a president, vice-president, secretary-treasurer, and other elected members. Angus McLagan of the United Mine Workers was elected its first president. Yet one member of the first Executive, Fintan Patrick Walsh, 'quickly became the FOL's strongest promoter and de facto spokesperson'.[15] Walsh would not become FOL president until 1953 but held a dominant voting bloc, leading a number of unions, for example the Clerical Workers, that owed their entire existence to compulsory unionism.[16] As a result, he quickly abandoned his 1936 call for 'direct negotiations with employers'. The National Council, meanwhile, was made up of the Executive

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[9] Ibid., p.98.
[10] Olssen, 'Precursors', p.83.
[11] Roth, *Trade Unions*, p.169; Pat Walsh, 'From Compulsory Unionism to Unqualified Preference: The Industrial Conciliation and Arbitration Amendment Act, 1961', *NZJH*, 20, 2, 1986, p.149.
[12] Noel Woods, *Industrial Conciliation and Arbitration in New Zealand*, Wellington, 1964, p.133.
[13] McAloon, *Judgements*, p.24.
[14] Franks and Nolan, p.25.
[15] Graeme Hunt, *Black Prince: The Biography of Fintan Patrick Walsh*, Auckland, 2004, p.113.
[16] Locke, *Workers*, pp.29-30.

and one delegate from each affiliated trades council, while affiliated individual unions sent vote-holding delegates to the annual conferences, held a week before the Labour Party conference. Within six months, 150,000 unionists affiliated to the FOL, and district councils were established across the country. It quickly established itself as the central organisation of unions. It was and remained, however, a private-sector body. The public sector unions co-operated nationally since 1916 and would form the Combined State Services Organisation (CSSO).[17]

The home front mobilisation for the Second World War only accelerated the FOL's conservatism. Economic stabilisation between 1942 and 1949, which involved comprehensive controls on wages and prices, required union discipline and a 'hard-nosed' leader like Walsh to enforce it.[18] With the money supply vastly expanded to meet wartime expenses, Labour leaders insisted, stabilisation would serve as a 'stopbank which prevents the surplus water'—that is, inflation—'from spreading devastation and ruin'.[19] The FOL's 1941 conference endorsed 'stabilisation over socialism' and full cooperation in the war effort.[20] Walsh built a strong relationship with the Prime Minister Peter Fraser and ardently supported the war, opposed dissent, and fed information on suspected dissidents to Fraser and the Security Intelligence Bureau (SIB).[21] The FOL was not entirely uncritical, however. When, for example, the Arbitration Court rejected an FOL wage claim, its leaders protested. 'We agreed to price stabilisation', FOL President Angus McLagan told Labour leaders in 1942, 'and took the blame from the rank and file'.[22] The Court revised its offer of 5 per cent and the Government increased the family benefit.[23]

For the most part, the FOL acceded to stabilisation. Its leaders were co-opted in important roles: Walsh in the Industrial Emergency Council and Economic

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[17] Bradon Ellem and Peter Franks, 'Trade Union Structure and Politics in Australia and New Zealand', *Labour History*, 95, Nov. 2008, pp.43-67
[18] McAloon, *Judgements*, p.47; Hunt, p.125.
[19] Michael Bassett with Michael King, *Tomorrow Comes the Song: A life of Peter Fraser*, Auckland, 2000, p.273.
[20] Nolan, 'The Walsh Years', p.126.
[21] Hunt, p.127.
[22] Roth, *Trade Unions*, p.61.
[23] Franks and McAloon, p.120.

Stabilization Commission; McLagan was appointed to the Legislative Council and became Minister of Industrial Manpower in 1942. In 1946, he would become Minister of Labour after winning a Labour seat in that years' election.[24] Worker frustration with stabilisation did not subside, despite the best efforts of the FOL and Labour. Strikes only increased through the course of the war.[25] The Government, and Walsh himself, would be scathing about those who sought an end to stabilisation. There was 'no alternative', said the Acting Prime Minister in 1944. 'If we abolish stabilisation there will be inflation… [and] the people who would suffer the greatest distress from inflation would be the wage-earners of the country'.[26]

In the immediate postwar years, stabilisation was reinforced as part of postwar reconstruction, as was the role of the FOL in wage fixing and the powerful position of Walsh as its de facto leader. Labour expanded its reforms. The Employment Act 1945, for example, institutionalised the goal of full employment.[27] In 1947, the FOL conference endorsed what became known as the *Walsh Report*. In it, Walsh called for the continuation of stabilisation and opposition to industrial disruption; both would help achieve the 'attainment of a higher standard of living', the FOL's 'primary purpose'.[28] If Walsh viewed capitalism as the system 'we live under… whether we like it or not', ex-FOL President and now Minister of Labour McLagan maintained that stabilisation was ushering in the 'orderly progress of New Zealand in a gradual transition from capitalism to socialism'.[29]

Others, however, saw the *Walsh Report* as a retreat from socialisation.[30] The Fabian Society claimed that stabilisation 'aimed at the most efficient operation of existing institutions - not at changing them'.[31] Militant unionists, such as Jock Barnes and Toby Hill of the Waterside Workers Union, publicly condemned it, while the

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[24] McAloon, *Judgements*, p.49; Hunt, p.124.
[25] Franks and McAloon, pp.126, 130.
[26] Bassett with King, p.273.
[27] McAloon, *Judgements*, p.56.
[28] Hunt, p.133.
[29] Nolan, 'Walsh Years', p.126; Len Richardson. 'McLagan, Angus', Dictionary of New Zealand Biography, first published in 1998. Te Ara - the Encyclopedia of New Zealand.
[30] Roth, *Trade Unions*, p.66
[31] NZ Fabian Society, *Stabilization or Socialisation*, Wellington, 1948.

opposition National Party reproduced it as a pamphlet; it was a response that presaged the formers' increasing hostility towards, and the latter's acceptance, of the FOL.[32] While the FOL nominally upheld the right to strike, it insisted that 'ample machinery' had been established for 'the settlement of disputes', and that 'all avenues for the settlement of industrial disputes by negotiation be exhausted before taking strike action'.[33] A number of more militant and strategically placed workers—on the wharves, mines, and freezing works—remained sceptical. The arbitration system was 'not so much to determine wages and conditions', wrote Toby Hill in 1947, 'as to preserve industrial peace'.[34]

The conservatism within the FOL leadership and Labour reflected not only the imperatives of postwar stabilisation, but also the cold war climate. It was not just the conservative right, but also social democrats and some unionists that adopted a hostility towards both militants and communists.[35] Internationally, right-wing union leaders 'happily policed their own membership, rigidly performing their anti-Communism while stifling dissent in an economistic culture of conformity and wage-driven improvement'.[36] Before FOL conferences in the late-1940s, Prime Minister Peter Fraser regularly warned of the dangers of international communism, while Walsh used the 'Communist smear' to quash left wing opposition.[37] Communists, meanwhile, had their bases within the carpenters and watersiders' unions and, until a moderate takeover in 1948, the Auckland Trades Council.[38] When Labour deregistered the Carpenters Union following a 1949 dispute, Fraser claimed it was 'organised and controlled by Communist leaders whose purpose is to create industrial anarchy by undermining and destroying the arbitration

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[32] Hunt, pp.133, 147, 148.
[33] Robert McLuskie, 'Militancy within the New Zealand Federation of Labour During the Post-War Years', MA Thesis, Victoria University of Wellington, 1954, p.iii.
[34] *NZ Transport Worker*, March 1947.
[35] A.C. Wilson, *New Zealand and the Soviet Union, 1950-1991*, Wellington, 2004, p.189.
[36] Geoff Eley, *Forging Democracy: The History of the Left in Europe, 1850-2000*, Oxford, 2002, p.388.
[37] Franks and McAloon, p.112. Kerry Taylor, 'Worker's Vanguard or People's Voice? The Communist Party of New Zealand from origins to 1946, PhD Thesis, Victoria University of Wellington, 194, p.158.
[38] Locke, *Workers*, p.30.

system'.[39] In the same year, the FOL conference voted to disaffiliate from the communist-dominated World Federation of Trade Unions (WFTU) and in 1950 joined the newly formed International Confederation of Free Trade Unions (ICFTU).[40]

The FOL also emerged as a key player within Labour Party politics. FOL leaders, such as Jim Roberts, McLagan, and Walsh, wielded extraordinary influence.[41] Roberts, FOL Executive member after 1938, served as Party President from 1937 to 1950.[42] The FOL also played a key role in the quashing of dissent and in the maintenance of control within the Party apparatus, from the 1940 expulsion of dissident MP John A. Lee to the building of union support for military conscription in 1942.[43] The FOL joined Labour on the campaign trail, hammering out the same message that a National Party victory 'would mean wage cuts, the loss of the 40-hour week and the bad old days of the slump'.[44]

In 1949, however, Labour lost the election in the context of the Carpenter's dispute, its support for peace-time conscription, and for continuing economic controls. If the FOL and Labour had formed a close alliance in the context of the war and post-war stabilisation, that would change significantly thereafter. For one thing, Labour was now out of power, and Walsh's closest ally in the Party, Fraser, died in 1950. Then, in 1951, one of New Zealand's greatest industrial standoffs provoked new rifts between the FOL and Labour, at the same time that it marked the acceptance of the FOL by a new conservative administration.

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[39] Dunstall, 'Governments, the Police and the Left', p.98.
[40] Franks and Nolan, p.52; Roth, *Trade Unions*, p.71.
[41] Franks and McAloon, p.101.
[42] Franks and Nolan, p27.
[43] Franks, 'Formation', p.111; Hunt, pp.115, 144.
[44] Franks and McAloon, p.133.

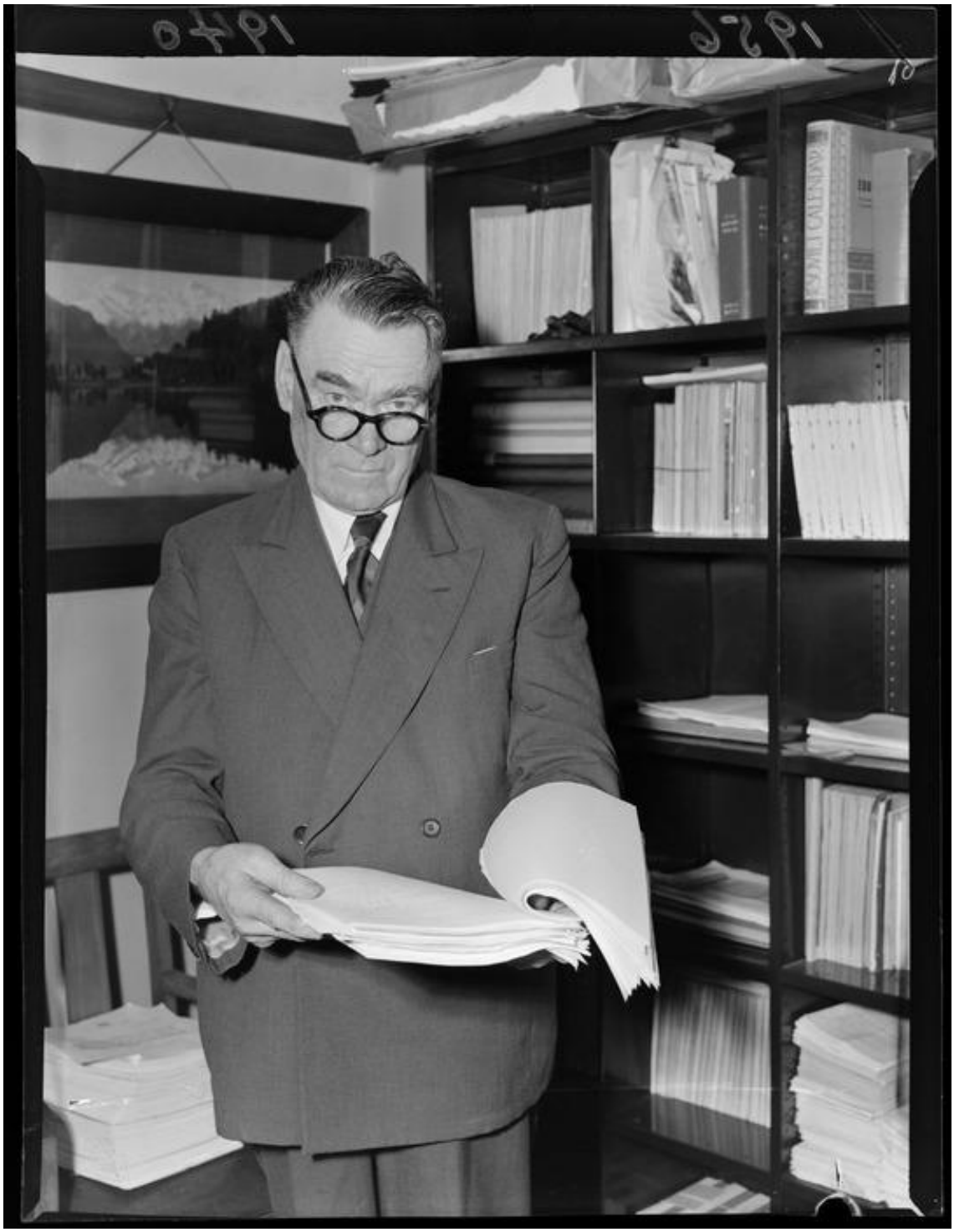

Figure 3 Fintan Patrick Walsh, 1956. Evening Post Collection, EP/1956/1940-F, ATL

The FOL and National

National's domination of politics after 1949 would fundamentally shape the FOL's relationship with the state and with the Labour Party. Formed in 1936 and drawing together the remnants of older parties, all with anti-union politics, National was quick to attack unions and to suggest that Labour was controlled by the FOL. Among other things, it promised to abolish compulsory unionism.[45] For the most part, National's anti-unionism unified its disparate electoral coalition of urban and rural capital, employers and farmers, despite their own divisions over economic policy.[46] In power, however, the new National Government, like its predecessor, recognised that it needed the co-operation of the FOL to maintain industrial stability. Holding together its electoral coalition while also taking a pragmatic approach to the FOL remained the Party's dilemma for much of the next thirty years. The failure to fully implement the abolition of compulsory unionism stood as just one symbol of this tension.[47] As we will see, the Employers Federation, too, came to accept compulsory unionism as a conservatising force in the union movement. More broadly, if National accepted the major tenets of the postwar settlement, it also increasingly rejected stabilisation and placed a greater emphasis on the free market.[48]

National's relationship with the FOL came down to the continued dominance of Walsh, whose tight control saw the FOL maintain its role of keeping inflation low, militants in check, and communists out. That approach increasingly frustrated militant unions. When the watersiders and other more militant unions walked out of the 1949 FOL conference and formed a militant breakaway, the Trade Union Congress, they made enemies of both the FOL and National. The culmination of these tensions, the 1951 waterfront lockout, was about the future of the arbitration system, but also a challenge to 'the parameters of the postwar settlement'.[49] Like Labour, National was intent on policing the settlement. The FOL was key to the

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[45] Chapman, 'From Labour', p.356. Franks, 'Formation', p.110.
[46] Pat Walsh, 'An "Unholy Alliance": The 1968 Nil Wage Order', *NZJH*, 28, 2 1994, pp.190-191.
[47] Walsh, 'Compulsory Unionism', p.150.
[48] McAloon, *Judgements*, p.78.
[49] Walsh, 'The Legacy of '51', pp.151, 153; McAloon, *Judgements*, p.87.

watersiders' defeat, an event central to the 'political and ideological consolidation' of National.[50] Meanwhile, Labour's 'neither for nor against' approach marked the end of the 'total unity' between the Party and FOL.[51] The pair would increasingly diverge. While watersiders and their supporters faced a crushing defeat, and many involved were blacklisted, some would later rise to prominence within the FOL, such as Jim Knox and Bill Andersen, and shape its post-1960s militant turn.[52] Indeed, in 1954, Andersen had argued that despite the reactionary FOL leadership, 'the place to initiate the drive for unity' was 'on the job', but the 'best position from which to do this is inside the FOL'.[53]

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Generally, the mid-twentieth century FOL was firmly accepted within the now largely bipartisan postwar settlement. Low levels of industrial disputes after 1951 prevailed into the 1960s.[54] The Employers Federation, the peak body for employers, largely accepted this state of affairs; it viewed compulsory unionism and the place of the FOL as a force of stability and conservatism.[55] For commentators, the tripartite relationship between the state, capital, and labour—established in 1894, enhanced after 1935, and accepted by a conservative government after 1949—laid the foundations for a modern egalitarian New Zealand, a high standard of living, relatively compressed levels of income inequality, and full employment. The FOL was a 'partner of the state', in the words of W.B. Sutch, 'a conservative organisation accepted by a conservative community, strongly supporting arbitration and co-operation with the government'.[56] Historian R.C.J Stone wrote that unions now constituted a respectable and responsible 'estate in society'.[57] Scholars on the left

[50] Nolan, 'Walsh Years', p.128-130.
[51] Franks and McAloon, p.136.
[52] Roth, *Trade Unions*, p.80.
[53] *NZ Labour Review*, July 1954, pp.28-31.
[54] Chapman, 'From Labour', p.376.
[55] Walsh, 'Rejection', pp.96-97; Roth, *Trade Unions*, pp.80-81.
[56] W.B Sutch, *The Quest for Security in New Zealand, 1840 to 1966*, Wellington, 1966, p.358; *Poverty and Progress in New Zealand*, Wellington, 1941, p.238.
[57] R.C.J Stone, 'The Unions and the Arbitration System, 1900-1937', in Robert Chapman and Keith Sinclair eds., *Studies of a Small Democracy: Essays in Honour of Willis Airey*, Auckland, 1963, pp.219-220

would present a somewhat similar narrative arc, though it would be one of 'lamentation' rather than 'a national hymn of rejoicing'; it represented the 'capture' of the working-class by the state. [58]

Indeed, if the postwar settlement, and the FOL's role within it, now had largely cross-party support or acceptance, it also had distinct limitations. For one thing, while the system provided protections regarding union coverage and membership, the trade-off was a strict limitation on industrial action and membership involvement.[59] Moreover, a reasonable standard of living was derived not from citizenship but from employment; it was a 'wage earners' welfare state', one sustained through male full employment.[60] Indeed, the male breadwinner wage and the assumption of female domesticity was 'the foundation stone' of the system, both as 'a concrete institution and as an abstract concept'.[61] The FOL's commitment to a 'high standard of living' was always based on the breadwinner wage, while male domination of the FOL would only begin to change after the mid-1970s.[62] If the gendered nature of the system is now well understood, ethnicity less so, nor the involvement of Māori in the union movement and the postwar settlement more broadly.[63] Māori were nominally accepted as equals in the settlement after 1935 but only, increasingly, in so far as they integrated into Pākehā life. For its part, the FOL 'largely ignored the particular interests of Māori', though this is not to dismiss the important solidarities forged between Māori and unionists in the decades ahead as well as the role of Māori at a grassroots level.[64]

Meanwhile, inherent in the postwar settlement—with its acceptance of capitalist markets and the commitment to full employment—was the ever-present problem of inflation, the perceived need for trade-offs between wage growth and other social

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[58] Pat Moloney and Kerry Taylor, 'Introduction', in Moloney & Taylor, *On The Left,* p.13.
[59] Nolan and Walsh, 'Leg-iron?', p.18.
[60] Francis Castles, *The Working Class and Welfare: Reflections on the Political Development of the Welfare State in Australia and New Zealand, 1890–1980,* Wellington, 1985.
[61] Nolan, 'Reality and Myth', p.117. Nolan, *Breadwinning.*
[62] Nolan, 'The Walsh Years, 1937-63', pp.137-138.
[63] Tom Murray, Kerry Taylor, Joe Tepania, and Nora Rameka, 'Towards a history of Maori in trade unions', in John E. Martin and Kerry Taylor eds, *Culture and the Labour Movement: Essays in New Zealand Labour History,* Palmerston North, 1991, pp.50-61
[64] Franks and Nolan, p.45. Locke, 'Trade Union Anti-Racism Work'.

and economic policies, the reliance on economic growth to sustain the settlement, and the interlocking international architecture that supported it.[65] That international economic order, the Bretton Woods system, included a managed monetary regime dedicated to stable exchange rates and expanding world trade.[66] In short, the 'new social democracy, which swept the domestic political economies of the Western capitalist nations, was applied at the international level'.[67] The settlement was not immune from external shocks, balance-of-payments crises nor inflationary pressures, which had significant implications for workers' living standards and the relationship between unions and governments. 'Our overseas trade is responsible for the rise and fall in our standard of living', said then National Party leader Sidney Holland in 1940.[68] In short, the commitment to full employment and high living standards 'required a high degree of government regulatory intervention to keep economic activity high while preventing domestic demand from spilling over to create balance-of-payments crises'.[69] As we will see, the efforts to restrain domestic consumption would often be a cause of major tensions between the labour movement and the state.

The FOL and Labour after 1949

In opposition, Labour viewed its road to electoral victory as requiring more than its dependence on the working-class vote.[70] This was a conundrum faced by many social democratic parties as the social solidarity of the crisis years of the Depression and War receded, and as mainstream conservative parties adopted Keynesian economic management.[71] Meanwhile, with National dominating politics, the FOL increasingly assumed the stance of an independent pressure group defending wage-earners regardless of who was in power.[72] In short, a united Labour movement 'no longer suited the interests' of either the FOL, which had developed a relationship

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[65] McAloon, *Judgements*, p.13. McAloon, 'The State and Economic Policy'.
[66] Jeffry A. Friedan, *Global Capitalism: Its Fall and Rise in the Twentieth Century*, New York, 2006.
[67] Friedan, p.259.
[68] *NZPD*, 257, July 26, 1940, p.772.
[69] Geoff Bertram, 'The New Zealand Economy 1900-2000', in Giselle Byrnes, ed., *New Oxford History of New Zealand*, South Melbourne, 2009, p.557.
[70] Chapman, 'From Labour', p.377.
[71] Ibid.
[72] Roth, *Trade Unions*, p.83.

with National, or the Party, which attempted to shift its image as a Party *for* unions and the working class.[73] Concerned about these developments, and by the divisions caused by the 1951 lockout, some moved to repair the relationship. In 1952, at McLagan's initiative, both the FOL and Labour Conferences voted to establish a union/party committee, the Joint Council of Labour.[74]

When Labour did eventually return to power, relations with the FOL did not improve. The Second Labour Government (1957-1960) faced the challenges of an economic and balance-of-payments crisis. Its austerity 'black budget' in mid-1958 cut imports and raised taxes on petrol, tobacco, and beer. The Government argued that in order to maintain full employment it had to 'ensure that any reduction in living standards arising from lower overseas prices for our exports is spread fairly'. The FOL protested the attack on living standards and regressive indirect taxation.[75] The reaction to the budget reflected a more restless union movement on top of the FOL's enduring concerns about the rising cost of living. In 1959, it called for a Royal Commission to look into what wage level was needed 'by a working man and his family to live in reasonable comfort'.[76] The 'black budget', and Walsh's very public denunciation of it, left a sour legacy; it was just one more in a number of rifts that contributed to the gradual 'drift apart' between the FOL and Labour.[77]

In opposition again after 1960, Labour aimed to expand the base of the party. The new leader Arnold Nordmeyer made it plain that the Party would 'not be dictated to by trade union bosses or indeed any other sectional interest'.[78] Before the 1963 FOL conference, Nordmeyer rejected the 'old objective of the socialisation', and he claimed that 'there are no real class divisions in this country'.[79] Nordmeyer's successor, Norman Kirk, too, believed that the 'class struggle' no longer applied

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[73] Franks and McAloon, pp.160-161.
[74] Ibid., p.145-6.
[75] McAloon, *Judgements*, p.106; Chapman, 'From Labour', p.380; Nolan, 'Walsh Years', p.128.
[76] Michael A. Hirschfeld, 'The New Zealand Labour Party in Office 1957-60', MA Thesis, Victoria University of Wellington, 1970, pp.138-139'.
[77] Hunt, p.173.
[78] Barry Gustafson, 'Arnold Nordmeyer: A Politician of Principle, Integrity and Courage', in Margaret Clark, ed., *Three Labour Leaders: Nordmeyer, Kirk, Rowling*, Palmerston North, 2001, pp.19-20.
[79] Bruce Brown, 'Nordmeyer 1901–1989', in Clark, *Three Labour Leaders*, p.40.

and aimed to broaden the Party's base.[80] Unions affiliated to the party declined, as well as the number of Labour ministers with a union background, from 10 of 13 in 1935 to 6 of 20 in 1972.[81] While the Joint Council of Labour met 22 times between 1952 and 1957, it did so only twice between 1970 and 1975.[82] In 1967, a younger candidate Jim Anderton advocated, among other things, 'detaching the unions from the Labour Party', a position supported by another of the new generation, Roger Douglas.[83] Labour thus held a contradictory position during these decades. It remained 'the party of the working class, the welfare state, the protector of the society's poor, the friend of the trade unions, and the party of state control as its core supporters continued to recall the poverty and unemployment of the Great Depression'.[84] Yet scholars also note that Labour ceased to be the Party of the manual working-class, and that class-based voting declined overall.[85]

GWOs and the end of the Walsh Era

In the postwar years, the FOL's energies were focused on cases before the Arbitration Court. The Court was given the authority to make General Wage Orders (GWOs) with consideration to retail prices, the overall state of the economy, and productivity. In leading cases for GWOs, the FOL made advances for all workers and maintained wage levels generally in line with the cost-of-living.[86] Supporting the highest rates for skilled workers and expecting these to 'trickle-down' through relativities to the rest of the labour force, was central to the FOL's strategy. It led to a pivot away from the focus on awards and agreements negotiated between unions and employers towards GWOs for a large section of the workforce.[87] During this period of economic prosperity, the system allowed the FOL to take a leading role in maintaining living standards and avoiding strikes that might pose a threat to the system, and to its own authority. It could at times be 'an adversarial system' in

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[80] David Grant, *The Mighty Totara: The Life and Times of Norman Kirk*, Auckland, 2014.
[81] Markey, p.171.
[82] Douglass C. Webber, 'Trade Unions and the Labour Party: The Death of Working-Class Politics in New Zealand', Stephen Levine, ed., *Politics in New Zealand: A* Reader, Boston, 1978, p. 189.
[83] Jesson, *Fragments*, p.25.
[84] McRobie, 'The Politics of Volatility', in Rice, *The Oxford History* p386.
[85] Erik Olssen and Bruce Scates, 'Class Formation and Political Change: A Trans-Tasman Dialogue', *Labour History*, 95, Nov. 2008, pp.3-24.
[86] Nolan, 'The Walsh Years'.
[87] Nolan and Franks, p.36; Walsh, 'Nil Wage', p.180.

which the interests of the FOL were not always aligned with those in power.[88] But even if the FOL and governments disagreed about the outcome of hearings, confidence in the Court was essential.

Indeed, the Government's acceptance of the FOL was largely mediated by the latter's stance towards the system. The preservation of compulsory unionism, for example, came in exchange for FOL commitment to its stability. Breaching this arrangement inspired calls for its removal. In 1959, for example, National promised to abolish compulsory unionism after the FOL gave its support to striking freezing workers.[89] Walsh successfully made the case that its removal would hasten the abandonment of the system and create only more instability. Employers largely agreed. Thus, compulsory unionism was abolished in statute, but survived through the 'unqualified preference' clause in awards, a 'post-entry closed shop'.[90] Yet while the FOL made the case for the preservation of the system, it was also undergoing its own shift. In a move the then Minister of Labour called a 'declaration of hostilities to the Arbitration Court', the FOL's 1961 conference endorsed collective bargaining over compulsory arbitration. While GWOs remained essential, union confidence in direct bargaining increasingly resulted in gains well above what could be achieved in the Court.[91] Working days lost to industrial action in 1962 reached a high not seen since 1951. Walsh rode this wave; his late leftward shift and attempts to build alliances with militants was partially strategic.[92]

Walsh's 1963 death brought an end to an important era for the FOL. Described as 'the closest the country has had to a mafia godfather', Walsh's leadership has long been the source of intrigue and debate.[93] He ran the FOL 'like a personal fief in a dictatorial manner', wrote Bert Roth, and 'if few loved him, most respected him as an effective advocate in wage claims before the Arbitration Court, in deputations to Cabinet Ministers, or in direct dealings with employers'. Above all, he had helped

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[88] Ibid., p.30.
[89] Barry Gustafson, *Kiwi Keith: A Biography of Keith Holyoake*, Auckland, 2007, p.323
[90] Hunt, p.191.
[91] Roth, *Trade Unions*, pp.87, 141; Jo Burton, 'Changing the Rules: The Nil Wage Order and Industrial Relations in the 1960s', MA Thesis, Victoria University of Wellington, 2001, p.94.
[92] Walsh, 'From Compulsory', p.152.
[93] Mein-Smith, p.188.

make the FOL 'a major power in the land'.[94] Yet Walsh's tight control over the FOL came at great cost to unity. His 'divide and rule' tactics, the divisions caused by the 1951 lockout, a number of libel suits (Tony Neary successfully sued *People's Voice*, Walsh and the Wellington Trades Council for defamation in 1959), and union disaffiliations from the FOL would take years to repair. By the 1960s, too, Walsh had lost credibility among employers and National; the FOL's relationship with Labour continued to deteriorate.[95]

FOL president after 1963, Tom Skinner was a resolutely conservative unionist who believed in constructive negotiation and compromise with governments and employers. Through negotiations, the FOL leadership could settle issues 'man-to-man' (more on Skinner's gendered vision of unionism and politics below), and address 'topics of concern to the wage-earner', be it automation, unemployment, immigration, price control, the effects of devaluation, or the need for a national shipping line.[96] Skinner claimed, for example, that National's Minister of Labour Tom Shand 'understood the working man's role in the economy'. Skinner also regularly described strikes as 'distressing' and 'wasteful' before conferences.[97] Though his views on direct bargaining would change over time, in the 1960s he viewed it as a threat to the arbitration system and the protection it gave to weaker unions.[98] Skinner presented himself—and was lauded by the press, in turn—as the archetypal moderate, common-sense unionist, a leader that could serve as a 'safety valve' during gnarly industrial disputes.[99] While Skinner aimed to rebuild credibility with governments, he also aimed to unify the FOL internally and bring disaffiliated unions back in.[100] 'Internal harmony is important', he explained. 'Once it's been achieved you can start working on the things that really matter—holidays

[94] Roth, *Trade Unions*, p.89.
[95] Hunt, p.198.
[96] Roth, *Trade Unions*, p.141
[97] Skinner, *Man to Man*, p.119; Walsh, 'Rejection, p.148.
[98] Boston, *Incomes Policy*, p176. Markey, p.144.
[99] Bodman, p.17.
[100] Burton, p.73; Walsh, 'Rejection, p.94.

and conditions within the various industries. You can also keep a better watch on living costs and decide when—or when not—to apply for wage increases'.[101]

By the 1970s, the FOL was stronger and more united than it had ever been. It had completed its transformation into a powerful and independent pressure group fighting for and defending the interests of wage earners on questions of living standards and wider economic, social, and international policy. It was, said Roth in 1973, 'a major force in New Zealand politics which no Government can afford to ignore'.[102] Yet at the same time, Skinner would face wider pressures. The combination of a rise in union militancy, sweeping social changes, and the onset of an economic crisis served to place his conservative leadership under immense strain, and would change the FOL as an organisation.

Figure 4 Tom Skinner addressing a union meeting at Carlaw Park, 1967. FOL Photographs PAColl-0980-1-02, ATL

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[101] Burton, p.198.
[102] Roth, *Trade Unions*, p.141-144

Social change, politics, and protest

By the 1960s and 1970s, the working class had changed in ways that had significant implications for the balance of power within the FOL. Some influential FOL affiliates were in decline. The United Mine Workers, for one, had by the 1940s achieved three long standing goals: a national union, a national agreement, and a nationalised coal industry. Yet after the 1950s, pit closures increased as demand for coal shrank and open-cast mining prevailed. As workers across the country began exercising their industrial power into the 1960s and 1970s, the coal fields were silent. Once household names, the UMW leadership were 'now anonymous figures outside the coalfields'.[103] Others were on the rise. Boilermakers, freezing workers, and drivers all came to the forefront of the union movement, and would shape the FOL into the 1970s. New Zealand was also increasingly becoming a white-collar society. By 1971, 41 per cent of workers were in white-collar occupations, 38 per cent in manual labour and 12 per cent in farming. Part of this shift also reflected the increasing movement of women into the labour force, discussed below.[104] Despite prediction of a coming 'post-industrial' society, the 'ranks of male blue-collar workers grew, particularly in the building, transport and manufacturing industries' so that by the mid-1970s, blue-collar workers totalled nearly 47 per cent of the male workforce.[105]

The working-class itself was undergoing a demographic transformation, one that took many years to show in the FOL's leadership and approach. Postwar labour shortages saw the state increasingly support Māori urbanisation, Pacific Island migration, and married women's paid work. In the process, the protections of the 'exclusively white, male, full-time employed workforce was undermined'.[106] Māori urban migration and Pacific Island immigration meant that 'a once white urban working-class now became culturally diverse'.[107] Māori had long been part of the wage labour force and members of unions, particularly among the ranks of the

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[103] Len Richardson, *Coal Class and Community: The United Mine Workers of New Zealand, 1880 – 1960*, Auckland, 1995, pp.257, 300-305.
[104] Graeme Dunstall, 'The Social Pattern', in Rice, *Oxford History*, p.460.
[105] Ibid., p.462.
[106] Nolan, 'Neoliberalism at Work', p.162.
[107] McAloon, *Judgements*, p150.

Shearers and then the New Zealand Workers Union, but underwent 'an almost total industrial transformation' in the three decades after 1945 as they joined the urban workforce.[108] By 1966, 70 per cent of Māori males were blue-collar workers and Pacific Island workers were 'almost completely so'.[109] These major demographic changes are often cited by scholars, though little is known about the FOL's engagement with Māori and Pacific Island workers. Māori delegates were 'rare' at FOL conferences but active at the regional level and at the lower levels within the union hierarchies, while there were some nascent alliances between Pākehā trade unionists and Māori over issues of racism, land, and treaty rights.[110]

While also long part of the labour force, women's relationship to work and trade unions underwent a major transformation in the 1960s and 1970s. Even so, the FOL remained a male bastion and announced itself as such in its regular appeals to protect the wages and living standards of 'the worker and his wife'. Skinner had a highly gendered view of work and unionism, positioning himself as a 'leader of men'. His vision of 'the moral purpose of unionism did not include working women'.[111] But Skinner took on the leadership at a time when his understanding of work and gender was increasingly challenged by the emerging critique offered by second wave feminism.[112] The FOL's position on equal pay shifted from early opposition to support, the consequence of the rise of female dominated unions within the FOL, such as the Clerical Workers Union.[113]

These decades also saw important political and ideological realignments within the union movement. In 1966, the Sino-Soviet split saw a fracture in the Communist Party, with some members forming the Soviet-aligned Socialist Unity Party (SUP). By the 1970s, SUP members held positions of leadership in the Drivers, Storemen

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[108] Nolan, 'Walsh Years', p.132.
[109] Dunstall, 'Social Pattern', p.462.
[110] Locke, *Workers*; 'Maori Sovereignty', p.255; Roth, *Trade Unions*, p.133; Murray, *et al.*, 'Towards a history of Maori in trade unions', pp.50-61.
[111] Megan Cook, 'Gender and Paid Work in New Zealand, 1950 to 1972', MA Thesis, University of Otago, 2000, pp17-18.
[112] Christine Dann, *Up from Under: Women and Liberation in New Zealand 1970–1985*, Wellington, 1985, p.65.
[113] Nolan, *Breadwinning*, pp.246-247.

and Packers, and other unions, and the Auckland Trades Council.[114] By this time, too, a number of more militant trade unionists, including veterans of the 1951 lockout, were climbing the ranks of the union leadership, among them Jim Knox, Bill Andersen and Ken Douglas; the latter two were members of the SUP.[115] There was also a more conservative wing of the labour movement, concerned about this development, tied to the arbitration system, and often Labour affiliated. For Tony Neary of the Electrical Workers, the role of unions was simply to work for wages, conditions, and the return of a Labour government.[116] But if these divisions coloured the politics of active unionists, numerous sociologists, theorists, and left-wing intellectuals decried what they saw as the 'depoliticised' wage earner. Consumer culture and 'the entertainment industries' had eroded class consciousness.[117] In 1960, one commentator claimed that workers had 'no cause to rebel against welfare state capitalism.[118] Sociologist Kerr Inkson presented the industrial worker as 'unambitious, consumption-oriented, acquiescently basking in, and propping up, modern capitalist society'.[119]

The 1960s and 1970s were also a period of political and social protest. From its beginnings, the FOL played a significant role in social, political, and international politics. In the 1930s, it had fundraised for anti-fascist forces in Spain and supported China against Japanese aggression.[120] In the postwar period, it pushed Labour to take a stronger stance against the Vietnam War.[121] In the campaign against apartheid South Africa, too, the FOL led deputations to Parliament in 1960, 1965, and 1970 alongside Māori MPs Eruera Tirikatene and Matiu Rata.[122] The FOL remained consistently opposed to nuclear weapons, leading delegations to protest

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[114] Monique Oomen, 'The Socialist Unity Party of New Zealand: A Study of a Small Communist Party', *Political Science,* Vol.34, no.2, December 1982, pp.143-169.
[115] McAloon, *Judgements*, p.137; Locke, *Workers*, p.36-49.
[116] Neary and Kelleher, *Neary*, p.116.
[117] *The Republican*, no. 47, 1983; Jesson, *Fragments*, p.23.
[118] Jonathan. Hunt, 'Towards a New Left', *Perspective*, no. 4, 1960.
[119] J.H. Kerr Inkson, 'Aspirations of Make Manual Workers in New Zealand', Occasional Paper, No.29, Massey University, 1979.
[120] Peter Clayworth, 'Trade Unions: The backbone of fundraising', in Mark Derby, ed., *Kiwi Campaneros*, Christchurch University Press, 2009, pp.204-221.
[121] Franks and McAloon, p.163
[122] Lin Johnson, 'Maori and the Anti-Apartheid Movement: Generating a Space to Oppose Domestic Racism, 1959-1985', MA Thesis, Massey University, 2007, pp.40, 53, 74.

nuclear arms and testing in the Pacific in the 1960s. In 1972, it called for affiliated unions to withhold services from French ships and aircraft.[123] The FOL leadership also increasingly dropped its cold war anti-communism. In the same year, for example, it ratified formal links between the FOL and the Soviet All-Union Council of Trade Unions (AUCTU).[124] Domestically, it supported Māori land struggles, opposed the dawn raids on Pacific Island 'overstayers', and supported anti-racist organisations. There was, however, always 'a right-wing minority' within the FOL, while some workers remained if not hostile then at least indifferent to these issues.[125] Support for women's rights and equal pay lagged behind other progressive causes, but would, in time, come as a result of pressure from female workers and unionists.

The protest movements of these decades were also joined by a growing wave of middle- and working-class protest about the rising cost of living. Some were co-ordinated by pressure groups, such as the Federation of New Zealand Housewives and the Campaign Against Rising Prices (CARP). But perhaps most consequential was the emergence of union militancy on a scale not seen for many decades. It was rooted in the frustration with wage restraint and the rising cost of living, influenced by generational changes and social movements, and the growing confidence on the part of workers to take direct action. Traditionally militant unions led this development, but it also spilled over into more conservative unions, too. The North Island Electrical Workers Union led by Tony Neary won a six-week strike at New Zealand Steel in 1969 that would shape wage bargaining for years to come; the similarly cautious but powerful Engineers Union 'came to the forefront' of industrial campaigns into the 1970s; its Metal Trades Award would go on to serve as one of the major trend-setters.[126] Together, social change, protest movements, and rank-and-file militancy posed a challenge not only to the FOL leadership, but

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[123] Malcolm Templeton, *Standing Upright Here: New Zealand in the nuclear age, 1945*-1990, Wellington, 2006, pp.117-118, 155-157, 221.
[124] Wilson, *New Zealand and the Soviet Union,* p.64.
[125] Tony Boraman, 'A Middle-Class Diversion from Working-Class Struggle? The New Zealand New Left from the Mid-1950s to the Mid-1970s', *Labour History,* No. 103., 2012, p.218.
[126] Pat Walsh, 'The Legacy of '51', in David Grant, ed., *The Big Blue: Snapshots of the 1951 Waterfront Lockout,* Christchurch, 2004, p.157.

also to the postwar settlement in general. It infused the union movement with a new energy and sense of potential at the same time that economic conditions deteriorated.

The end of the postwar boom

The years between 1966 and 1974 marked a period of economic instability, the beginning of the end of the postwar economic buoyancy. Following the collapse of wool prices in 1966, the National Government devalued the dollar and introduced a number of deflationary measures to reduce domestic demand and head off a balance-of-payments crisis. In short, it attempted to slow wage growth and encourage an export-led recovery.[127] Under pressure from affiliated unions, the FOL applied for a GWO of 7.6 per cent to make up for the decline in living standards. Concerned that such an order would undermine the impacts of devaluation, Ministers made their views clear to the Arbitration Court.[128] When the Court delivered a 'nil' wage order in 1968, a pay cut in real terms, the protest by workers was decisive. An emergency FOL conference called for 'extensive militant action'.[129] The FOL protested outside Parliament in June 1968 alongside anti-Vietnam and anti-nuclear activists, Māori protesting land loss, and CARP. It was a stunning demonstration of the coalescing of the new politics of protest with longstanding union concerns about living standards. Skinner, Labour leader Norman Kirk, and 1951 veteran Toby Hill together condemned the order, while thousands of workers throughout the country took part in protest marches. Behind the scenes, however, Skinner reached a deal with Peter Luxford of the Employers Federation—a pairing then Minister of Finance Robert Muldoon would call 'an unholy alliance'. Together, they successfully reapplied for a five percent wage order. But if their joint application reflected a concern on the part of both about the preservation of the system and faith in the Court, the resolution did little to restore confidence. The scene was set for an upturn in worker militancy and direct collective bargaining.[130]

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[127] McAloon, *Judgements*, pp.134-140, 151.
[128] Walsh, 'Nil Wage', p.181.
[129] Markey, p.153; Walsh, 'Legacy of '51', p154.
[130] Ibid; Walsh, 'Nil Wage'.

In the following years, the National Government was in a bind: it recognised that further 'nil' wage orders would be politically unfeasible, while Treasury officials expressed concerned that the 'wage-price spiral' was now in existence and might undermine 'our competitive position in export markets'.[131] The Monetary and Economic Council in 1971 observed that it was much easier 'to analyse the reasons why the processes of incomes determination can cause an excessively rapid spiral of costs and prices, even in conditions of relatively depressed demand, than it is to find remedies for the problems concerned'.[132] This hinted at a conundrum that would come to define the decade: stagnation and inflation combined, 'stagflation'. If policymakers and economists found the situation confounding, employers were concerned about union power at the workplace level. One W. Reindler told the New Zealand Institute of Management in 1971 that union challenges to the 'firmly established hegemony of management' constituted 'the most momentous and significant power struggles of the century'.[133] The Minister of Labour claimed that it was the 'radical elements within the union movement… snapping at the heels of the FOL executive', but at this point Skinner himself was now also reluctant to agree to restrictions.[134] In 1972, the Government imposed a 60-day wage and price freeze. Opposition leader Norman Kirk pledged to remove it, and in the lead up to that year's election, National promised that '[t]he Federation of Labour will not run this country while we govern'.[135]

The FOL welcomed Labour's 1972 election. Labour shared many of the FOL's progressive aims, while an export boom allowed the government to fulfil its generous social policies. The Industrial Relations Act 1973 incorporated free bargaining by removing strike penalties. A better economic climate 'brought about fruitful co-operation' with the FOL and Employers Federation, though tensions between Labour and militant unions remained.[136] By August 1973, when attempts to control prices to stave off industrial unrest failed, the Government reimposed

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[131] McKinnon, *Treasury*, pp.197, 200.
[132] Monetary and Economic Council, 'Inflation and the Labour Market Report', Wellington 1971.
[133] Brian Brooks, *Trade Unions in New Zealand*, Auckland, 1975, p.9.
[134] McAloon, *Judgements*, pp.138-140; Walsh, 'Rejection', pp.173-261.
[135] *PSA Journal*, September-October,1975.
[136] Ray Goldstein and Rod Alley, *Labour in power*, Wellington, 1975, p.15.

wage controls, a measure designed to be temporary.[137] Soon after, an oil shock unleashed the greatest economic crisis since the 1930s. It would result in 'the biggest shift in the international economic environment since 1945'.[138] This was uncharted waters. 'Stagflation' became more severe. A number of factors—the US Government's deficit spending on the Vietnam war, the collapse of the Bretton Woods system after 1971, a primary commodity boom, and now the oil shock—combined to fracture the international economic order and fuel the rise of global inflation. Labour responded by attempting to maintain full employment and protect those on lower incomes while also continuing to encourage an export-led recovery by controlling inflation. Officials suggested that an agreement on wage restraint with the FOL was now more important than ever if the Government wanted to avoid a sharp rise in unemployment.[139]

Even before the onset of recession, Labour faced off against militant unions, threatening injunctions and deregistration. Skinner condemned these 'not too subtle forms of intimidation'. Tensions came to a head in June 1974. In support of a dispute by the Seamans Union, the Northern Drivers Union placed a ban on the delivery of fuel for a private ferry service to an offshore island near Auckland. The ban was then challenged by a High Court injunction. The breach of that injunction by the Northern Drivers Union resulted in the arrest of the union's secretary, President of the Socialist Unity Party (SUP) and 1951-veteran, Bill Andersen. Approximately 50,000 workers across the country went on strike for one day to protest Andersen's arrest. Norman Kirk, considered calling a state of emergency and condemned the strike action, claiming that the public had a 'gutsful' of militant unions.[140] Once again, Tom Skinner intervened, negotiating Andersen's release. The industrial mobilisation and Andersen's eventual release from prison was taken as welcome proof of worker power; it was the 'greatest display of class solidarity in New Zealand history' as Bert Roth had it.[141] Some conservative unionists saw

[137] Franks and McAloon, p.177.
[138] McKinnon, *Treasury,* p.248
[139] McAloon, *Judgements,* pp.143-148, 155-156.
[140] Bodman, p.12.
[141] Ibid.

the near confrontation as damaging to 'respectable' trade unionism. A secretary of the Engineers Union, for one, argued that 'if we in the trade union movement do not find some alternative to the constant disruption of society, someone else will do it for us to our detriment'.[142]

Muldoon

The injunction dispute helped aid the accession of perhaps New Zealand's most polarising figure. One month after the dispute, Robert Muldoon took over as National leader. He quickly made attacks on unions a key part of his message. For Muldoon, the injunction dispute represented a threat to his largely conservative version of the postwar settlement.[143] Trade unions, Muldoon said in 1974, 'will not simply damage the economy… they will destroy the welfare state as we know it'.[144] It was a message he would repeat again just one month later as he squared off against Skinner, Neary, Andersen and many others on 'Frost Over New Zealand', described in the Prologue. Directly following the filming, Muldoon addressed the Landlords' Association in Auckland at the invitation of businessman and property investor Bob Jones. Outside the venue, Muldoon attacked a protestor. The two events that evening—his television appearance and the scuffle with a protestor—foreshadowed Muldoon's confrontational approach and laid the foundations for his electoral coalition, or 'Rob's Mob'. According to Jones, it saw 'the transfer in allegiance of the mainly male, normally Labour-voting ordinary Joe, not from Labour to National, but from Labour to Muldoon'.[145] This was an exaggeration, to be sure. But to some extent Muldoon's appeal to blue-collar men, traditionally Labour supporters, did change the 'voting mix' of the National Party.[146] Muldoon would not win over the working class, but class as a driver of voting behaviours was certainly on the decline.[147]

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[142] *Herald*, 23 August 1974.
[143] McAloon, *Judgements*, p.175.
[144] Muldoon, 'Wage Rates and Industrial Peace', Muldoon Papers, AAXO W2956 22138 Box B, 1973-1978, ANZ, Wellington.
[145] Bob Jones, *Memories of Muldoon*, Christchurch, 1997, p.184.
[146] Gustafson, *National Party*, p. 125
[147] Olssen and Scates.

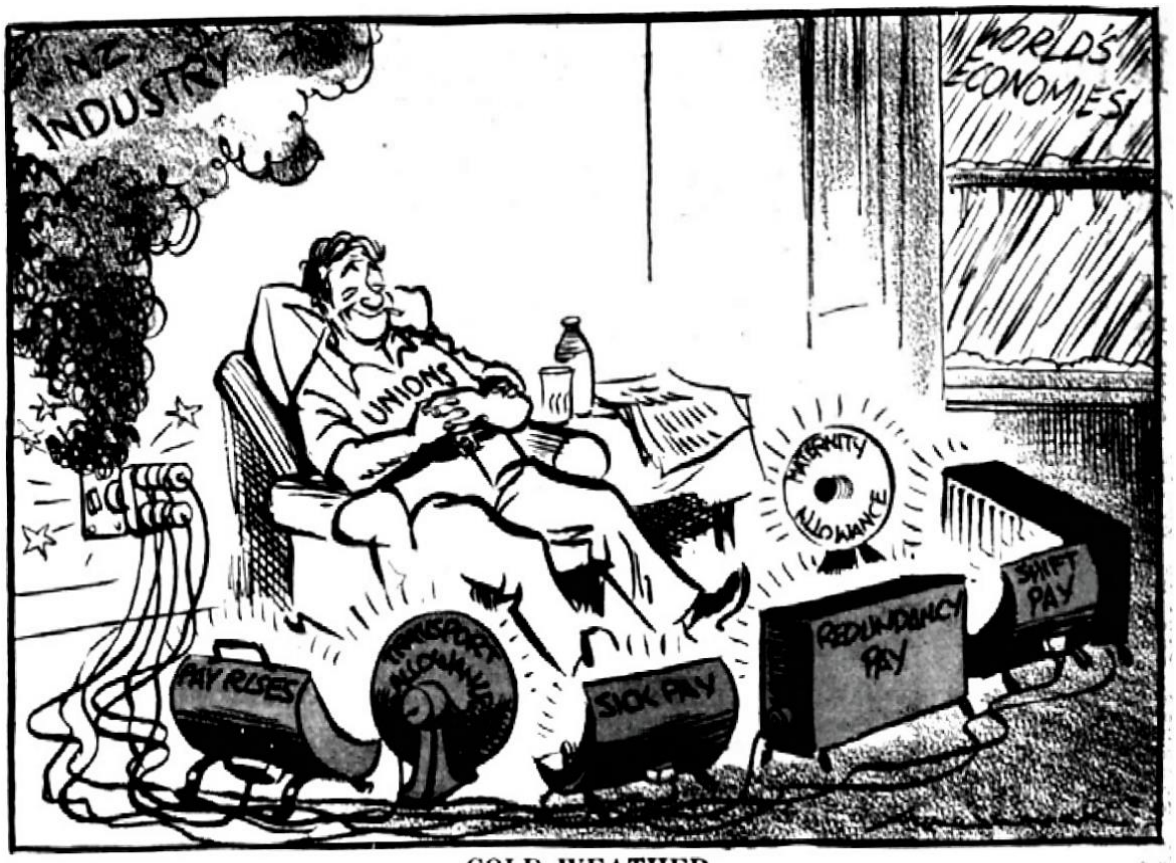

Figure 5 New Zealand's organised working class is presented as both insulated from, and contributing to, the economic downturn of the 1970s. Herald, 2 July 1975, reproduced from Bodman, p.30.

Muldoon presented himself as the leader ready to implement 'the social discipline demanded by the new politics of deflation'.[148] Running on a message of 'belt tightening' and restraint, he suggested that there would have to be a reduction in the standard of living for wage earners, and that union leaders were unwilling to sacrifice for the good of the country in hard times. Such rhetoric was increasingly common across many developed countries; working people were now cast by conservative political leaders and commentators as simply making too much money

[148] Simon Reid-Henry, *Empire of Democracy*: *The Remaking of the West Since the Cold War, 1971-2017*, New York, 2019, p.140.

and being too protected from the discipline of the market to the point of destabilising the economy (See Figure 5).[149] If workers were paid too much, Muldoon claimed, they were also led by a corrupt and communist leadership, which rigged elections and intimidated members. Muldoon also promoted the view that British migrants were bringing 'suicidal class warfare' to New Zealand.[150]

As the 1975 election approached, Muldoon promised to rein in organised labour by instituting secret ballots on whether workers retained compulsory unionism and by introducing penalties for illegal and non-industrial or 'political' strikes. The National Party platform and election campaign was, Skinner said, designed to 'down grade wage and salary earners and their organisations'. Skinner pledged that the FOL would pursue a policy of 'constant confrontation' should National win.[151] Muldoon made it plain that he would 'not be intimidated or dissuaded from his chosen path by threats of industrial action'.[152] The Employers Federation, meanwhile, dismissed National's industrial relations policy as 'half-formed and ill-considered'; it 'would do more harm than good to industrial relations in this country'.[153] Its ex-president said that 'it would be tragic if New Zealand's long-revered system of industrial relations… was to be sacrificed on the altar of political advantage'.[154] By 1974, the Employers Federation still supported the arbitration system. It had 'served New Zealand industry well' and helped 'to maintain order and authority within labour groups', a situation preferable to 'an unorganized situation with few checks on the ambitions of the militant and politically motivated'.[155] Muldoon's reckless populism, they said, threatened that system.

But Muldoon's anti-unionism appealed to and promoted a popular anti-unionism. By 1974, a good number of anti-union groups were in operation, including People in Protest, the Society Against Compulsory Unionism, and the Individual Fight for

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[149] Cowie, p221.
[150] *Herald*, 6 August 1974
[151] Bodman, p.33.
[152] Boston, *Incomes Policy*, p165.
[153] Employers Federation, 'National Party 1975 Labour and Industrial Relations Policy', 25 July 1975. 94-105-54/09, ATL, Wellington.
[154] Cited by Skinner in FOL Conference Minutes 1976, MSX-2401, ATL, Wellington.
[155] Roper, 'Business Political Activism', p.11.

Freedom. All shared an opposition to compulsory unionism, and the perception that unionists were harming the economy, and serving offshore interests.[156] For some, industrial unrest was just one of a number of dangers to middle-class 'family life', the others being drugs, pornography, abortion, divorce, prostitution, homosexuality, and crime.[157] For many members of the fledging anti-union groups, and those writing to Muldoon in 1974 and 1975, events in the UK served as a harbinger. In a 1975 letter to Muldoon, F.A. Munt commented on the situation in the UK. 'Being English I have seen what the Unions have done to England and am surprised and sorry to see New Zealand following in her footsteps'. Munt suggested a campaign of refusal to pay union dues. 'Mr. Skinner and his brothers would be out of a job and would be on Social Security. Food for thought?'.[158] Muldoon himself wrote that 'those who believe that the greatest threat to the British economy at the present time is the policy of the Arab States with respect to the supply of oil are wrong'. Rather, it was 'industrial unrest'. 'We in New Zealand should note the position in Britain closely and take our warning because it not only could happen here—there are already plenty of examples in New Zealand'.[159]

Over 1974-1975, Labour continued to contend with the economic and inflationary crisis. Bill Rowling, Prime Minister in the wake of Norman Kirk's sudden death in 1974, told workers that wages would not keep pace with inflation. This was broadly accepted by the FOL leadership in return for the continued commitment to full employment and the now fragile postwar settlement, as well as a range of legislative gains, such as the Accident Compensation Act.[160] It was also motivated by a fear of a now virulently anti-union opposition. Rowling praised the FOL for placing production ahead of 'massive wage grabs', while critics on the left accused both Labour and the FOL leadership of 'trying to get workers to sacrifice living standards to help New Zealand capitalism out of its current mess'.[161] Muldoon, meanwhile, capitalised on both FOL cooperation with the Government and tensions between

[156] Bodman, p.28.
[157] 'Your Family Life is in Danger', AAXO W2956 22138 Box B, 1973-1978, ANZ, Wellington.
[158] F.A Munt to Muldoon, 2 April 1975, AAXO W2956 22138 Box 10, ANZ, Wellington.
[159] Muldoon, 'Wage Rates and Industrial Peace'.
[160] McAloon, *Judgements*, p151; Boston, *Incomes Policy* p.164.
[161] *Socialist Action*, 21 November 1975.

the two. When Skinner suggested that FOL affiliates should show restraint lest they 'sacrifice' the Labour Government, Muldoon told Parliament, '[a]ccording to Mr. Skinner, the only thing that can keep the Labour Government going is the Federation of Labour… That is quite a statement, and it should be remembered in November'.[162] The Party recognised that appealing to dissatisfaction with industrial strife was good political strategy. One Tauranga Party member wrote to Muldoon proposing that each time a major dispute 'erupts', the Party 'should perform a rapid piece of detective work and come out with its own views on the dispute'. That view 'should be so presented to create maximum impact' in order to capture 'the public's attention, [and] also the attention of the mass media. It is time we started using their techniques'.[163]

National won the 1975 election in a landslide. Muldoon 'assailed trade unions' and effectively pinned the blame for the economic crisis on Labour.[164] That Labour had maintained full employment and secured the co-operation of the FOL with a 'policy of wage restraint that is almost without parallel in the "free" western world', as one commentator explained, mattered little. Labour was no match for Muldoon.[165] Muldoon's victory would mark the beginning of a new era in the story of the FOL, and the beginning of major ruptures in New Zealand political and economic history.

Conclusion

The history of the FOL in the decades between 1937 and 1975 is one intimately tied to the story of New Zealand's postwar settlement. The emergence and then unravelling of that settlement internationally is perhaps one of the most enduring themes of twentieth century history, a story bookended by two crises of political economy, that of the 1930s and the 1970s.[166] As we have seen, that settlement required and relied on trade union discipline and restraint, on economic stability and growth, as well as the interlocking international architecture that supported it.

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[162] *NZPD*, 398, 10 June 1975, p.1898.
[163] Peter Atkins to Muldoon, 6 March 1975, AAXO W2956 22138 Box 10, ANZ, Wellington.
[164] Franks and McAloon, p.184.
[165] Ibid., p.170.
[166] Friedan, *Global Capitalism*; Eric Hobsbawm, *The Age of Extremes: The Short Twentieth Century*, London, 1995.

If the FOL leadership largely accepted this, others saw it as an affront to the historic socialist aims of the union movement, or to the immediate economic interests of workers. If many trade unionists were dissatisfied with the conservatism of the FOL and its often cosy relationship with the state, many others were also concerned with the gradual improvement in living standards and the protections afforded by the system.

Labour and National converged in their acceptance of the FOL as a pillar of industrial stability, though the labour movement still posed an electoral dilemma to both. Increasingly, Labour sought to distance itself from its union base in an effort to broaden the appeal of the Party. National's electoral coalition was always hostile to unions, though its pragmatic leaders could not ignore the benefits of maintaining industrial stability. If the postwar settlement recognised a role for the FOL within the political economy, this did not mean an absence of conflict. For the most part, however, such conflicts remained submerged in times of prosperity. Shared prosperity and productivity gains softened distributional struggles, and conflicts emerged when economic management proved more difficult, especially in the late 1960s when faltering economic growth and inflation combined to undermine industrial stability and centralised wage-fixing.

By then, the FOL and its affiliates' commitment to the Arbitration Court waned, and workers increasingly took direct action. Conflict over living standards, wages, and economic management increased markedly, re-emerging as the dominant features of political and economic life across the industrialised west. That crisis placed significant pressures on the ability of governments around the world to meet the terms of the postwar settlement. For a small, trade-dependent primary producing nation like New Zealand, these pressures were particularly great; the cross-party support for export-led growth meant sacrifices in domestic living standards, and thus renewed pressure on wages. These mutually reinforcing developments only accelerated into the early 1970s when a severe global economic crisis marked the definitive end of the postwar boom and as the international settlement fractured.

The ‘unusually favourable combination’ of circumstances that maintained the settlement was replaced by an unusually unfavourable combination.[167]

In the search for the roots of organised labour’s late twentieth century decline, some have pointed to the postwar years when the labour movement abandoned its hopes for social transformation for the pursuit of partnership in wartime and postwar planning, a role within the state apparatus, and the narrow goal of improving and defending living standards. The FOL’s role or its acquiescence in the establishment of this political economy created a situation in which broader social transformation was foreclosed. A perhaps more charitable reading is that the FOL leadership accepted that some of the historic goals of the labour movement collided with the demands of electoral politics, that acceptance by both political parties and the state had its benefits, and that some role for organised labour in political and economic decision-making was better than none; the voting electorate, and much of the union membership, appeared to agree.

Even so, the incorporation of the FOL into the postwar settlement, based as it was on prosperity, made that arrangement less than durable during periods of economic crisis, and it would have a profound effect on the labour movement and national politics in the decades ahead. The limitations and the contradictions of the postwar settlement itself were thrown into sharp relief when the postwar boom ended at the same time that the country also experienced profound social changes. These changes served to reconfigure the political terrain and challenged the traditional role of the FOL. The conflicts after 1975, then, reflected accumulated tensions that ran deep in New Zealand history at the same time they were sparked by these very immediate developments. How those tensions played out in the years thereafter, and how the FOL contended with the new Muldoon Government, are the subject of the chapters that follow

[167] McAloon, *Judgements*, pp.28, 143-148.

CHAPTER TWO
'A blatant attack on living standards' Muldoon's First Term, 1975-1978

On 23 June 1976, a crowd of 19,000 marched on Parliament during its opening ceremony. It was the largest protest in the capital since the 1930s. The protestor's placards, captured by the photographer Ans Westra as they poured into the grounds, made their concerns clear: 'End Wage-Fixing Now', 'State Rents, Power, Rail Charges—Are All Up', 'Government Must Hold Prices', 'Freeze Muldoon', 'We are Sick of Being Robbed!', 'We Want the Lot!' and 'A Living Wage Now!'. One month earlier, as the FOL met for an emergency conference in response to a wage freeze recently introduced by the National Government, Tom Skinner told delegates that the labour movement was facing 'a situation that never before in the history of this country it has had to face'. The FOL leadership, Skinner thundered, had 'told the Prime Minister in no uncertain terms we were not looking for a clash with government. But if government insists, we have no alternative'.[1] As protesters filled the grounds, Muldoon made an appearance from Parliament's steps, taunting the crowd with a wave and the wry smile he would become known for. Police officers held demonstrators back from breaking through the barriers set up to divide the raucous crowd from the order of the official ceremony. One police official later said it was a 'dangerous and silly thing for Mr Muldoon to show himself in front of the crowd'.[2]

[1] 'Special conference to discuss wage restrictions', 1976, MS-Papers-4100-13/08, ATL, Wellington.
[2] *Herald*, 23 June 1976.

Figure 6 Workers demonstration against the wage freeze in Wellington, 1976. Photograph by Ans Westra. AW-1521. ATL.

The demonstration occurred just eight months after the 1975 election and one month after the announcement of the freeze in May 1976. It was not the first major union mobilisation of the decade, nor the first time that workers had seen a decline in their living standards. But it did mark a new and bitter phase in the FOL's relationship with government; Muldoon's severe austerity sparked a distributional struggle with a sharper edge. Muldoon's election campaign had already set the tone for confrontation. The FOL, too, entered 1976 with a sense of strength and willingness to take on the conservative administration. 'The labour movement',

read the FOL's 1976 *Bulletin*, 'is today the most vital potential power this planet has ever known, and its historic mission of emancipating the workers of the world from the thraldom of the ages is as certain of ultimate realisation as the setting of the sun'.[3] The year 1976 would mark the largest upturn in strike action since 1951 as workers across the country sought to break the freeze, to halt the decline in living standards, and to send a message to Muldoon that they would not stand for wage controls. The industrial situation only intensified over the winter. In August, the Northern Drivers Union withdrew funds from its bank account as rumours of a possible Government deregistration circulated. Soon after, Minister of Labour Peter Gordon ordered the deregistration of the Wellington Boilermakers Union. As one journalist had it, the country was teetering 'on the brink of industrial chaos'.[4]

For all parties involved, Muldoon's first term was marked by a sense of crisis in industrial relations, a by-product of the general 'crisis management' that marked economic and political life by the 1970s.[5] This chapter examines the FOL's strategy during Muldoon's first term (1975-1978) as the Government pursued a policy of severe austerity and deflation, attempted to make good on its election pledges to abolish compulsory unionism and outlaw 'political' strikes, and implemented a wage freeze. By the end of 1978, the FOL could claim some success in its industrial campaign. Increasingly, Skinner's conservative leadership came under pressure as affiliates called on the FOL to mount a more concerted and militant campaign to both restore living standards and return to free wage bargaining. Thus began a period of sustained conflict between the FOL and the Muldoon Government as they contested the distributional politics of the era's economic and inflationary crisis.

The politics of inflation and the 'Muldoon-Skinner axis'

As National came to power in late 1975, it inherited the economic crisis it had done so well to blame on the previous Labour Government. The electioneering bogeys of inflation and union militancy quickly turned into hard political realities. Muldoon also now faced the prospect of working with the people he had demonised during

[3] FOL Bulletin, March 1976.
[4] *Herald*, 27 & 28 August 1976.
[5] McAloon, *Judgement*, p.173.

the campaign: the FOL leadership.[6] Skinner received a phone call, as he recalled, following the swearing in of the Cabinet in late 1975. 'Rob here, Tom. I think you and I should have a talk. We need to get together on industrial matters'.[7] In public, too, Muldoon made conciliatory overtures, describing Skinner and the FOL Secretary Jim Knox as 'good fellows'. The FOL and National had in the past 'worked together amicably', Muldoon said. Such 'mutual respect and consideration' would continue 'to be the basis of association between the Federation and the new National Government'.[8]

Yet National also had a major constituency to satisfy. Business had high expectations, as did those who voted for National because of its promise to take a harder line against unions, wrestle back control of a 'shattered economy', and to stem inflation. Muldoon also appealed to an undeniable antagonism towards unions. Polls following the election showed that 72 per cent of respondents agreed that workers 'should not be compelled to join a union'; 72 per cent agreed that 'The Government should take firm action to control wages'. Strikingly, for the second question, the results for National voters (76 per cent) were not far off that of Labour voters (73 per cent). The same polls also revealed a fraying of support for the postwar settlement. Most agreed the Government borrowed too much, and under half agreed that full employment should be a major policy objective.[9]

In part, this reflected the emerging preoccupation with inflation, which not only sharpened distributional conflicts but also complicated any traditional stimulatory response to economic crisis. Political leaders, policymakers, and trade unions internationally were caught off guard by the heavy increases in inflation. 'Every sector', wrote National MP Hugh Templeton, 'was alarmed by the spectre of inflation'.[10] The *Herald*'s regular survey question 'What is the single most important problem facing New Zealand right now?' saw 'inflation' and 'the health

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[6] Ibid., p.164, 174.
[7] Skinner with Berry, *Man to Man*, p.140.
[8] *Herald*, 20 December 1975.
[9] Stephen Levine and Alan Robinson, *The New Zealand Voter*, Wellington, 1976, pp.69-88.
[10] Templeton, *All Honourable Men*, p.172.

of the economy' consistently ranked as the top two responses.[11] Polls in the US and UK showed the same result, and a 'concern for inflation bordering on fear'.[12] Economists and policy-makers debated the causes: some blamed a wage-price spiral, others loose fiscal and monetary policies.[13] The debates among policymakers and economists about the cause was only a part of the story. The more public debate between unions, employers and government were often more acrimonious. The view that inflation was a major problem that had to be addressed largely crossed party and class lines. Yet the 'politics of inflation'—which involved both assigning blame and determining who should bear the costs of fixing it—dominated public debate and would become only more pronounced as the crisis deepened over the next decade.[14]

The FOL offered a sharp rebuke to the view that wages drove inflation. Rather, the Government's anti-inflation strategy was simply a pretext for anti-unionism and redistribution to the wealthy. 'The evils of inflation', Skinner said, 'are raising increasingly fundamental questions about the direction our society is to take. The rights of New Zealanders are being stripped every day under the pretext of getting inflation under control'.[15] Inflation was, Skinner added, 'primarily imported'. Indeed, higher international liquidity associated with US deficit spending for the Vietnam war 'spilled over into New Zealand', a country particularly vulnerable to imported inflation.[16] While the FOL was not afraid to challenge the notion that wage demands were the cause of inflation, the realities of accelerating inflation also limited its own role to something of a 'catch up' arrangement. It is, Skinner wrote, 'necessary to adjust wage rates to counter the loss which now follows constant and heavy increases in the cost of living'.[17] Drivers Union advocate Rob Campbell recalled that the 'cost of living was *it*. The odd other cause came along but keeping

[11] Bodman, p.97.
[12] Adam Tooze, 'Who Is Afraid of Inflation? The Long-shadow of the 1970s', *Journal of Modern European History*, 12, 1, 2014, pp.53–60.
[13] Singleton, *Reserve Bank*, p.34.
[14] Benjamin Waterhouse, 'Mobilizing for the Market: Organized Business, Wage-Price Controls, and the Politics of Inflation, 1971–1974', *Journal of American History*, 100, 2, 2013, pp.454–478
[15] *Dominion*, 18 May 1977.
[16] John Singleton, *Central Banking in the Twentieth Century*, Cambridge, 2011, pp.192-193
[17] FOL Bulletin, November 1977.

up with the cost of living was completely the issue at the time… that kind of protection of living standards was totally dominant in union discourse'.[18] Strong unions could hold their own against rising prices. Inflation 'did have an impact', Graeme Clarke of the Coachworkers Union recalled, 'but you always managed to match or improve on it. You never let a wage cut go for too long'.[19]

The FOL also claimed that rising prices were a result of business pursuing excessive profits, while employers blamed wage claims. Yet if inflation intensified those traditional distributional conflicts, the role of the consumer muddied the water. Both unions and employers blamed one another for rising prices and appealed to 'pocketbook politics'.[20] The FOL, for example, worked closely at times with the consumer activist group, the Campaign Against Rising Prices (CARP), organising frequent protests against price rises, advocating for price controls, and for the maintenance of worker purchasing power. 'A group of workers would battle for months for a pay rise on the basis of the increased cost of living only to have it eaten up in price increases', said a founding member of CARP, Cath Kelly. 'We wanted to keep the value of the pay packet'.[21] Added to this, the FOL made the case that wages would provide much needed reflation of the domestic economy to address a 'crisis of underspending', an argument that ran counter to Muldoon's deflationary politics, discussed below. Yet even as unionists expressed their own concerns about rising prices and declining living standards, and while they maintained some support and solidarity from consumer groups like CARP, the association of inflation with union wage demands was increasingly entrenched in both popular and policy understandings of inflation.

For Ministers and Treasury officials alike, the solution to controlling inflation was austerity, a more or less orthodox commitment to restraining or stimulating demand according to circumstances.[22] Inheriting the 'worst terms of trade for a generation', Treasury advised the incoming Government that inflation, the government deficit,

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[18] Rob Campbell, interview with Ross Webb, 3 May 2021
[19] Graeme Clarke, interviewed by Ross Webb, 9 April 2021.
[20] Waterhouse, p.461.
[21] *Dominion*, 11 January 1979.
[22] McAloon, 'State and Economic Policy', p.538.

and private consumption all needed to be reduced in order to allow an export-oriented investment. Treasury recommended a fall in real wages of at least nine per cent, equal to the drop in national income after 1974, and a tight squeezing of the domestic economy.[23] Muldoon's subsequent attempt to oversee an export-led economic recovery, then, would involve 'a fairly direct and significant shift of wealth and income to exporters'.[24] Taking charge of industrial relations was viewed as a central part of this; Treasury recommended a 'firm incomes policy' was necessary in order to break the 'wage-price spiral' and 'prevent any improvements being cancelled out by increased demand for imports'.[25] As Rob Campbell recalled, this strategy of allowing profitability to rise by redirecting economic activity towards exports was 'one that relied to a significant extent on holding down wage rates… it was painful to the people experiencing it'.[26] Workers would become increasingly and understandably indignant about what they viewed as the gross inequity of this approach.

As both Prime Minister and Finance Minister, Muldoon was often personally involved in industrial relations. This was just one source of the tension between Muldoon and the Minister of Labour, Peter Gordon, who earned the reputation as the 'reluctant minister'.[27] In April 1976, Head of the Labour Department told its staff that the weekly briefing prepared for the Minister of Labour would now also be sent directly to Muldoon.[28] But negotiating with unions and employers against the backdrop of stagflation was only part of the problem. Muldoon's often overbearing and erratic approach frustrated many. Another source of the tensions stemmed from Muldoon's informal relationship with Skinner. Skinner and Muldoon met on Sunday mornings to discuss industrial relations, meetings that are often cited as a symbol of Muldoon's contradictory relationship with labour, and of the ad-hoc 'staggering on' of the postwar settlement.[29] Skinner's stinging public

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[23] McKinnon, *Treasury*, p.199; McAloon, *Judgements*, p.163.
[24] McAloon, *Judgements*, p.195.
[25] McAloon, 'Robert Muldoon', p.3; *Judgements*, p.157.
[26] Rob Campbell, interview with Ross Webb, 3 May 2021
[27] Gustafson, *His Way*, p177.
[28] Reports to the Minister of Labour, 1976, 46/5/0/1, Part 2, ANZ, Wellington.
[29] James Belich, *Paradise Reforged: A History of the New Zealanders*, Auckland, 2001, p399.

attacks on Muldoon while continuing private negotiations was also a source of constant criticism from other trade unionists. They might 'brawl in public', Hugh Templeton explained, but the 'Muldoon-Skinner axis… provided a personal alliance for wage restraint'.[30] The Sunday meetings aside, the Muldoon years were characterized by significant conflict. Central to that conflict was the attempts by Government to restrain inflation, while the FOL's campaign focused on stemming the erosion of workers' wages and living standards.

Muldoon's combination of calls for cooperation and frequent clashes with unions to some extent reflected an international trend. Political leaders across the west saw some kind of union co-operation as essential to controlling inflation without turning to tight monetary policy or higher taxes. Some degree of union cooperation was considered entirely appropriate, and many leaders 'dreaded the consequences of a serious attack on inflation: recession, business distress, unemployment, and political conflict'.[31] But these efforts had a contradictory result. Inflation both pushed governments and labour towards closer collaboration and at the same time greater conflict.[32] This reflected what was an international conundrum: workers and employers expected compensation for rising prices and stepped up wage and price demands accordingly. Without an accommodating monetary policy, the scene would have been set for redundancies.[33] The accommodationist approach was 'a convenient *ersatz* method for avoiding zero-sum social conflict', understandable given the alternative: a 'substantial rise in unemployment and deepening social divisions'.[34] This did not mean that governments did not pursue austerity, enforce wage restraint, or engage in confrontation with organised labour. The US peak union body, the AFL-CIO, frequently clashed with the Republican Nixon and Ford administrations, opposing attempts to revive the economy by freezing wages; Canada saw its largest national strike in 1976 as workers protested wage controls, and in Britain, organised labour faced off against the Labour Government's

[30] Templeton, *All Honourable Men*, p.66.
[31] Friedan, p.368. Eich and Tooze, p177.
[32] Taylor Dark, *The Unions and the Democrats: An Enduring Alliance*, New York, 1999, p.114.
[33] Singleton *at al., Reserve Bank*, p.37.
[34] Singleton, *Central Banking in the Twentieth Century*, Cambridge, 2011, p.194; Wolfgang Streeck, 'The Crises of Democratic Capitalism', *New Left Review*, 71, Sept/Oct 2011.

attempts to curtail wage increases.[35] But this was certainly not the savage strike-breaking and severe monetary tightening that would define the following decade.

The FOL: from the leadership to the conference floor

While the decision-making power of the FOL resided largely with the President and Executive during the postwar period, this began to change in the 1970s, albeit slowly. Skinner still dominated the FOL, setting FOL policy, the framework for debate within the National Executive, and conducting most discussions with ministers and officials.[36] Skinner still believed in negotiating 'man-to-man' and opening backchannels with Government and employers. Yet the FOL was much more than Skinner. It was connected by a web of sub-organisations, from the local trades councils to the annual conference in May each year. The conference elected the Executive (made up of eleven members; two of whom, the President and Secretary-Treasurers, were elected for five-year terms). Members of the National Executive met fortnightly, and also attended meetings of the National Council, made up of representatives of the 21 Trades or District Councils. The local trades councils were the centre of regional activism, and all had their own distinctive features. The Auckland Trades Council, for example, was led by Bill Andersen after 1976. Andersen's victory over Skinner for the leadership of the Council served as just one sign of the emerging dissatisfaction with Skinner's conservatism.

The ideological divides within the FOL were longstanding but intensified in the mid-1970s. As Rob Campbell recalled, 'individual unions ranged from the highly politicised like the waterside workers and seamen, to the drivers who had a radical leadership. [Some were] militant, but on their own industrial strategies rather than wider political campaigns'. Then there were 'some that were just moribund, bureaucratically run unions, [and] often didn't have strong political views. And, if they did, it was largely by way of affiliation to the Labour Party, and not particularly active even at that'.[37] Therese O'Connell, then of the Clerical Workers, recalls

[35] Mitchin, *Labor Under Fire*, p.40; John Shepherd, *Crisis? What Crisis? The Callaghan Government and the British 'Winter of Discontent'*, Oxford, 2016.
[36] Boston, *Incomes Policy*, p.78.
[37] Rob Campbell, interview with Ross Webb, 3 May 2021.

seeing the different political blocs in the Wellington Trades Council, including the SUP, the Wellington Marxist-Leninists, and the conservative Catholic social democrats ('we would have called them right wing', said O'Connell) represented by Tony Neary.[38] Yet if there were internal divisions over strategy and politics, Muldoon served to unite the factions.[39] 'Muldoon was very helpful in sort of catalysing the rise of left politics, and more radicalism within the union movement', Campbell explained. 'His wage controls were a wonderful way of activating membership around political issues'.[40] That same activism against Muldoon would also serve to erode Skinner's centralised control and authority.

FOL conferences, meanwhile, were 'a political event', recalled Campbell, 'at least equivalent to the main political party conferences'.[41] Running for four days, they began with the Presidential address and the Secretary's annual report, a kind of 'state of the nation' from a union point of view. While the conference was largely controlled by the 'top table', as Graeme Clarke recalled, it was also 'fairly democratic'. Delegates from the floor could and did challenge the leadership and shape FOL policy.[42] Remits from a number of unions in 1976, for example, stressed the urgent need to restore free wage bargaining. 'That because of the failure by Government to control prices and profits, the FOL actively campaign for an immediate return to direct bargaining in line with policy', read one remit by the Auckland Storemen and Packers Union. Another by the National Union of Railwaymen called on the FOL to 'restore the freedom of our unions to freely bargain the sale of our labour power and regain the value lost to our wages through inflation'.[43] The Northern Drivers Union, meanwhile, drove the FOL's policies on Māori land struggles and anti-racism largely through remits to conference.[44]

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[38] Therese O'Connell, interviewed by Ross Webb, 27 May 2021.
[39] Rob Campbell, interview with Ross Webb, 3 May 2021.
[40] Ibid.
[41] Ibid.
[42] Graeme Clarke, interviewed by Ross Webb, 9 April 2021.
[43] FOL 1976 Conference, MSX-2401, ATL, Wellington.
[44] Locke, 'The Northern Drivers Union'.

Figure 7 FOL conference 1978. Sonja Davies is second from right. EP/1978/1637/26A-F. ATL.

Yet the conference reflected the fact that the FOL remained a male bastion, an organisation 'run by men, for men'.[45] Only 12.5 percent of delegates at the 1976 conference were women.[46] Many women recalled the 'antics' at conference when 'women's issues' were discussed. As Sonja Davies recalled, '[i]f any women got up to speak, the men would all yawn, or get their newspapers out or go and have a beer'.[47] It was, Joyce Hawe added, a 'male dominated organisation… unless you stood up to them and spoke their language, you got nowhere'.[48] The years after 1975, however, marked something of a turning point. In 1975, Sonja Davies of the Wellington Shop Employees' Union initiated the creation of the Working Women's Council, which aimed to promote the interests of working women.[49] In the same year, the Working Women's Alliance was formed in Wellington, 'to unite paid

[45] Nolan and Ryan, 'Transforming Unionism', p.93.
[46] Ibid., p.94.
[47] *Broadsheet*, October,1982.
[48] Joyce Hawe, interviewed by Shaun Ryan, 14-16 September 1999, OHInt-0478/16, ATL, Wellington.
[49] Nolan and Ryan, p.95.

working women and housewives around issues of common concern, such as rising prices, child care, rents, and equal pay'.[50] The Alliance sought the immediate end to the 'erosion of our standard of living', and fought to add equal pay, paid maternity leave, free child care facilities, unemployment benefits for women and a 'vastly improved health system' to the FOL's agenda.[51]

Women also increasingly made inroads into the FOL officialdom, albeit slowly. In 1977, Eileen Tourell was elected as secretary of the Auckland Trades Council, and in early 1978, June Sullivan was elected as the first female National Councillor on the Taranaki Trades Council.[52] In 1978, Sonja Davies would become the first woman elected to the FOL Executive. She would become vice-president by 1983. If women made up 25 percent of trade unionists in the 1970s, that would increase to 50 percent just two decades later, constituting a 'gender revolution', one that would reshape trade unions[53] This was matched by workplace organising efforts by women workers across the country who challenged the ideology of the male breadwinner wage, fought for equal pay, and sought to democratise their unions.[54] There were, however, some setbacks on the way, including the 1978 defeat of the Shop Employees Union remit calling on the FOL to adopt the Working Women's Charter. The 16-point Charter called for, among other things, the elimination of discrimination on any basis including sex, equal pay and opportunity, flexible working hours, quality childcare and adequate parental and family leave, access to sex education, contraception and abortion, and government research into women's health issues. The remit was voted down but referred to affiliated unions and district councils for reconsideration at the next conference.[55] In the years ahead, Sonja Davies and others would organise a successful grassroots campaign to build support for the Charter.

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[50] Dann, *Up from Under*, pp.71-72
[51] Ibid.
[52] *Herald*, 21 October 1977; National Council Meeting–February 1978, 94-106-55/4, ATL, Wellington.
[53] Nolan and Ryan, p.93.
[54] Locke, *Workers*, p50.
[55] FOL Conference 1978, MSX-2404, ATL, Wellington.

The FOL conference also reflected the enduring but often troubled relationship with the Labour Party. Claiming that 'the year 1975 will be remembered for the defeat of the Third Labour Government after one term in office', Skinner condemned the lack of unity between the FOL and Labour Party, pointing out that the Joint Council of Labour had not met in the previous three years. 'History has shown that the political Labour Party will not win elections without the help and co-operation of the industrial wing'.[56] Labour leader Bill Rowling himself condemned the Muldoon Government for '[turning] the screws on all those on modest incomes' by attacking 'the very basis of their standard of living'.[57] Yet despite such messages, unity between the FOL and the Party had suffered. A serious blow to these ties came in late 1976 when the Engineers Union proposed to break ties with the Party which it saw as dominated by 'academics and intellectuals', a move Skinner hoped might give the Party a sense of the 'grave dissatisfaction'.[58] The debate about the FOL's relationship with Labour would re-emerge in the lead up to the 1978 election campaign. Before then, however, the FOL's focus remained on the more immediate and pressing concern of responding to the new Muldoon Government.

Towards the freeze

'The time has come', Muldoon told Parliament as he introduced his July 1976 Budget, 'for us to take a deliberate cut in our standard of living in the interests of future solvency'.[59] Between 1976-1977, Muldoon pursued his deflationary monetary and fiscal policy which aimed to reduce demand and lower the budget deficit.[60] National doubled postal, electricity, and rail transport charges, and removed subsidies on commodities like bread and milk. By December 1976, the inflation would rise to 16.9 per cent, while economic activity contracted sharply.[61] As part of these measures, Muldoon aimed to secure an agreement with the FOL and the public sector Combined State Sector Organisation (CSSO), to a cost-of-living order of 3 per cent. It was a wage cut in real terms, a 'bitter pill', Muldoon

[56] FOL Conference 1976, MSX-2401, ATL, Wellington.
[57] *Herald*, 6 May 1976.
[58] *Auckland Star*, 15 December 1976.
[59] *NZPD*, 404, 29 July 1976, p.1138.
[60] Boston, *Incomes Policy*, p.164; McAloon, *Judgements*, p.151.
[61] McRobie, 'The Politics of Volatility', pp.392-393.

conceded, '[but] we are all going to take a few bitter pills this year'.[62] Muldoon had inherited the wage restrictions introduced by Labour which provided a very limited framework for bargaining and the provision for cost-of-living orders. If the FOL accepted a level of wage restraint in late-1975 to avoid any action that might undermine a Labour election victory, it was now less inhibited and determined to see not only an adequate wage increase but also—as remits from affiliates before the FOL conference made clear—a return to free wage bargaining.[63]

The FOL was opposed to Muldoon's deflationary policies, both because of the broader pressure to resist a decline in living standards, and because it was expected to bring about a rise in unemployment.[64] The FOL argued that wage earners were already carrying an unfair share of the burden of the downturn. Organised labour was willing to play 'a part as a section of the community', Skinner said, 'but we won't carry an unfair burden'.[65] Muldoon insisted that wage earners had fared well, while 'farmers and the business community [had] suffered a loss of real income greatly in excess of the national average'; militants were simply 'stirring up opposition to the Government's policies'.[66] Skinner called for workers to be fully compensated with an increase of 8.7 per cent (later reduced to 8.3 per cent), a call that was endorsed by unions across the country in stop-work meetings.[67] The FOL argued that it was 'illogical to apply restrictions only on wage payments… it places responsibility on wage-earners… reducing their living standards, reducing sales, and increasing unemployment'.[68] The FOL argued, then, for a wage-led recovery to stimulate aggregate demand at the same time that the Government pursued the very opposite strategy: a deliberate squeezing of the domestic economy and an attempt to bring about a real wage fall.

As negotiations broke down, workers across the country encouraged the FOL to stand firm. An Auckland Trades Council resolution called on unions to 'express by

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[62] McAloon, *Judgements*, p163; *Herald*, 14 January 1976.
[63] Boston, *Incomes Policy*, pp.9, 19, 155.
[64] Ibid., p.164.
[65] *Herald*, 14 January 1976.
[66] *Auckland Star*, 20 January 1976; *Herald*, 23 January 1976.
[67] *Herald*, 10 January 1976.
[68] Ibid.

way of stop work meetings and petitions support of the [FOL] position'.[69] While affiliated unions placed pressure on the FOL, Skinner conducted private negotiations with Muldoon, and, in late January 1976, the pair agreed to the small flat rate wage increase of 3 per cent.[70] The Employers Federation saw it as a sign that the Government was determined to grapple with inflation, while Muldoon claimed he was 'heartened by the moderate and reasonable' approach by the FOL. There was, however, one minor concession from Muldoon. He suggested that he was looking for a return to free wage bargaining, in abeyance since 1971 (beside the brief interlude in 1973), but only if inflation were brought under control.[71] Skinner conceded that it was not enough, but that discussions would continue about the lifting of regulations.[72]

The 3 per cent was roundly condemned by many trade unionists. Frank McNulty of the Meat Workers Union said that the now regular below-inflation rulings 'made a joke of the whole trade union movement', while Bill Richards of the Otago Trades Council claimed that the FOL appeared to be tolerating 'a state-controlled union movement'.[73] Many unions protested the below-inflation wage order. Workers at the Chelsea sugar refinery, two Auckland tanneries, the Northern Drivers, Storemen and Packers and the Seaman's Union all held stopwork meetings, as did Auckland freezing and waterside workers. Protesting Skinner's deal, one union secretary said, 'it will be for the membership to decide whatever action they want to take… as far as we are concerned, the wage order wouldn't even cover increases in the price of gas to get us to work'.[74]

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[69] *Auckland Star*, 23 January 1976.
[70] McAloon, *Judgements*, p164.
[71] *Herald*, 27 January 1976.
[72] *Auckland Star*, 27 January 1976.
[73] Pat Walsh, 'The Wage Adjustment Regulations', 1977-1985, 95-050-50, ATL, Wellington
[74] *Herald*, 28 January 1976.

Figure 8 Ken Douglas addressing Drivers Union members meeting in Wellington, 1976. EP/1976/2251/2-F. ATL, Wellington.

Figure 9 Union protest march in Wellington 1976. Evening post Ref: 35mm-00026-c-F. ATL, Wellington, New Zealand

In early February 1976, the FOL Executive responded to the pressure and agreed to begin a campaign for a return to free wage bargaining. 'Wage and salary earners should not be the victims of government actions to impose penalties based on the economic ills of the country, economic ills which have not been created by the workers'.[75] That workers would not pay for the economic crisis became the central message of the campaign. Over 300 delegates at the National Union of Railwaymen Social Hall endorsed a resolution protesting the cost of living order, a demand for adequate protection against unemployment, and the return to free bargaining.[76] The Canterbury Trades Council sponsored a half-page advertisement in the *Press* with the title 'A case for economic and social justice'. 'In 1976, a wage order of 3 per cent has cut effective wages by about 6 per cent', it read.[77] The Wellington Trades Council produced an explanatory manual on the cost of living order, describing it as 'a blatant attack on the living standards of all salary and wage earners'. It challenged the idea that restricting wage growth would cut inflation. 'There is no evidence to suggest that the wage cuts of the sort imposed by the January cost of living adjustment will stop prices rising'.[78] Despite facing criticism for 'selling out', Skinner still played a key role in building momentum behind the campaign. In Christchurch's Cathedral Square on April 5, he told a crowd of 5,000 that the government was practicing 'dictatorship by stealth', before addressing a mass stopwork meeting of 18,000 workers at Mt Eden Stadium.[79]

Delegates at the FOL conference in May 1976 pledged rolling stoppages for anything less than a full cost-of-living increase. Skinner reiterated his belief that workers were unfairly taking the blame for the economic crisis, that Muldoon was rejecting the needs and welfare of workers, and 'retreating to the undesirable and harmful policies that were discarded two generations ago'. Austerity was, he said, an 'acceptance of depression as a natural state of affairs'.

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[75] 'Decision of National Executive', 3 February 1976, 94-106-54-10, ATL, Wellington.
[76] Trade Union Executive Members, Canterbury Trades Council, 9 February 1976, 94-106-54-10, ATL, Wellington.
[77] *The Press* 21 February 1976.
[78] 'The Cost-of-Living Order: An Explanatory Manual', 1976, 94-106-54-10, ATL, Wellington.
[79] *Herald*, 6 April 1976.

> By some strange reasoning it has been said that the burden of adjusting to a lower standard of living, the consequence of the fall in the terms of trade, should be equitably shared… the effect will not be equitable… It is very disturbing to realize that the economic situation throughout the world resembles recession or depression periods of the past years…. It is common to hear it stated that the present economic situation and continued increase in inflation make it necessary to reduce living standards and to abandon measures directed as the increase in production and productivity until the economic situation has restored itself. [80]

But despite Skinner's public condemnations of the Government, he was continuing to hold confidential discussions with Muldoon, without the knowledge of his colleagues, including FOL Secretary Jim Knox. Muldoon's hopes for a settlement with the FOL 'rested on' what he believed was Skinner's control of the FOL. But under pressure from rank-and-file members, Skinner could not deliver that deal.[81] Muldoon had been naïve about both his ability to secure a deal with Skinner and about the potential reaction of unionists.

Muldoon lost patience. At midnight on 14 May 1976, Muldoon announced a twelve-month wage freeze to tackle what he called the 'intolerable' rate of inflation; the aim was to provide a period of 'breathing space' as the Government devised a new plan.[82] The freeze was accompanied by a cost-of-living increase of 7 per cent or $7, whichever was less.[83] For the fourth time since 1974, then, wage and salary earners saw their real income fall well short of inflation.[84] Coming just ten days after the FOL conference pledged rolling stoppages, it set the scene for a major upturn in industrial action over the following year.

The campaign against the freeze

At its May conference, FOL delegates had already raised the possibility of a freeze, a move occasionally threatened by Muldoon. Skinner warned Muldoon that it would be making 'a colossal mistake if it froze awards and collective agreements entirely'; unions 'simply would not tolerate such measures'. He suggested taking on prices, too.[85] Addressing the Labour Party Conference, Skinner sent a strong message to the Government. 'If there's a freeze on wages… then let's freeze

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[80] FOL 1976 Conference, MSX-2401, ATL, Wellington.
[81] McAloon, *Judgements*, pp.164-165.
[82] *Auckland Star*¸15 May 1976.
[83] Gustafson, *His Way*, p.252.
[84] Boston, *Incomes*, p.170.
[85] Ibid., p.170.

everybody'. To Peter Gordon's suggestion that he had more penalties up his sleeve for such action, Skinner added that the jails in New Zealand were 'not big enough to hold the [all trade unionists] in the country'.[86]

At a late May FOL emergency conference, delegates agreed to mount a campaign to end the freeze. There, Skinner addressed the suggestions that he had sold members out by agreeing to the freeze. 'I want to make it clear, not at any time did your National Executive agree to the Government's proposals', he said. 'We have been battling with Government, making suggestions to them in an endeavour to get some equity in the package, and, while they have listened, they have not altered it'.[87] Despite stressing the need for sharp action against the freeze, Skinner also cautioned unions to take 'rational action' and not to 'go off the deep end'. What 'rational action' entailed Skinner did not explain. At the conclusion of the conference, FOL delegates agreed to a series of statements: wage restrictions did not encourage productivity but 'bred cynicism', workers were 'disillusioned that the value of their savings is falling at a greater rate', and 'inflation cannot be cured by stagnation'. The FOL Executive recommended that affiliated unions organise one-day stoppages in the main centres and called on local trades councils to 'mount campaigns of direct action'.[88]

Calls for direct action were coupled with further attempts to negotiate. Following the FOL conference in the morning, the FOL Executive went to Parliament to meet Muldoon. The parties agreed on the formation of a committee to discuss modifying the regulations, and, with industrial pressure building, Muldoon made a concession: the introduction of an Industrial Commission to give wider scope to unions to negotiate conditions of work and pay, but only in 'exceptional circumstances'.[89] This amounted to a 'hasty tactical retreat' on the part of the Government, though Muldoon suggested that the changes did not represent a weakening of the 'prime

[86] *Evening Post*, 12 May 1976.
[87] Special conference, 1976, MS-Papers-4100-13/08, ATL, Wellington.
[88] Notes from Special Conference, 94-106-54/21, ATL, Wellington.
[89] *Herald*, 18 June 1976; Special conference, 1976; Knox, 'Notice to Affiliates', 26 May 1976, MS-Papers-4100-13/08, ATL, Wellington.

objective of government policy': tackling inflation.[90] The move opened the floodgates. 'You could get a wage rise under exceptional circumstances', recalled Graeme Clarke. 'And *everyone* had exceptional circumstances'.[91] Inexplicably, given both FOL resolutions passed at conference combined with official advice, Muldoon claimed he had not been warned about the possibility of such a strong reaction.[92] Yet it was also not the victory that the FOL leadership would suggest. The wage freeze regulations remained highly restrictive. Applications before the Industrial Commission required the support of employers.

Thus, Muldoon brought employers into what was an already tense situation. Some resisted, delayed, or refused to support union cases before the Commission. Muldoon and Gordon also made it clear that if employers gave in to higher wage demands, they might face a price freeze.[93] Employers were furious at the loophole provided. After a meeting with Muldoon, one employer advocate protested that 'the government has no intention of defining exceptional circumstances or giving any specific directions to the Industrial Commission'.[94] The Employers Federation President D.G.R. Sutcliffe expressed concern about industrial action being motivated by an attempt to defeat government policy, and he urged employers 'to comply with the spirit of the regulations', to close ranks and 'demonstrate solidarity in dealing with union demands'.[95] The Auckland Provincial Employers Association told its members to prepare for 'pressure from two sides… Firstly from the militant sections of the trade union movement to use the "exceptional circumstances" [provision]… Secondly from the Government [which has] opened up expectations which it expects employers to ensure are not realised'. As employers organised a more united front, Skinner warned that they should make genuine offers or face 'a pretty torrid time'.[96]

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[90] Walsh, 'Rejection', p.319; Boston, *Incomes Policy*, pp.172-173.
[91] Graeme Clarke, interviewed by Ross Webb, 9 April 2021.
[92] McAloon, *Judgements*, p.165.
[93] 'Wage Restraint Regulations–Employer Policy', 4100-32/18/1, ATL, Wellington.
[94] Parker, *Wealthmakers*, p.286.
[95] Auckland Star, 25 June 1976.
[96] *Herald*, 26 June 1976; 'Wage Restraint Regulations', 4100-32/18/1, ATL, Wellington.

Massive industrial unrest marked the winter of 1976. Working days lost reached heights unseen since 1951, and more than 75 per cent higher than the previous post-1951 peak in 1970.[97] The campaign culminated in the 23 June demonstration outside Parliament, described at the outset of this Chapter. The FOL organised the protest, while its public sector counterpart, the CSSO, organised its own protest of 6,000 state servants, before marching to Parliament to join the FOL. This was the first public sector mass rally directed at government, a sign of the growing activism within the sector.[98] As protest action increased, Muldoon scrambled to ease the tension. In August, the Government introduced a price and rent freeze to compensate workers. If the Government initially told employers to stand firm and resist wage increases, by August it was encouraging employers to agree to make joint applications with unions to the Industrial Commission. Employers now pinned much of the blame on Muldoon for the 'marked deterioration in industrial relations'.[99] Skinner agreed, saying that the 'industrial situation… is getting completely out of hand'.[100] But by now, Skinner and the FOL leadership received strong criticism from delegates for not challenging the regulations in a more concerted manner.[101] At a third special FOL conference, delegates agreed that unions should intensify industrial action, a decision that the Employers Federation called 'a major assault on the wage freeze'.[102]

In short, the Government had hoped to reform industrial relations and introduce a new system while the freeze was in place. Instead, it had unleashed a period of conflict that would have major ramifications for years to come. It contributed to an intense period of union activism against the Government not seen for many decades, and, as we will see, it also led to a change in attitudes by employers. At the same time, if the Government hoped to build at least some cooperation from the FOL for commitment to wage restraint, other developments made that all but impossible.

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[97] Walsh, 'Rejection', p.321.
[98] In 1978, the CSSO would change its name to the Combined State Unions (CSU) 'to emphasise their role as a trade union'. Bert Roth, *Along the Line: 100 Years of Post Office Unionism*, Wellington, 1990, pp.234, 244.
[99] Walsh, 'Rejection', p.326-329.
[100] 'Minutes of Special Conference of FOL', 15 September 1976, 94-106-54/14, ATL, Wellington.
[101] Walsh, 'Rejection', p.327.
[102] *Auckland Star*, 17 September 1976.

Muldoon had campaigned on the promise of tackling 'political strikes' and compulsory unionism. By July and August, at the height of the campaign against the freeze, his Government moved to make good on these promises.

Political Strikes and Compulsory Unionism

The election of Muldoon did not only mean austerity, but also a blow to the progressive goals of the FOL. '[We] now face very serious problems in our struggles against apartheid', read the FOL 1976 Annual Report. The Government 'has made its position clear [regarding sporting contacts with South Africa]'.[103] In mid-June, following the violent suppression of an uprising in Soweto by the Apartheid State, the FOL condemned the 'inhumane oppression of coloured South African people'. It called on affiliates to boycott South African products and services, and to 'ban the handling of any South African owned or registered vessels' for one month in line with the request made by international unions.[104] Shortly afterwards, Waterside Workers closed the Wellington port for six days, and the Cook Strait ferries were stopped, after the nuclear powered ship, the *USS Truxtun*, entered the harbour.[105] Gordon said the protest was taken at the expense of 'countless mothers and children' during the school holidays, and he suggested that legislation would be introduced to make political strikes illegal. Gordon also threatened to deregister the union over the action and to declare a state of emergency.[106]

Such threats had been a part of the Government's strategy throughout the year. In July, Gordon outlined some of the legislative proposals being developed in the 'interests of good unionism'. It included outlawing political strikes and introducing ballots on compulsory unionism.[107] When FOL Secretary Jim Knox warned Gordon that any 'repressive laws' would be followed by a 'world-wide trade union ban on all New Zealand goods', Muldoon called Knox's threat hyperbole. 'We were

[103] FOL 1976 Conference, MSX-2401, ATL, Wellington
[104] 'Notice to All Affiliates', 6 July 1976, 94-106-54/13, ATL, Wellington.
[105] *Sunday Times*, 5 September 1976.
[106] *Auckland Star*, 28 August 1976.
[107] *Herald*, 9 July 1976.

elected to govern', Muldoon added, 'and that's what we will do'.[108]. 'We have a right to oppose visits by nuclear ships', Knox responded, 'and we have the right to oppose South Africa's policies because we believe in a multi-racial society'.[109] Soon after, Government threats were matched with action. The Commerce Amendment Act 1976, passed in November 1976, outlawed industrial action against government policy, such as decisions to allow visits by nuclear powered ships or continuing sporting contacts with South Africa. Meanwhile, the Industrial Relations Amendment Act introduced provision for the Minister of Labour to force unions to hold secret ballots on whether to retain the unqualified preference clause in Awards, the provision guaranteeing compulsory unionism.

Yet in the years following, strikes over 'non-industrial' issues continued seemingly unabated. The legislation also had limited impact on compulsory unionism; balloting was slow going, and most voted overwhelmingly to retain unqualified preference. After significant delays, the first ballot papers were posted to members of the Golden Bay Cement Workers Union only in October 1977, whose members voted by a vast majority (168 to 15) to retain unqualified preference.[110] It would take until April 1978 for Gordon to announce the balloting of rubber workers who voted 580 to 15 to retain unqualified preference.[111] The legislation was a clear failure. As National MP Marilyn Waring recalled, 'the FOL knew what worker sentiment was, both with Muldoon as PM and with rampant inflation. Workers did not want to be vulnerable to having to negotiate on their own'.[112] Frustrated with this progress, Muldoon warned the FOL that it would 'be wise to co-operate' with Government, lest they face the full-scale removal of compulsory unionism.[113] The FOL leadership took Muldoon's threats seriously. When Pat Kelly of the Cleaners Union called for active resistance to ballots at the May 1978 FOL conference, Skinner cautioned him, suggesting that the FOL policy should be non-cooperation, rather than resistance. 'We're not trying to fight; they are', Skinner said, suggesting

[108] *Auckland Star*, 10 July 1976.
[109] *Herald*, 10 July 1976.
[110] *Herald*, 6 October 1977.
[111] *Auckland Star*, 6 April 1978.
[112] Marilyn Waring, *The Political Years*, Wellington, 2019, p.146.
[113] *Herald*, 12 July 1977.

that a head on collision would provoke the Government into making all union membership voluntary.[114]

'We are back in a free bargaining situation'

Into 1977, the freeze was having the desired effect on real wages, which declined by 4.4 per cent, 'the highest on record'. [115] Yet it became clear that inflation would remain above 10 per cent well into 1978 regardless, and that union opposition would not subside. Due to expire in May 1977, and without anything to replace it, Muldoon extended the freeze until August after which he announced a return to free bargaining. The extension of the freeze sparked a strong reaction from a number of workers who wrote directly to Muldoon. 'We protest strongly at Government contribution to spiralling cost of food freight and operations of private vehicles', wrote one. 'Unjustifiable. The total disregard of lower income families and wage earners during a wage freeze without equivalent price freeze is outrageous', said another. The letters kept coming: 'Congratulations you just lost the next election'. 'When is our next cost-of-living allowance expected?'.[116]

Yet the FOL hailed the return to free wage bargaining as a victory. As Skinner announced, 'we [were] going to be asked to carry the burden of unemployment, of the downturn, and of the increasing costs, and this is why your National Executive insisted on the return to free bargaining'. 'We knew that there were so many of our workers whose standards of living had fallen', he added. 'We are now back where we can negotiate freely… and try to restore the standards of living to which we are entitled'.[117] While this did indeed mark a major concession from the Government, and a victory for the FOL, observers noted that the Government would keep a close watch, ready to return to regulations if it believed things got out of hand. A condition of the return to free-bargaining was that agreements had a 12-month term and should have regard to the broader 'economic climate'.[118]

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[114] *Dominion*, 2 May 1978.
[115] Walsh, 'Rejection', p.328.
[116] Telegram regarding Wage Freeze, 11 May 1977, AAXO W2966 22138 Box 1, ANZ Wellington.
[117] FOL National Council – October 1977, 94/106/55, ATL, Wellington.
[118] *Auckland Star*, 23 July 1977.

But if Muldoon had hoped that Skinner could wield some influence over FOL affiliates around a programme of wage restraint, free bargaining made this even less likely. Stronger and more militant unions bargained for wages 'well above the government's comfort level'.[119] Industrial action continued over late 1977 and early 1978; a number of high profile strikes by storemen and packers, watersiders, drivers, and electricity workers, provoked Government threats and occasional interventions. Perhaps most infamously, Muldoon intervened in a freezing workers dispute in 1978 by publicly subsidising the wage settlement, a move that caused outrage among employers, farmers, the press, and within his own Party. It would cost Muldoon votes at the next election and only contribute further to a growing resentment among employers. While Skinner and FOL affiliates hoped that free wage bargaining might 'restore' living standards, organised labour's bargaining power had diminished in the context of the recession. Many unions did in fact moderate wage claims over 1977 and 1978, with some notable exceptions.[120]

The period of free wage bargaining after August 1977 occurred against the backdrop of a worsening recession, in part a result of Muldoon's severe deflationary measures. Unemployment increased from 4,100 in 1977 (0.61 per cent) to 19,800 in 1978 (1.84), while 45,000 'disillusioned people' left the country during these years. Families requesting budgeting advice and emergency housing increased.[121] 'A popular topic of conversation is the cost of living—the man down the road who has lost his job, a neighbour's new interest in vegetable gardening, or the thirst of the family car', read one *Herald* article. 'Things are grim. Why, then, the increase in costly strikes?' The answer to that question, the *Herald* suggested, was an increasingly restless workforce: 'sniping from rank-and-file union members, wildcat strikes and a general undermining of union officials…. They have forced union officials into demanding immediate improvements in pay and work conditions'.[122] Skinner, who was well aware of the challenge posed to the FOL by worker militancy could only blame the Government. 'The outlook is pretty bleak',

[119] McAloon, *Judgements*, p.166.
[120] Ibid., pp166, 189.
[121] Ibid., p.174; McClure, *Civilised Community*, pp.197-198, 202
[122] *Herald*, 20 September 1977.

he told the FOL National Council in October 1977, 'and it is the complete ineptitude of the Government to deal with this situation… it is no wonder we have a high rate of industrial stoppages... We have got a very discontented workforce'.[123]

With the 1978 election now on the horizon, Muldoon eased austerity, intensified his attacks on trade unions, and aimed to shore up the support of business and employers. As Muldoon addressed business, employer, and farming organisations across the country, he called militant unionists 'saboteurs' and 'wreckers of the national economic effort'.[124] 'I find it nothing short of amazing', Muldoon told meat-export employers soon afterwards, 'that when we have 15,000 unemployed or on special work, thousands of well-paid workers can take days off, even weeks, without a twinge of conscience'.[125] Asked to respond, Skinner said that Muldoon 'confronts, then he abuses—and then he expects co-operation'.[126] Muldoon told the Retailer's Federation that his Government would not 'pander to militant unionists, especially those who aim to bring the country to its knees so that the right climate is created for the implementation of alien doctrines'.[127] The 'smokescreen of the red bogey has now worn thin', Skinner said, and again pinned industrial unrest on workers' insecurity in the face of unemployment, rising costs and plummeting standards of living.[128] Gordon, too, indulged in anti-communist rhetoric, producing evidence before Parliament of the 'influence of communist or Socialist Unity Party members at work'.[129] Privately, however, Gordon wrote to Skinner, lamenting the breakdown in industrial relations and the need for 'adequate communication, both between unions and employers on the one hand, and the Government on the other'.[130]

Yet if Muldoon aimed to bolster their support in the lead up to the election, his first term marked a turning point in the attitudes of the Employers Federation. From

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[123] FOL National Council–October 1977, MS-Papers-4100-09/13, ATL, Wellington.
[124] *Herald*, 7 October 1977.
[125] Ibid.
[126] *Auckland Star*, 7 October 1977.
[127] *Herald*, 17 October 1977.
[128] Ibid.
[129] *NZPD*, 414 20 October 1977, p3818.
[130] Gordon to Skinner 13 September 1977, MS-Papers-4100-18/22/20

accepting the postwar settlement and working with the FOL to preserve the system, to the point of even opposing Muldoon's industrial relations platform in 1975, it now became a more organised and aggressive force.[131] It was in 'a fighting mood', lobbying more, organising strike funds, and agreeing to support each other if faced by rolling stoppages.[132] Taking on the role of the Employers Federation Director in 1977, Jim Rowe would oversee a profound transformation among the organisation that reflected an international trend. Rowe called for unity among employers to resist high wage demands to avoid being 'picked off, one by one'. 'Organised labour is powerful because it sticks together. Employers must do likewise'.[133] Soon after, the Federation released 'get tough' policies on wage negotiations, suggesting employers resist wage demands, ignore cost-of-living arguments, seek long term awards, and strongly contest relativity arguments.[134] Rowe argued that the award system was now losing credibility. But employers also directed their anger at Muldoon. 'Employers who have recently been subject to strikes', explained an Auckland Provincial Employers Association newsletter, 'would rather have had some indication that the Prime Minister's words were being matched by action'.[135]

The deterioration in industrial relations, rising inflation, and the persistent economic crisis also made some wonder whether efforts to create an egalitarian society were no longer compatible with the goal of restoring economic growth. 'Social justice is proving to be irreconcilable with economic objectives', suggested journalist Ian Templeton.[136] Political scientist Stephen Levine, too, noted that economic adversity was 'severe enough to challenge people's faith in the welfare state'.[137] For others, still, the economic crisis called for more fundamental structural changes. General Manager of Broadbank Corporation, Donald Brash, explained that '[i]t is important to appreciate that, in part, our "industrial relations problem" is itself a *result* of our economic problem'. There were two options to pursue if a

[131] Gustafson, *His Way*, p.343.
[132] Selwyn Parker, *Wealthmakers*, p.291.
[133] *Auckland Star*, 11 February 1978
[134] *Auckland Star*, 11 November 1977.
[135] *Auckland Star*, 11 November 1977.
[136] *Herald*, 7 July 1978.
[137] Levine 'New Zealand's Political System', p.30.

‘democratic, relatively egalitarian society’ was to survive, Brash suggested: a harsh reduction in the ‘monopoly power’ of unions, or greater involvement of unions in economic decision making. Brash favored the former.[138] At the same time, anti-union community groups were continuing to organise. People in Protest, the Society Against Compulsory Unionism and the Individual Fight for Freedom were joined in 1977 by a new organisation, Strike Free, formed by Chris Harder. For Harder, trade unionist had to stop demanding ‘their slice of the cake’. ‘The cake’, he said, ‘has gone’.[139]

The 1978 Election

Muldoon eased austerity in the lead up to the election to maintain domestic consumption and avoid further increases in unemployment.[140] National’s election campaign focused on inflation and unions. Inflation occurred ‘when the country gets too greedy’, explained a widely broadcast campaign advertisement. ‘There are some that believe you can help the have-nots of this world with a never-ending series of handouts. But this causes inflation’.[141] In May 1978, the Government also pledged to ballot at least 20 unions on compulsory unionism before the election.[142]

After 1975, Labour was demoralised and overshadowed by Muldoon. It struggled to mount a serious challenge or present a clear economic alternative.[143] Labour’s campaign focused instead on the impacts of rising prices and rising unemployment.[144] The 1978 election reopened the longstanding debate about whether the Labour Party should move closer to, or distance itself from, the FOL. ‘If a proper Social Democratic movement is to develop for New Zealand’, wrote Alan Miller on the eve of the election, ‘the Labour Party must identify itself with the young, vigorous, politicised, activist, unruly section of the trade union movement. The ferment of union activism for social change is clearly there’.[145]

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[138] Donald Brash, in *Canterbury Chamber of Commerce Bulletin*, 24 September 1979.
[139] *Eastern Courier*, 29 March 1979.
[140] Ibid., p.195; Singleton et al., *Reserve Bank*, p.36-37.
[141] ‘National Party Television Advertisement–Inflation’, 1978, Nga Taonga Film Archive, 1978, F49652.
[142] Auckland Star, 23 May 1978.
[143] Franks and McAloon, Chapter 9.
[144] ‘Labour Party TV Ads’, 1978, Nga Taonga Film Archive, F44200.
[145] Alan Miller, ‘A Downhill Struggle All the Way’, *Comment*, November 1978.

Sonja Davies of the Shop Employees Union said it was 'sad' to see how far apart the two had become. 'We have a Government hell-bent on destroying the trade union movement, but the big worry is that while many people are anti-Muldoon, they are not pro-Labour'. [146]

Despite these fears, the FOL did rally behind Labour: the Auckland Trades Council organised a campaign of twenty-seven stop work meetings 'to remove the present Government'.[147] The meetings stressed the importance of building an a movement to challenge 'big business and National Party opposition' to full employment, rights for unemployed, a living wage, tax reform, trade union rights and more social control over investment and industry.[148] A group of Auckland employer and business associations issued a joint statement condemning the stop-work meetings: 'We cannot condemn too strongly a campaign of industrial stoppages designed to bring about the fall of a government'.[149] To several standing ovations, Jim Knox addressed the Labour Party Conference in May 1978 calling for FOL backing of the Party in the upcoming election: the 'future of the industrial movement is dependent on political change. There is no doubt about it', he said. But Knox also warned: 'It is working class people that put you in or out'.[150]

Muldoon's National Government won the November 1978 election, but only narrowly. It lost votes and seats in Parliament—a result, some speculated, of the popular perception it had been 'too soft' on organised labour. 'We lost votes', Muldoon told his colleagues, 'from some who thought we weren't tough enough on industrial matters'.[151] Muldoon entered his second term only more intent on curbing union power.

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[146] Evening Post, 25 November 1977.
[147] *Auckland Star*, 9 February 1978.
[148] 'Let's Make New Zealand the Way We Want It', undated, 94-106-55/4, ATL, Wellington.
[149] *Herald*, 24 February 1978.
[150] *Evening Post*, 11 May 1978.
[151] Waring, *Political Years*, p.146.

Exit Skinner

In 1978, Skinner announced his retirement. Having served as President since 1963, he straddled two distinct periods in New Zealand's history: the 'classic period' of arbitration until 1968, and the decade of its unravelling thereafter.[152] Skinner remained attached to the Arbitration Court, industrial stability, and political confidence in the FOL.[153] Yet after 1975, he campaigned for free-wage bargaining, in part under pressure by rank and file frustrations with wage restraint.[154] But Skinner faced increasing criticism for the perception that he made 'backroom deals' with governments. Skinner's address to the 1978 Conference, for example, saw him deflect such criticism. 'Some of [the decisions made by the FOL leadership] may not be as popular as they might be in the movement, but they will always be made in the interests of the people generally [that] we represent'.[155] When attending stopwork meetings, Rob Campbell recalled encountering a 'strong disillusionment with the FOL leadership'. There was 'quite a strong feeling that the FOL didn't represent workers' interests well', and that 'a more activist resistance to Muldoon was called for'.[156] Skinner's 1976 election loss for president of the Auckland Trades Council to Bill Andersen was a harbinger of things to come. Tony Neary wrote that Skinner 'was probably tired of running slanging battles with Muldoon' and knew 'an era of reckoning lay ahead'.[157] Skinner had also simply served his time; he said that he wanted more time with his family.[158]

Before his departure, Skinner reflected on the FOL's strategy, and called for more imagination. 'We cannot have despondency in the movement', Skinner said. Instead, the FOL needed an 'answer to the restructuring of the economy and we have got to get something to aim at, something to fight for, not just criticism of the present Government'.[159] Skinner's final address before retirement proved somewhat prophetic. The union movement could not retreat from politics and devote itself

[152] Nolan and Franks, p.36.
[153] Boston, *Incomes Policy*, p.176.
[154] Markey, 'Troubled Times,', p.144.
[155] FOL Conference Minutes, 1978 MS-Papers-4100-06/7/1, ATL, Wellington.
[156] Rob Campbell, interview with Ross Webb, 3 May 2021.
[157] Neary, *Price of Principle*, p.138.
[158] National Council Meeting, 26 October 1978, MS-Papers-4100-09/13, ATL, Wellington.
[159] National Council Meeting Minutes – 22 February 1979, 94-106-55/4, ATL, Wellington.

only to bargaining over wages and conditions, he said. The Government's strategy over the next few years would be to 'drive down the standard of living of working people and their families' which would result in the widening gap between the 'haves and the have-nots'. Skinner then called for a focus on meeting the 'challenges of the 1980s' which involved technological change and calls for restructuring. 'We see at the present time the interests of capital and their proponents among the economic fraternity urging the restructuring of the New Zealand economy, and that means, of course, the restructuring of our society. Is the trade union movement going to sit back and let this happen unopposed?'[160]

Conclusion

Between 1975 and 1978, the FOL developed a set of goals that would define its response to austerity, rising prices, and Government legislative attacks for the next decade: it would mount a defence of living standards, of the institutional power of trade unions, and a resistance to workers taking what it argued was an unfair share of the burden of the economic crisis. If it had accepted some measure of restraint under the previous Labour Government, it was determined not to let Muldoon's anti-union campaign and rhetoric be matched by successful action. Skinner was, then, put in an uncomfortable position. Despite his own misgivings, he had to take seriously and respond to the growing militancy of FOL affiliates at the same time that he sought to arrive at some kind of accommodation with the Muldoon Government, a dignified rapprochement after a hostile election campaign.

Led by its increasingly activist grassroots, the FOL's focus during Muldoon's first term was both to restore real wages and living standards and to fight for a return to free-wage bargaining. For many trade unionists, restrictions on free wage bargaining amounted to an attack on a fundamental right, the right to bargain. And despite his private reservations, Skinner claimed that free bargaining was central to a democratic society and a 'free democratic trade union movement'.[161] Added to this, the FOL leadership argued that the restoration of living standards was in part

[160] *Auckland Star*, 1 May 1979.
[161] Special conference 1976, MS-Papers-4100-13/08, ATL, Wellington.

a demand side solution to the economic crisis. ‘The FOL has argued that there is a “crisis of underspending”, and this calls for a stimulus of the economy’. Wage growth, would, in turn, ‘stimulate aggregate demand and thereby reduce unemployment’.[162] The FOL would, in the following decade, make the case for across the board increases and opposition to wage regulations along these lines, even against severe economic headwinds and a dominant political and policy belief in the need for wages to fall. This was to be the defining conflict of the decade ahead.

[162] Wage Order Application, 22 March 1978, 46/3/99, ANZ, Wellington.

CHAPTER THREE
'We Win Round One'
Victory in Muldoon's Second Term, 1979-1980

In late July 1979, Muldoon took to the country's television and radio to address the nation. That winter, a second oil shock following a revolution in Iran rippled out towards New Zealand. It threw the economy back into recession and refueled inflation, just as unions and employers prepared for another round of bargaining. The FOL commenced a campaign for a 'minimum living wage', an attempt to raise the living standards of the country's lowest paid. Even before this course of events, Muldoon had entered his second term only more determined to curb union power and combat inflation. In his July address, Muldoon made an appeal to the country during what he framed as a moment of national imperilment. 'I have asked to talk to you tonight about the economic affairs of New Zealand, to tell you what you have a right to know, to give you an honest appraisal of the state of our economy'. The country now faced two 'major threats', Muldoon said, inflation and a renewed energy crisis. But what began as a call for 'co-operation' in the face of difficult economic times quickly turned into an attack on organised labour. 'I think wage earners know', Muldoon said, 'that wage increases that exceed increases in production achieve nothing but higher rates of inflation'. Muldoon then outlined the actions his Government would take. First, in a minor concession, he announced an across-the-board cost of living wage increase. Second, he announced the repeal of the General Wage Order Act. In doing so, Muldoon immediately quashed the FOL's ability to apply for a 'minimum living wage'. Finally, Muldoon announced his intention to introduce legislation which would give the Government new powers to intervene in wage negotiations where it saw fit, and to fix wages by regulation.[1] The Remuneration Act became law just two months later.

[1] 'Statement to the Nation', 24 July 1979, Ngā Taonga Sound Collection, 158994.

Some saw this as a declaration of war against the FOL, while others praised the more resolute Muldoon, finally willing to take action that matched his rhetoric. The passage of the Remuneration Act, *New Zealand Economist* declared, would go down in New Zealand's history 'as the day on which a peacetime government took to itself the most direct powers of intervention in wage fixing that any administration ever had'.[2] That the legislation was ushered 'into the living rooms of the nation' by the Prime Minister himself only added to the sense that Muldoon was ready to take firm action.[3] The new FOL President, Jim Knox, called it 'blatant interference' and forecast 'industrial chaos'.[4] 'Muldoon has to show the big business interests that he is controlling wages. If he believes [the cost-of-living increase] will appease the trade union movement, he has another thing coming'.[5] The Employers Federation and Federated Farmers quietly welcomed Muldoon's stronger stance.

Combined, these events after 1978 set the scene for two major confrontations in the year ahead: The General Strike of 1979 and the Kinleith dispute of 1980. Both disputes originated in regular award negotiations. But as the Government intervened using powers it acquired under the Act, both spilled over into major flashpoints in the struggle between the FOL and the Muldoon Government. They also became central in the FOL's 'Campaign In Defence of Living Standards', a major campaign for a minimum living wage, the repeal of the Remuneration Act, and the re-establishment of a system for applying for general wage increases. This chapter examines the political and economic context after 1978, the leadership changes within the Government and FOL, and how the FOL's campaign developed over the course of 1979-1980. It argues that the success of that campaign reflected the more activist and militant orientation of the FOL after 1979—yet, as the following chapters show, that approach also had its limits. This chapter then examines how that more avowedly militant stance of the new FOL leadership caused further tensions with the Labour Party as both the FOL and the Party once

[2] *NZ Economist*, September 1979.
[3] Karen Roper, 'The Impact of the Remuneration Act', *NZJIR*, 7, 1, 1982, p.1.
[4] Roth, 'Chronicle', *NZJIR*, 4, 1, 1979, p.2.
[5] *Herald*, 25 July 1979.

again debated their historic relationship. With the FOL largely successful in combating Government attacks and legislation, it increasingly saw itself as the 'real opposition' to the Muldoon Government, capable of mobilising workers in major campaigns to defend living standards.

Oil shock, new leadership, and union militancy

Two months after the 1978 election and six months before Muldoon's address to the nation, a revolution in Iran precipitated the second oil shock of the decade. If Western economies had struggled to grapple with the first, the second only reinforced the belief that 'the world economy was out of control, or at least beyond the control of advanced capitalist countries'.[6] The economic crisis of the 1970s would be prolonged. The steep rise in fuel prices only fed into the already rising cost of living. Inflation spiked at 17 per cent in 1980, up from 13 in 1979. CARP forecast 'a host of unprecedented price hikes which will severely erode the living standards of the ordinary working family'.[7] National MP Hugh Templeton told Parliament that the country would 'face difficulties in maintaining our standard of living'.[8] In measures that reflected the often unsuccessful scrambling for solutions across the west, the Government established the Demand Restraint Advisory Committee to monitor and limit fuel consumption, introduced 'carless days', and a reduced speed limit.[9] One TV advertisement encouraging such restraint ended on a grim note: 'We may not make it. It's tough but it's true'.[10] On a grander scale, Muldoon commenced the expansion of energy-based industries to develop domestic substitutes; these projects would become known as 'Think Big'.[11] The longer-term impact of the oil shock was a further challenge to the postwar economic order. It would put wind in the sails of those calling for free-market and monetarist

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[6] Frieden, p.368.
[7] CARP Bulletin, no.1, 1979, Prices, LP Research Unit, 26/ ANZ, Wellington.
[8] *NZPD*, 423, 11 July 1979, p.1413.
[9] Mike Paterson, *The Point at Issue: Petroleum energy politics in New Zealand, 1955-90*, Auckland, 1991; Reid-Henry, *Empire of Democracy*, p.64.
[10] Penniman, *New Zealand at the Polls*, p.32.
[11] Singleton, *Reserve Bank*, p.36. McKinnon, *Treasury*, p.229.

solutions.[12] More immediately, however, it set the scene for a major confrontation between the FOL and the Government.

It also coincided with important leadership changes within both the FOL and the Government. In late-1978, Jim Bolger was appointed Minister of Labour, in what many believed signalled the Government's 'harder line in dealing with unions'.[13] The sheep and beef farmer had little experience with the labour portfolio; his most recent run-in with the FOL involved a 1977 defamation case after he claimed that half the Executive were SUP members.[14] If Skinner claimed the case was 'water under the bridge', he was concerned about the appointment of Anthony 'Aussie' Malcolm as Labour Under-Secretary, because of his association with Chris Harder, founder of 'Strike Free'. Like Gordon, Bolger had to contend with Muldoon's often overbearing involvement in industrial relations. 'I readily accept that the Prime Minister has the overall responsibility for running New Zealand', Bolger explained to an unconvinced interviewer.[15] In his first major speech as Minister, Bolger pinned the blame for industrial conflict on unions and employers. Unions exercised 'industrial blackmail', while employers too readily 'broke the line' on wage increases.[16] The Employers Federation did not take kindly to such criticism. Instead of maligning employers, Rowe said, the Government needed to honour its promise to protect employers from union 'stand-over tactics'. The Auckland Provincial Employers Association President Peter Johnson, too, suggested the Government was not doing its job of communicating 'the facts of life to the country… we have to cut our living standards and work harder for the same amount or less money'.[17]

Meanwhile, the FOL elected a more militant leadership, represented by its President Jim Knox and Secretary Ken Douglas. Knox had strong union credentials. After enduring the 1951 lockout and being blacklisted from the wharves, Knox worked in the freezing works, the railway workshops, and as a truck driver. He worked his

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[12] Meg Jacobs, *Panic at the Pump: The Energy Crisis and the Transformation of American Politics in the 1970s*, New York, 2016.
[13] *Herald*, 14 December 1978.
[14] *Eastern Courier*, 29 March 1979.
[15] *Herald,* 5 May 1979.
[16] Pat Walsh, 'Free wage bargaining'.
[17] *Auckland Star*, 28 March 1979; *Herald*, 19 July 1979.

way through the union officialdom, serving as the Auckland Trades Council vice president in 1961, and its Secretary in 1966. Popular among union officials and workers alike, he was elected to the FOL Executive in 1964 and as Secretary in 1969. Knox's election as FOL President in 1978 was overwhelming. He won the votes of 419 delegates, (with 137 for Tony Neary; 7 for R. C. Crowley). In his opening speech as President, Knox said: 'I believe we have been the opposition to the Government'.[18] Knox would repeat the claim that the FOL was the 'real opposition' in the years to come, to the annoyance of Labour and some in the FOL, like Neary. But it gave expression to the view that the FOL was now the sole defender of wage earners and living standards, a role the Labour Party was unable or unwilling to assume. 'And we genuinely believed that', recalled Rob Campbell.[19] Ken Douglas, meanwhile, was a long-time leader of the Wellington Drivers Union and, like Knox, popular among workers. Unlike Knox, he was a member of the SUP.

The new leadership also called for a new commitment to rank-and-file involvement. 'There will be no politicking, wheeling and dealing or anything else', Knox said, in what was an implicit critique of Skinner. 'I will not be going to Parliament cap in hand, and it is high time the Prime Minister realised this'.[20] If the FOL had come to rely on Skinner's personal contacts and backchannel negotiations, Ken Douglas said, that would be replaced by an effort to 'return the FOL to its affiliates'.[21] That effort to democratise the union movement was mirrored in some efforts at the grassroots; the change at the top of the FOL was not, then, a militant 'take over', as it was presented by much of the press. It was, Douglas said, 'in step and tune with the mood of the affiliated unions'.[22]

[18] FOL Conference minutes 1979, MSX-2403, ATL, Wellington.
[19] Rob Campbell, interview with Ross Webb, 3 May 2021
[20] *Herald*, 17 April 1980.
[21] Walsh, 'Free wage bargaining'.
[22] 'Interview with Ken Douglas (by Patricia Sarr), 5 July 1979, Transcript, Ken Douglas Personal Collection.

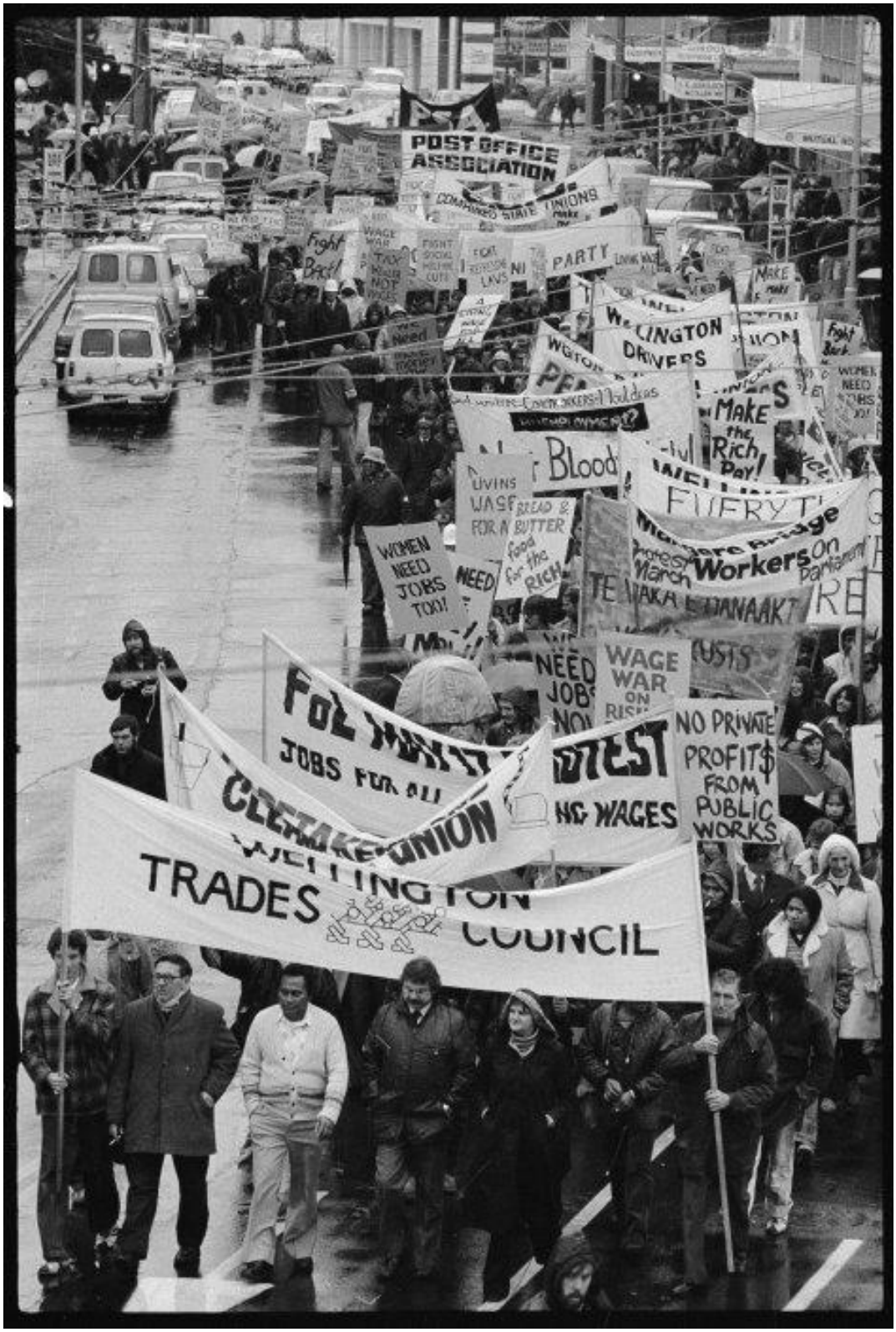

Figure 10 FOL demonstration, 1979. EP/1979/1743/19A-F, ATL.

Figure 11 FOL President Jim Knox addressing a protest outside Parliament, 1979. EP/1979/1748/17-F, ATL.

Some welcomed this change. Graeme Clarke said it was an attempt to 'revive genuine unionism', while Rob Campbell recalled that there was 'a real excitement' about the leadership change. Knox 'had impeccable working class credentials' and 'loved, and was loved by, workers'; he enjoyed 'getting out to workers at large meetings and rallies... It brought back his muscle memory from '51'.[23] For Campbell, the leadership changed reflected broader social and political shifts. 'Attitudes were changing from the postwar ideologies and social structures; people became more assertive in their political views. You could see it everywhere'. But it also reflected changing economic circumstances. The FOL was 'quite good at doing what the industrial conciliation arbitration system had kind of allowed'. While

[23] Graeme Clarke, interviewed by Ross Webb, 9 April 2021; Rob Campbell, interview with Ross Webb, 3 May 2021.

‘trotting along to wage order hearings… in a long period of low inflation and generally rising economic conditions was probably okay’, conditions had changed.[24] There were, however, significant limits to the FOL and its more activist stance. Therese O’Conell recalled that Knox and Douglas both had a ‘real heart’ for workers, though it remained a particular type of worker, summed up in Knox’s often repeated line: ‘workers, their wives, and their families’.[25] The ‘gender revolution’ in the union movement may have been well underway at the grassroots, yet the new leadership maintained Skinner’s gendered worldview of workers as men supporting families.

Others were critical of the new leadership. Tony Neary called it ‘the Knox and Douglas way’, a dangerous combination of confrontation, concessions to communists, and independence from Labour.[26] Skinner and Muldoon remained nostalgic for the days in which unions and Government could settle disputes ‘man-to-man’, when the FOL leadership could meet in the Prime Minister’s office to ‘work things out’.[27] Bolger would later complain that Knox rarely dropped into his office, and, when he did, he was ‘invariably accompanied by most of his National Executive and binding resolutions’. To this, Ken Douglas replied, ‘Knox and I personally believe in direct involvement of the rank-and-file… the trade union leadership is no longer being used as a buffer between what is going on at the ground floor of the movement and the interests of employers at the top’.[28] And yet Muldoon and the FOL did still keep in regular contact. According to Douglas, Muldoon was ‘always accessible–more so than any other politician’, while Muldoon claimed that they still spoke ‘nearly every day of the week’.[29] Muldoon told Douglas that he did not like him personally, yet that he respected his position as FOL Secretary, a lasting sign of the FOL’s recognised place in the political

[24] Rob Campbell, interviewed by Ross Webb, 3 May 2021.
[25] Therese O’Connell, interviewed by Ross Webb, 27 May 2021.
[26] Tony Neary, interviewed by Shaun Ryan, 1-13 October 1998, OHInt-0478/20, ATL, Wellington.
[27] Gustafson, *His Way*, p.345.
[28] *Herald*, 11 February 1984.
[29] Gustafson, *His Way*, p.347. ‘Statement to the Nation’, 24 July 1979.

order.[30] Knox, meanwhile, was uncomfortable in negotiations with Muldoon; he 'found it nearly impossible to disguise his deep hatred of the Prime Minister'.[31]

The new leadership took over at a time when the industrial relations scene was explosive. According to Toby Boraman, 'an extraordinary 46 per cent of the workforce took part in stoppages during 1979', a figure 'vastly higher… than what was thought to be the previous peak for that measure in New Zealand history: 19 per cent in 1976'.[32] Each major dispute, suggested one reporter, had the potential 'to become a direct confrontation between the Government and the trade union movement'.[33] There were numerous close calls. In late 1978, Muldoon threatened a return to wage regulations following a strike by oil tanker drivers. In March 1979, soon to be made redundant workers on the Christchurch-Lyttleton Road Tunnel blockaded the site. After three days, police removed the pickets, arrested the workers, and the army operated the tunnel.[34] In May, last minute negotiations between Bolger, Muldoon, and FOL leaders failed to avert a strike by airport engineers. Muldoon withheld a threat of deregistration, fearing that the dispute would 'spread throughout the country'.[35] And in June 1979, the Public Service Association (PSA) gave notice of strike action by workers in power stations and line depots after negotiations broke down. Electricity generation was reduced by fifty per cent and caused power shutdowns in many areas across the country. Two days later, the Government introduced legislation to deregister the PSA. Muldoon called it the most serious dispute during his time in office so far.[36] Parodying the new leadership and the near constant sense of potential confrontation, the *Listener* featured a cartoon of Knox with the caption: 'We're not on a collision course with the Government - they're on a collision course with us!'[37]

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[30] Ken Douglas, interviewed by Ross Webb, 1 October 2020.
[31] Franks. 'Knox, Walter James', *DNZB*.
[32] Boraman, 'Merging Politics with Economics', pp.64–82.
[33] *Herald*, 2 April 1979.
[34] Ibid., p.7.
[35] Roth, 'Chronicle', *NZJIR*, 4., 2, 1979, p.4.
[36] Ibid.
[37] *Listener*, May 31, 1980.

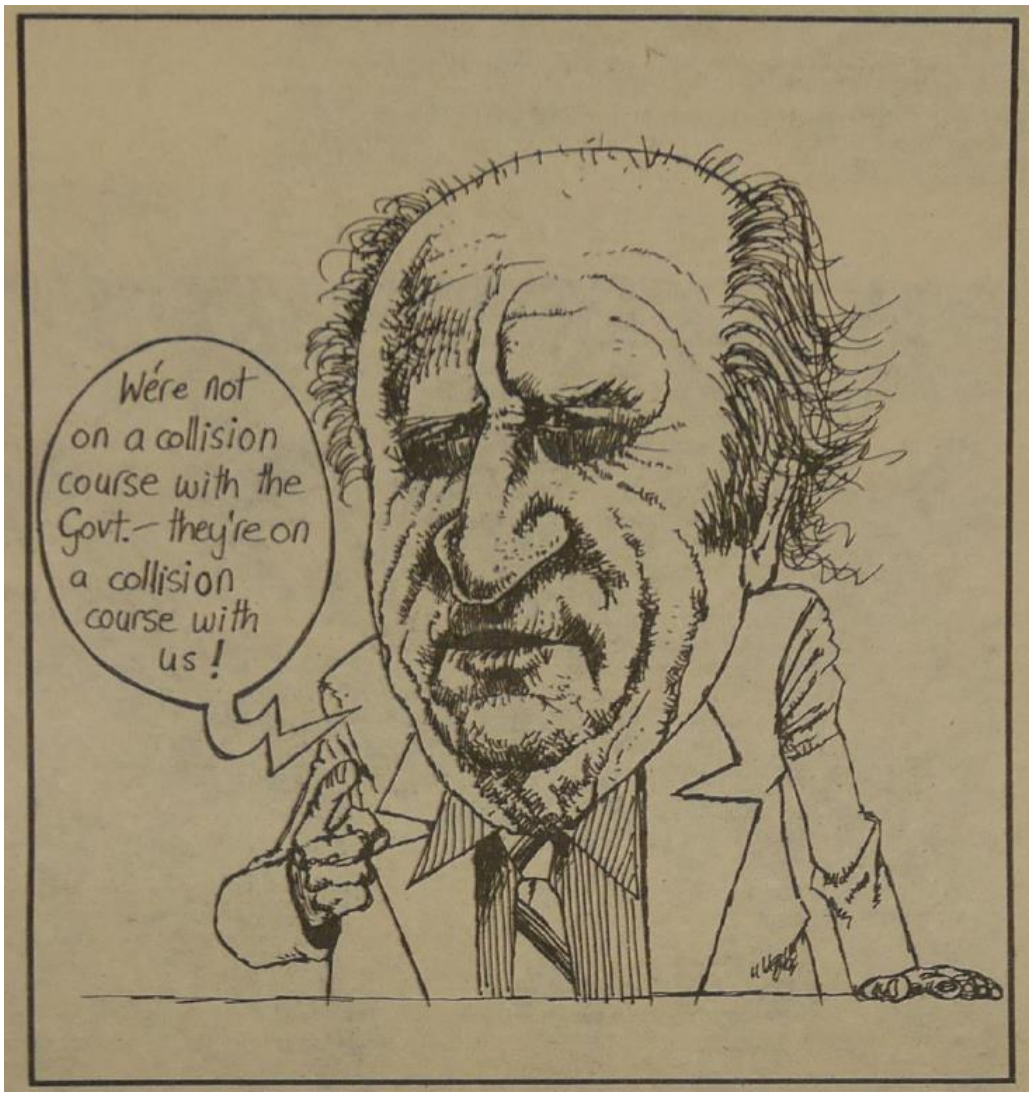

Figure 12 Tom Scott's caricature of new FOL President Jim Knox. *Listener*, May 31, 1980.

Letters poured into the Government from employers calling for action. 'The 1978 wage round is about to start in earnest', Rowe wrote to Muldoon, '[and] many companies cannot sustain similar large increases in the present economic circumstances'.[38] In a July 1979 letter to Bolger, Rowe described one dispute that highlighted the connections between the energy crisis, rank-and-file militancy, and the increasing pressure by employers on the Government for action. At Daily Freightways in Penrose, Auckland, a man was late to work as a result of the restrictions introduced by 'carless days'. A union delegate approached the manager and demanded the man be paid the two hours lost. On being informed that he would not, seventy-six workers walked off the job for the day in a wildcat strike. 'In light of almost certain continuation of today's sort of action', Rowe wrote, 'some explicit support by the Government for employers concerned would seem highly desirable'.[39]

In April, the *National Business Review* explored the reasons behind rank and file workers 'taking matters into their own hands' against the wishes of 'moderate union leaders'. The cause, it said, was declining living standards, years of wage controls, and declining 'worker respect for written agreement with employers'.[40] 'Gone are the days', lamented the economist William Maughan, 'when a "boss" can tell a "worker" what to do', while Rowe complained that employers were losing their right as 'captains of their own ships'. 'Union power is currently moving from the central union control to the work floor', and, if employers did not counteract these developments, they 'may find that management is taken out of their hands'.[41] The Auckland Employers Association's Doug Steward went as far as to say that union militancy amounted to a threat to 'our free enterprise democracy'. 'It is little wonder that we have become a society questioning our future'.[42] The press, too, reflected this sense of imperilment. Headlines from the *Herald* and *Evening Post* read:

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[38] Rowe to Muldoon, 23 August 1978, 46/3/99, Part 2, 1978-1979, ANZ, Wellington.
[39] Rowe to Bolger, 31 July 1979, 2001-129-28/1, ATL, Wellington.
[40] *NBR* 24 April 1979.
[41] *Comment,* December 1979; *Employer,* September 1979.
[42] Doug Steward, 'Trends in Wage Bargaining', Industrial Relations Seminar, Auckland, 1979.

‘Labour unrest holds seeds of civil disruption’ and ‘There is no saying when the rampaging will stop’.[43]

Muldoon and now Bolger laid the blame on the SUP, or at least found it politically convenient to do so. SUP members did in fact lead many major unions, including the Drivers, Storemen and Packers, Carpenters, Labourers, and Chemical and Drug Workers. It had ‘achieved a secure institutional position in the leadership of some trade unions and in the trade union movement nation-wide’.[44] Ken Douglas’ election as FOL Secretary, meanwhile, gained significant attention, largely because of his SUP membership.[45] Bill Andersen, too, would be elected to the FOL Executive in 1981. ‘We do propose’, Muldoon said in an address to the Wellington Chamber of Commerce around the same time, ‘to combat directly the activity of the [SUP] in the industrial field and urge employers to stand together and do the same’. The Labour Party, too was uncomfortable with Douglas’ election as Secretary. ‘I would be concerned to see’, said the Deputy-Leader of the Party Bob Tizard, ‘if Mr. Douglas can separate himself from his political line and work in his role as secretary’.[46]

‘The Battle Lines Are Drawn’

When the FOL met for its May 1979 conference, the Executive proposed, and delegates agreed to, a new campaign for a ‘minimum living wage’. Workers still faced Government policies ‘designed to erode the living standard… in the interests of those who profit from their labour’ and place the ‘entire burden of the present economic crisis upon the shoulders of those least able to bear it’. The ‘minimum living wage’, then, would counteract these pressures and provide ‘the “bare bones” provisions for the cost of living at a very minimum level of health and social decency’. Knox added, the ‘right of working people to earn a living must be the first charge of any economy’. The FOL would settle on the figure of $147 per week, the ‘monetary amount of tax-paid weekly income required to adequately feed,

[43] Roth, ‘Chronicle’, *NZJIR*, 4., 2, 1979, p.1.
[44] Oomen, ‘The Socialist Unity Party’, pp.143-169.
[45] For a full-length biography of Douglas, see Grant, *Man for All Seasons*.
[46] Roth, ‘Chronicle’, *NZJIR*, 4.,.2, 1979, p.4.

clothe, and house a single income family and provide them with the necessary social services'.[47] The weekly minimum wage was, in June 1978, $73.75 per week; it would increase to just $77.07 by September 1979.[48]

Not only would the FOL take an application to the Arbitration Court, but delegates also agreed to mount a major campaign to build grassroots and political support for the minimum living wage. It was an idea that united much of the FOL, including Skinner and Neary. But it would become Knox's campaign. Addressing the Labour Party Conference, a week later, Knox said, 'There will be those that say the system cannot support such a thing. To them I say that an economic system that cannot feed, clothe and house its people at a reasonable level does not deserve to survive'.[49] In the month after the conference, the FOL staged a number of public protests, including a march on the opening of Parliament on 17 May, while 'Solidarity Week' in late May saw rolling protest stoppages in Auckland intended to draw attention to the failure of wage increases to keep up with the 'rising cost of being a New Zealander'.[50] In Christchurch, Jim Knox told the crowd that 'businessmen are still making large profits at the expense of working people'.[51]

When the FOL took its application to the Arbitration Court under the General Wage Order Act, some commentators were positive, suggesting that it was finally launching a drive for social justice, one that focused on the needs of the lowest paid.[52] Labour leader Bill Rowling welcomed the application, suggesting that there were 'far too many people around who are simply shifting their eyes to the existence of growing relative poverty and hardship in this country and the tensions it inevitably brings… The concept of a decent living is something that has been virtually wiped out in this country in recent years'. Yet Rowling was also cautious about giving his full support, suggesting that it would be 'rendered virtually meaningless if it simply touches off a scramble of relativity bargaining that would

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[47] *Auckland Star,* 28 June 1979.
[48] *New Zealand Official Yearbook,* 1979-1980.
[49] *Herald*, 12 May 1979.
[50] *Herald*, 9 May 1979.
[51] FOL Bulletin, August 1979.
[52] *Auckland Star*, 7 July 1979.

feed directly into inflation…. and tip vulnerable industries to the wall and more on to the unemployment heap'.[53] Bolger registered his opposition in Parliament: 'We cannot continue to have wage increases that are significantly in advance of cost-of-living movements. I hope that the Opposition will understand that simple economic fact and persuade some of its friends in the labour movement to understand it also'.[54] Muldoon said that while the minimum living wage was 'difficult if not impossible' to define, he was 'interested and pleased' with the proposal.[55] Muldoon's interest was fleeting, however. Increasingly, his view was that the low paid could be relieved by tax reform, rather than wage increases.

If the Government had one eye on the minimum living wage application, it had the other firmly fixed on the bargaining round in general. Between the two, it could see the makings of a political disaster. 'A bitter, bloody spring is forecast', wrote John Draper in the *National Business Review*, 'as trade unions put the finishing touches to big wage claims which employers are equally determined to resist… the battle lines are drawn'. Yet, one key question remained: 'when—if at all—will the Government choose to intervene?'[56] Just days later, a perhaps intentional leak from Cabinet revealed that Ministers had no hesitation about re-imposing a freeze, a message that was 'hammered home' to the FOL leadership in private meetings.[57] Soon after, the FOL called a meeting of union advocates to discuss the award round strategy. It expressed opposition to government interference 'through regulations, restraints, deregistration or derecognition', and called for a national union conference should such interference occur. Yet it also agreed that union advocates should discuss any final settlement with the FOL 'if such a settlement could have a significant national effect', suggesting that the FOL took Government threats seriously.[58]

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[53] *Herald*, 11 July 1979.
[54] *NZPD*, 423, 10 July 1979, p.1397.
[55] Walsh, 'Free wage bargaining'.
[56] *NBR*, 11 July 1979.
[57] *Herald*, 17 July 1979.
[58] *Auckland Star* 20 July 1979.

One settlement that would undoubtedly have 'significant national effect' was the Drivers. Negotiations began in May. Employers offered 9 per cent, the union claimed 20. Talks broke down, and a campaign of rolling stoppages commenced. Like Rowling, the Government feared that together a Drivers settlement and the minimum living wage application would trigger a round of 'relativity leapfrogging and wage escalation'.[59] Yet the Drivers case was also significant given the animosity between the union's leader Bill Andersen and Muldoon. Later writing in *Truth*, Muldoon claimed that 'the public has rejected [the SUP] time and time again. Why the trade union movement permits these political rejects to lead them by the nose is their affair, but it is incomprehensible to ordinary New Zealanders'.[60] As industrial action by Drivers commenced over the following months, the Government threatened that 'the axe could fall on free-wage bargaining'.[61]

Meanwhile, since 1978, officials had advocated the abolition or suspension of the General Wage Order Act, fearing a sizable application and order by mid-1979. Employers were also placing pressure, concerned as they were about 'wage figures and fuel bills they could see on the horizon', not least from the oil shock.[62] Impacted by stoppages, some appealed to Muldoon and Bolger for intervention and, in some cases, deregistration of unions. Peter Talley of Talley's Fisheries, for one, wrote to Bolger: 'I respectfully point to you the serious nature of this stoppage and the effects it is having on an already troubled industry'.[63] Peter Johnson of the Auckland Employers Association called on Muldoon to make an immediate 'state of the nation' address, 'so that the man in the street could fully understand the important part he has to play in getting New Zealand back on its feet'.[64]

Five days later, Muldoon did precisely that. In his late July address to the nation, described at the outset of this chapter, Muldoon announced the revocation of the General Wage Order Act, therefore quashing the FOL's minimum living wage

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[59] Pat Walsh and Raymond Harbridge, *New Zealand Industrial Relations in the late 1970s: Three Cases*, Wellington, 1983, pp.43-44
[60] *Truth*, 18 September 1979.
[61] Industrial Relations Act - General - Wage Policy Talks, 1979, 46/3/99, Part 4, ANZ, Wellington.
[62] Boston, *Incomes Policy*, p.201.
[63] Peter Talley to Bolger, March 27, 1979, 46/5/268, Part 4, ANZ, Wellington.
[64] *Herald*, 19 July 1979.

application, and his intention to introduce legislation allowing the Government to intervene where any wage demands went beyond what it believed was reasonable. 'It's not the purpose of the Government to say what these wage settlements should be. That wouldn't be free bargaining', Muldoon said. 'But if someone tries by means of strike action to gouge out something that they wouldn't get otherwise, well then the government has to step in'.

When a reporter challenged Muldoon on this point, suggesting that this *was* wage regulation, he replied that the Government was simply 'monitoring', but quickly added that the Government was 'certainly not going to give way to these Drivers… who are starting to apply pressure with all kinds of strike action. That is not on'. Muldoon made it clear who the law was for: the 'SUP-led' unions. 'Direct action by the drivers, the storeman and packers and now I understand the dairy workers will not be tolerated. We have a duty to interfere. We *will* interfere'. Ken Douglas railed against Muldoon's 'contempt for the procedure of consultation'. 'When the game doesn't suit, they change the rules… When the FOL is trying to do something about the low paid in this country, and there is fear from the Prime Minister that we may succeed, he stops us playing the game'.[65] The Government moved swiftly. The Remuneration Act passed on August 13 in anticipation of a Drivers settlement.[66]

Just a week prior, the Auckland Trades Council called on the FOL to lead a general strike. The FOL National Council endorsed Knox's recommendation that it would not take part in any tripartite discussion with Government as long as the Act remained in place. It also endorsed the FOL's policy of 'free collective bargaining between workers and the employers without State intervention or participation by the Government'.[67] A week later, the FOL held a special conference, calling on affiliates to hold stop work meetings to educate members about the 'dangerous and dictatorial powers' of the new legislation. Delegates authorised the Executive to call a general strike if and when the Government used the legislation.[68]

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[65] 'Statement to the Nation', 24 July 1979, Ngā Taonga Sound Collection, 158994.
[66] Boston, *Incomes Policy*, p.194.
[67] National Council Meeting, 1 August 1979, MS-Papers-4100-09/13, ATL, Wellington.
[68] FOL Special Conference, August 9 1979, MS-Papers-4100-13/11, ATL, Wellington.

‘Total Disruption Tomorrow’: The 1979 General Strike

The Drivers reached an agreement with the Transport Employers on an 11 percent increase in early September. Now all eyes were on the Government. As expected, 36 hours before the parties were set to sign that agreement, Muldoon issued a statement calling it ‘excessive by any reckoning’. At an urgent Cabinet meeting, ministers agreed to pass regulations under the Remuneration Act limiting the settlement, a move supported by the Employers Federation, the Manufacturers Federation and Federated Farmers.[69] Muldoon left the country in mid-September ‘leaving behind a confused and boiling industrial situation’, wrote one reporter.[70] Asked before he left if he feared a general strike, Muldoon said, ‘no one is talking about a general strike and I do not think there will be [one]’.[71] He added that he had received ‘messages of support from all over the country, and from people in every walk of life, for the stand that the Government took on the Drivers Union Wage settlement’.[72] Muldoon did not leave the employers blameless. Employers, he said, could not expect to be ‘bailed out’ by Government if they made ‘soft’ settlements.[73]

For his part, Knox hoped there would be no ‘head on’ confrontation with the Government, but the union movement did need to ‘take some firm action’.[74] Union organising and educational work continued. The Wellington Trades Council held fifteen stopwork meetings attended by some 12,500 workers; the Canterbury Trades Council held 35 stopwork meetings in a fortnight; 99 per cent of members voted to support ‘strong action’. In Auckland, nearly nine hundred union delegates and representatives called for, at minimum, a 24-hour stoppage in the four main centres.[75]

With a decisive call for action by its members, the FOL called a general strike for 20 September. ‘Total Disruption Tomorrow’ announced the front page of the *Herald*. ‘Factories and shops will shut their doors, buses will be off the road,

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[69] Roth, ‘Chronicle’, *NZJIR*, 4., 3, 1979, pp.3-4.
[70] *Auckland Star*, 15 September 1979.
[71] Roth, ‘Chronicle’, p.4.
[72] *Truth*, 18 September 1979.
[73] ‘Notes on the Drivers’ Award’, 46/5/268, 5. ANZ Wellington.
[74] *Herald*, 17 September 1979.
[75] Roth, ‘Chronicle’, *NZJIR*, 4., 3, 1979, pp.4.

television screens will be blank, and newspapers will not be published tomorrow as New Zealand virtually closes down in the face of its first general strike'.[76] 'Carless days' regulations were temporarily suspended due to disruptions in public transport.[77] The Combined State Unions (CSU) pledged their support for the strike; the General Secretary of the Post Office Unions announced on television that all state employees should cease work.[78] It is unclear how many people joined the General Strike of 1979. Estimates range from 300,000 workers to possibly twice that number. Some suggested that it was isolated to particular worksites and 'barely touched inner city office and shopping areas' and was mostly 'effective in transport and manufacturing'.[79] Toby Boraman argues that it was the General Strike that explains the fact that 1979 saw the highest number of workers involved in strike action, with 471,450, or 46.2 per cent of the country's labour force, participating in that year.[80]

As soon as it was over, the debate about its scale and significance began. Muldoon would later call it a 'lost cause', while an *Auckland Star* editorial referred to it as a 'paralysing national stoppage'. The Employers Federation's Jim Rowe claimed that the SUP was behind the strike, listing Bill Andersen, Mike Jackson, Ken Douglas and Rob Campbell as its leaders. Campbell, who would go on to play a prominent role in the FOL leadership, denied being a SUP member. 'Campbell says he is not a member', Rowe later conceded, '[but] he was certainly right in with the action, leading a march down Queen Street'.[81]

For all that Government emphasised the strike's futility, it did force a change. Four days later, the Government agreed to meet with the FOL. Bolger suggested the Drivers submit their claim to the Arbitration Court, whose decision, he argued, would be 'sacrosanct'. The union was hesitant, while the Transport Employers welcomed this suggestion which would which 'to keep the Government's sticky

[76] *Herald*, 19 September 1979.
[77] Ibid.
[78] Roth, *Along* the Line, p.244.
[79] Roth, 'Chronicle', *NZJIR*, 4., 3, 1979, p.5.
[80] Boraman, 'Merging Politics with Economics', pp.64–82.
[81] *The Truth*, 2 October 1979.

little fingers out of it'. Bolger soon muddied the water, stating that the Government might interfere in the Court's decision. 'We cannot allow the Court to be used just to get a settlement that had earlier been rejected by the Government', Bolger said, a statement attributed to a telephone call from Muldoon, still overseas at the time.[82] The union and employers objected, claiming that the Government was effectively telling the Court to rule in the Government's favour. Bolger backtracked. If the Auckland Trades Council wanted further action, the FOL leadership held some hope that the General Strike had forced the Government to concede. There would be no immediate follow-on stoppages, though the FOL Executive was empowered to act in the case of further interventions. The Drivers agreed to submit their dispute to the Arbitration Court.[83] After a special Cabinet meeting to discuss the issue, Acting Prime Minister Talboys said he welcomed the dispute going to the Court. But privately, Cabinet also agreed that if the Court's decision was 'out of keeping', the Government's 'wage strategy' needed rethinking.[84] The Employers Federation protested, questioning whether the Government's newfound resolve since 1978 was already weakening.[85]

Before the Court, Knox argued that the case was of wider significance to industrial relations in the country and the future of the Arbitration Court itself. If it ruled against the Drivers, or it was clear it was acting politically, workers would 'lose confidence in the Court as an independent arbitrator'. While the Government saw the settlement as illegitimate because it was achieved by strike action, and 'therefore contravened the principles of free bargaining', Knox saw the case as being an important precedent in the right to strike. 'The right to withhold labour is an element in wage bargaining recognised as such throughout the free world'. Militancy, Knox added, was not only 'present on only one side of the Drivers negotiations', and he implicated the Employers Federation in the dispute. 'Because they believed the award was a trendsetter, the Employers Federation chose the

[82] Roth, 'Chronicle', *NZJIR*, 4., 3, 1979, pp.5; Roper, 'Remuneration Act', p.8.
[83] Ibid.
[84] 'Industrial Relations', 26 September 1979, 46/3/99, Part 4, ANZ, Wellington.
[85] Employers Federation to Bolger, undated, 46/3/99, Part 4, ANZ, Wellington.

Drivers settlement as a battleground within which to set the general level of wages. Such an approach made confrontation inevitable'.[86]

The Court ruled largely in the union's favour, altering some aspects of the agreement but maintaining the 11 per cent increase.[87] The Government accepted the decision, but Talboys stated that the Government would continue its 'overriding responsibility for the management of the economy'.[88] The dispute was, therefore, largely a victory for the Drivers and for the leadership of the FOL. Muldoon's attempt to use the provisions of the Remuneration Act to regulate wages were rebuffed, though the Act remained in force. Yet as the Drivers case settled, another dispute was brewing in the small forestry town of Tokoroa, the second battleground in the fight over the Remuneration Act.

'A Grim Political Battleground': Kinleith, 1980

Kinleith was a natural site for a struggle over the Remuneration Act. New Zealand's largest private company, New Zealand Forest Products' Kinleith paper mill in Tokoroa was 'of national economic significance' during the 1960s and 1970s. It was also the site of a militant rank-and-file union culture.[89] Its large workforce was represented by an array of different unions, 14 in total, but with the Timber Workers Union and Pulp and Paper Mill Workers Union the largest.

The dispute began in December 1979 when the 14 unions, known as the Combined Unions, lodged a claim for a 22 per cent wage increase to reach parity with workers at the state-owned Tasman Pulp & Paper Company at nearby Kawerau. Key to the union's case was the eighteen million-dollar profits recorded by the company. The company rejected the claim, talks broke down, and unions commenced a campaign of rolling stoppages. Into early 1980 the company offered 18 per cent conditional on concessions by the unions which would keep the mills in continuous production throughout the year and remove other 'hindrances to efficiency'. While the Pulp

[86] 'President of the Federation of Labour Appearing for the Applicants', undated, 46/3/99, Part 4, ANZ, Wellington.
[87] *Herald*, 19 September 1979; Roth, 'Chronicle', *NZJIR*, 5., 3, 1980, p.1.
[88] 'Press Statement', 1979, 46/3/99, Part 4, ANZ, Wellington.
[89] Fiona Hurd and Suzette Dyer, 'Mutualism beyond the "Mutual": The Collective Development of a New Zealand Single Industry Town Hospital', *Labour History*. No. 112 (May 2017), pp. 45-60

and Paper Workers accepted the offer, the Combined Unions held out for 22 per cent.

At this point, the Government and the FOL were drawn into the local dispute. Bolger threatened Government intervention, and when the company began suspending workers, the Timber Workers Union called on the FOL to lead negotiations, which it did in early February 1980. Both parties gave way only slightly, not enough to come to an agreement (the Company raised its offer to 18.5 and the union reduced its claim to 21.5). By mid-February, when the FOL officially took over the dispute, 2,600 workers were either on strike or suspended. In a sign of the FOL's new approach, local workplace delegates were closely involved in negotiations. As Knox proudly recalled, 'When I went into negotiations with management, the whole 38 delegates went with me'.[90] For the FOL, Kinleith now had the potential to be not only a long and bitter strike, but also another battleground between the FOL and the Government over the Remuneration Act. Across the country, the FOL collected food and money for workers and their families.

As the strike entered its seventh week, the company finally conceded on wage parity. Workers voted to accept the new offer. 'We were jubilant', said one delegate, Cheryl McLean, 'we had a great celebration'. Yet when McLean called Jim Knox to arrange a rally to announce the successful settlement, Knox told her, 'We've got a few problems on our hands. We believe the Government's going to step in'. Shortly after, a visibly upset Knox informed the workers of the bad news: Muldoon had indeed announced his intention to intervene. Muldoon issued a press statement. 'The Government's wage policy is quite clear. Unions and employers know that large wage settlements gained as a result of strike action are unacceptable'. The workers were 'shattered', recalled McLean, 'they were angry that one man could destroy what we'd worked so hard for'.[91] The following month, the Remuneration (New Zealand Forest Products) Regulations 1980 were gazetted. 'The time has come', Muldoon said, 'for the moderate elements in the trade union movement to

[90] FOL Bulletin, May 1980.
[91] *Industrial Relations Review,* March-April 1980.

stand up to the militants and tell them that their actions are threatening the whole system of free wage bargaining'.[92]

Kinleith workers voted to continue their strike, now against the Government, and the FOL pledged full support. Tokoroa became a town 'under siege'. Workers established welfare centers to distribute food and donations, counseling services for families under stress, social events, and concerts. Delegates from Kinleith travelled the country to address stopwork meetings and raise funds. The FOL also urged workers to all to contribute an hour's pay each week to the strike fund.[93] Women played a key role in the dispute.[94] Often excluded from the male domain that was industrial action, the role of women, both as workers and wives, proved essential to the successful organising of the strike. Knox and Douglas spent time in the town, holding meetings with delegates, and hammering home the message that this was a struggle much broader than Kinleith; it was a campaign against the Muldoon Government and for the future of the labour movement. Muldoon added that this was an 'acid test for Jim Knox… the question is whether he is equal to it'.[95] That both the FOL and Muldoon framed the dispute in such terms demonstrated its essential political nature. Commentators once again predicted a major showdown. 'The Government is already getting ready to drag on a full set of 1951 stage props', wrote one journalist, 'wreckers at home in militant unions, a Labour Party inviting guilt by association through indecision, [and] an international communist conspiracy'.[96]

As the campaign continued, the Government conceded again, agreeing to hold talks with the FOL to find a resolution. Knox travelled between Kinleith and Wellington, where he and Bolger finally negotiated a settlement. Cabinet agreed to reinstate the original Kinleith settlement and revoke the regulations, but not the Act. As part of the agreement, the FOL agreed to join tri-partite talks with the Government and

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[92] 'Press Statement', 26 February 1980, 46/3/99, 6, 1980, ANZ, Wellington.
[93] Grant, *Man for All Seasons*, pp.216-217; Russell Campbell, 'The 1980 Kinleith Strike – "Greatest Worker Victory"', LHP Bulletin 81, April 2021.
[94] Gerd Pohlman (Producer), (1982), *Kinleith '80* [Documentary], New Zealand: Merger Films.
[95] Ibid.
[96] *Comment: A New Zealand Quarterly*, March 1980.

Employers Federation to devise a new wage policy, a tacit admission from the Government that the Act was not working. On 20 March, the Caucus approved the settlement, and agreed to lift the regulations if Kinleith workers agreed. Five days later, Knox addressed Kinleith workers, outlining the terms of the settlement, which workers voted to accept. [97]

Like the General Strike, Muldoon called the Kinleith dispute 'an exercise in futility'. In an attempt to save face in what was portrayed as a clear-cut FOL victory, Muldoon ramped up his attacks, accusing the FOL of being dominated by SUP leaders. On 17 March, Muldoon released a list of 32 union officials who he accused of being members of the SUP, supplied by the Security Intelligence Service (SIS). In a press statement that accompanied the list, Muldoon claimed that many of the key positions in the FOL, 'one of the most powerful offices within the trade union movement', were held by SUP members, while powerful unions were also headed by the SUP, which was 'reflected in the increasing militancy of those unions'.[98] Muldoon said soon after that he would ban the Party 'if necessary'.[99] Indeed, employers and the Government attempted to frame the Kinleith dispute as a victory solely for the SUP militants within the FOL at the expense of ordinary workers and their families. 'Whilst the strike has been hailed as a victory by leaders of the Federation of Labour and Socialist Unity Party', claimed Peter Johnson of the Auckland Employers Association, 'the realities lie in the social and economic effects the strike caused to families in Tokoroa, including the loss of earnings for those on strike or suspended which will take many years to recoup'. But if both the Government and Employers Federation were united in attacking the FOL in the aftermath of Kinleith, and both feared the union strength and unity it represented, the dispute also contributed to the undermining of employer faith in the Remuneration Act. For the second time, the Government's attempts to rein in wages through regulations had failed.

[97] Walsh and Harbridge, p.43.
[98] 'Press Statement', 17 March 1980, AAXO W424622138, Box 17, ANZ, Wellington.
[99] Roth, 'Chronicle', *NZJIR*, 5., 3, 1980, pp.11-12.

Kinleith served as a significant victory for organised labour in general, and for the FOL and its new leadership in particular. Knox called it 'the greatest victory' in his career.[100] While the dispute was rooted both in the development of union militancy in the workplace and the actions of the employers, it soon burgeoned into a strike against the Remuneration Act in particular and against the policies and politics of the Muldoon Government. It was a 'grim political battleground', as one reporter had it.[101] Writing in the *Industrial Relations* Review, Mary Varnham suggested that it escalated from a 'local industrial dispute to a national political cause and became the testing ground for the government's industrial policies, and organised labour's opposition to those policies'.[102] Some saw the dispute as a sign of the FOL's 'new-look' and leadership after 1979. As the *PSA Journal* explained, the days of the FOL acting as 'an undertaker' were over. 'It was called upon to bury disputes rather than join the fight. This all changed with Kinleith'.[103] Indeed, just before his retirement, Skinner had outlined his approach to FOL dispute intervention, which once again reflected his gendered conception of who a worker was. The aim, Skinner said, was to 'to get the boys back to work and then go and negotiate with the employer'.[104]

The FOL later summarised what it saw as the key lesson from the Kinleith dispute. 'If the militant actions of workers are supported by the wider trade union movement and community, then the forces of capital have an extremely difficult job on their hands in resisting the united pressure of the working class'.[105] This was perhaps an overly optimistic lesson from what was a series of essentially defensive disputes. That optimism would be put under severe pressure in the decade ahead.

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The FOL met for its 1980 conference off the back of two successful strikes. The Government's 'anti-worker bias', Knox thundered in his address to delegates, was

[100] Roth, 'Chronicle', *NZJIR*, 5., 3, 1980, pp.10-11.
[101] *Kinleith '80* [Documentary]
[102] *Industrial Relation Review,* March-April 1980.
[103] *PSA Journal*, May 1980.
[104] Cited in Harbridge, '1980 FOL Conference', p.107.
[105] FOL 1981 Conference, MS-Papers-4100-04/09, ATL, Wellington.

becoming 'increasingly apparent, manifesting itself in legislation and actions more appropriate to the Italy of Mussolini or Hitler's Germany than to a supposed democratic country'. Knox outlined the numerous challenges facing working people: unemployment, new technology, and the Government's 'callous disregard to the savage destruction of living standards'. Indeed, while the General Strike and Kinleith stood as major victories, what did workers have to show for it? They still had no ability to apply for general wage or cost of living orders, and inflation reached a new high of 18.4 percent for the year ending March 1980. Delegates endorsed a plan of nationwide stoppages and protest for the repeal of the Remuneration Act, the introduction of an immediate cost-of-living adjustment, and the establishment of a means by which an application could be made for the minimum living wage. The FOL organised a 'fortnight of activity' for after the conference, the first in a new campaign to 'arrest and reverse the drop in real living standards'. It would be called the 'Campaign in Defence of Living Standards'.[106]

Significantly, after a two years educative campaign organised by Sonja Davies and others, delegates finally voted to adopt the Working Women's Charter.[107] The fight for the Charter pitted Davies and supporters against both the men who thought the FOL had no business wading into the issues (Tony Neary, for one, called it 'a great diversion from the bread-and-butter matters affecting the work force') and among those who opposed the clause calling for access to abortion, such as Connie Purdue, a trade unionist and national vice-president for the Society for the Protection of the Unborn Child.[108] Others debated how the clauses would be instituted into award negotiations. FOL Executive member Ken Findlay said that the Meat Workers Union had already aimed to fight for a child-care clause in the industry award, though he conceded that 'other issues which will take precedence, such as technology', while Graeme Clarke of the Coachworkers Union said that 'Free day care has also been included in claims from the combined unions of four Wellington motor assembly plants and this could pave the way for similar claims elsewhere',

[106] FOL 1980 Conference. MS-Papers04100-04/08, ATL, Wellington.
[107] *Auckland Star,* 10 May 1980.
[108] Neary, *Price*, p.140.

though Clarke said he was not optimistic about employer support. Neary, however, remained the most ardent opponent, calling the Charter 'divisive and discriminatory because what we are doing now is separating males and females from each other'.[109] Opposition aside, the adoption of the Charter was a major step forward. As Sonja Davies recalled, 'when the actual vote took place, it was overwhelmingly supported and thus became FOL policy', and women 'around the country responded with immediate delight'.[110] The Charter was adopted by the Labour Party a fortnight later.

FOL and Labour in 1980

Some within Labour had long viewed the perception of the FOL as a powerful and potentially influential force within the Party as a political liability, a potential weakness easily exploitable by the media, and Muldoon. The new militancy of the FOL leadership, and Knox's repeated suggestion that the FOL, not Labour, was at the forefront of leading the charge against Muldoon marked a new phase in that debate. At the February 1980 FOL National Council meeting, Knox claimed once again that the FOL 'were the strongest opposition to the Government'. Knox meant 'no disrespect to the Labour Party', he said, but the FOL had been put in the position of having to 'lead the action' on matters 'affecting wage and salary earners'.[111] When Labour Leader Bill Rowling and Deputy Leader David Lange attended the FOL's 1980 Conference, they congratulated the FOL on its victories, and the 'unity and integrity' that they had involved. Yet Rowling also sought to remind the FOL that political action was necessary, in what was an implicit critique of Knox's now repeated statement that the FOL was the 'real opposition'. 'Industrial unity on its own is insufficient to do the job that needs to be done', Rowling said. Unemployment, inflation, and the 'costs that bear down every day on the people you represent' required political action and legislative change. The Remuneration Act might be challenged by industrial action, Rowling added, but it had to be revoked by Parliament. 'You people today are oppressed by the Remuneration

[109] *New Zealand Woman's Weekly*, 28 July 1980.
[110] Sonja Davies, *Bread and Roses*, p.301.
[111] FOL National Council Minutes, 28 February 1980, 95-050-04, ATL, Wellington.

Act—it was put there by a political decision, it must be removed by a political decision'.[112]

These debates flowed through to the Labour Party Conference a week later. The extent of the divide between the FOL and Labour over these questions became the focus of media coverage of the conference. For one thing, the Party failed to extend the conference invitation to FOL Secretary Ken Douglas because of his affiliation to the SUP. When Knox gave his routine address to the Party, he scolded the leadership and gave his support for the democratically elected Secretary. Despite this, Knox was 'greeted with enthusiastic cheering and foot-stamping' when he called on the Party to support a minimum living wage for all people, an equitable tax structure, public control of large economic enterprises and resources.[113] Knox ended his address by calling for union backing for a Labour election victory in 1981. The 'chaotic nature of the economy and the particularly unattractive nature of the present Government' would seem to ensure a Labour victory in 1981. Yet, Knox said, support for the Party had not increased. It remained 'unclear as to what the Labour alternative means'. One reporter noted that Knox's 'home-truths' did not result in any less enthusiasm for the speech, and in fact 'they gave him one of the warmest receptions ever accorded an FOL president'.[114]

Despite delegates warm reception for Knox, the divisions were obvious. Many trade unionists commented on what they saw as the growing class difference between the Party and organised labour, with educated middle-class professionals taking up leading roles. George Finlayson of the National Union of Railwaymen claimed that the Party 'had not been in the position to do much for any trade union movement… the amount of academics [came] at the expense… of people who are the real back bone of the industrial and political movement. And that's the trade union movement'. This reflected a broader trend: an increase in Labour Party branch membership 'challenged the union's traditional influence in the Party'. The union

[112] FOL 1980 Conference.
[113] Scott, 'Chronicle', *NZJIR*, 5., 2/3, 1980, p.52.
[114] *Herald*, 15 May 1980

share of the votes declined from 43 per cent in 1975 to 34 in 1979.[115] Other trade unionists were critical of what they saw as the FOL's bolshiness towards the Party. Tony Neary, for one, disagreed with the position that industrial muscle was more effective than political change. 'Let me make one thing quite clear', he said. 'I am satisfied that the Labour Party is the alternative to the National Government and not the trade union movement, as some people have suggested'. Neary added that unions 'must work to get the Labour Government in power and get the social legislation we want to achieve'. Labour MPs denied the idea that there was 'pressure from the trade union movement', as reporters suggested. Labour MP Stan Rodger claimed that there was agreement between the industrial and political wings of the labour movement about priorities. 'There's a coming together, a common ground, rather than pressure being exerted by the union movement'. [116]

Within the Party, there were some efforts to maintain a strong union presence. One concession to the union movement came when Helen Clark withdrew her candidacy for the Junior Vice-Presidency of the Party to support unionist Dan Duggan. 'At a time when the union movement is under vicious attack from Government', Clark explained, 'I believe it is important for trade unionists to continue to be represented at the top level of our Party [and] in the forefront of our political attack on the National Government'.[117] After Jim Anderton was elected President in 1979, and unionists Stewart McCaffley and Duggan were elected senior and junior vice president respectively, 'there was a concerted effort to strengthen the party's relationship with unions'. This included the creation of the Industrial Affiliates Council and the inclusion of two union affiliates to the New Zealand Council.[118] Anderton, who had supported disaffiliation from unions in the late 1960s, increasingly became a major advocate within the Party for a continued union presence. In the years ahead, as Rob Campbell would recall, the Party 'had a quite active industrial affiliates structure… working in concert with the Federation of

[115] Franks and McAloon, p.193.
[116] 'Eyewitness: Labour Party Conference', 1980, Ngā Taonga Film and Video Collection, F42236.
[117] Ibid.
[118] Franks and McAloon, p.193.

Labour to influence Labour Party policy'.[119] These developments helped stem but could not prevent the growing divisions between the union movement and the Labour Party over the crucial issues of organisation and, as we will see in the following chapters, over economic policy.

'In Defence of Living Standards'

In June 1980, the FOL commenced its 'Defence of Living Standards' campaign. Overwhelmingly endorsed by delegates at the May conference, it called for a cost-of-living adjustment, the repeal of the Remuneration Act, a minimum living wage, and the restoration of the system in order to hear a claim for it.[120] In June 1980, Ken Douglas sent a telegram to all affiliates outlining the campaign, which would focus on educational activity 'at the shop floor' to assess rank-and-file support for industrial action, and rallies held at major centers over the following weeks. 'It will depend on how individual unions respond to the call', Knox added. 'The issue must be taken to the rank-and-file so that they can register their response to the onslaught on wage and salary earners by this government'.[121] Local actions took place around the country. In July, for example, 5,000 workers took the protest to Muldoon himself, marching through Lower Hutt and to the gates of Vogel House, the official residence of the Prime Minister.[122] Knox claimed that the FOL was willing to repeat Kinleith in order to 'fight repression'. 'We will use our strength again and again if necessary, to fight attacks from the Government'.[123] To this, Muldoon stepped up his attacks on the SUP, claiming the FOL was now at threat of being entirely 'taken over'.[124]

Employers were already uniting in preparation for the wage round. In May 1980, the Auckland Provincial Employers Association circulated a letter to its members warning employers not to 'buy immunity' from strike action by making concessions to unions. Action would be aimed at Government, the letter said, but employers

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[119] Rob Campbell, interviewed by Ross Webb, 3 May 2021
[120] 'Campaign to Defend Living Standards', A Delegates Broadsheet, 95-050-36, ATL, Wellington.
[121] Knox and Douglass to All Affiliates, June 1980, 95-050-36, ATL, Wellington.
[122] Markey, 'Troubled Times', p.160.
[123] *Auckland Star* 29 May 1980.
[124] Scott, 'Chronicle', *NZJIR,* 5., 2/3, 1980, p.50.

would pay with 'direct strikes, aimed at selected employers, rolling strikes, partial work bans, go slows, demonstrations and marches'.[125] Muldoon, at least rhetorically, warned that tight monetary policy would ensure discipline. 'We will not allow credit to increase in order to validate soft wage settlements', he said as he delivered his July 1980 Budget. 'If increases in wage costs and prices are excessive the money will not be there to meet them. The business community has been warned'.[126]

Meanwhile, the FOL, Employers Federation, and Government met for several rounds of tripartite talks, as agreed in the Kinleith settlement. There, the FOL made it clear that any long- term resolution on wage bargaining relied on the repeal of the Remuneration Act. At a 28 July meeting, Muldoon finally conceded he would 'be happy to do away' with the Act, 'provided there was something better to put in its place', and he suggested that he might encounter difficulties convincing Cabinet given the potential of 'wage-fuelled inflation'. Knox predicted that high wage claims would probably settle without the legislation 'hanging over their heads'.[127]

The Employers Federation had by now lost faith in the Remuneration Act. As Campbell speculated, 'I think it simply became clear [to the employers] that… the rank-and-file activism was building up. And I suspect—I don't know this, but I suspect—that the employers at the time probably went to the Government and said, [the Remuneration Act] doesn't work the way it's supposed to… we have to make a change. We have to find a way to let off some steam here'. This was reflected in Employers Federation publications. But if the Employers Federation agreed that the Act was no longer workable, its repeal only added to a broader frustration with the Government's approach. 'During the 1970s New Zealand tried both unrestricted collective bargaining', it reported in 1980, 'and comprehensive wage controls, but neither system worked. So we enter the 1980s without an established, clearly

[125] *Auckland Star*, 26 May 1980
[126] *NZPD*, 430, 3 July 1980, p.1267. Geoffrey Bertram and Graeme Wells, 'The Real Wage Controversy', in Bob Buckle, ed., *Inflation and Economic Adjustment: Proceedings of a Seminar*, Department of Economics, Victoria University of Wellington, 1983, pp.68-117.
[127] Wage Policy Talks, 28 July 1980, 2001-129-13/2, ATL, Wellington.

defined, and widely accepted method of settling wages'.[128] This marked just one more step on the way to the Employers Federation's near total disillusionment with the system.

At a 6 August meeting, the parties finally reached an agreement: the Act would be repealed, the FOL could pursue a cost-of-living application before the Arbitration Court in 1981, and tripartite negotiations would continue.[129] The parties also agreed upon a statement, which Bolger read in Parliament: 'The parties acknowledge that the Government has a responsibility to act where necessary to promote economic stability. Having been assured that the round will proceed on a reasonable basis the Government will repeal the Remuneration Act at the earliest possible date'.[130] Labour welcomed its repeal. Rowling claimed that the 'constant chaos in the industrial scene [was] to a large extent attributable to the tensions created by the bill itself'.[131]

On 30 October 1980, Muldoon appeared once again in a live television and radio address to the nation, nearly a year and a half after his first address to announce the introduction of the Remuneration Act. This time, he announced its repeal. It came, he said, in return for an assurance from parties that the following years' wage round would remain reasonable.[132] The FOL treated the repeal as an uncomplicated victory, and it stressed the importance of the grassroots campaigns over negotiations. 'Victory arose out of the success of those rallies, the tremendous response of people at all sorts of places', from Auckland to Taumarunui, Te Kuiti and Morrinsville, among others.[133] Its September 1980 *Bulletin* declared that in the campaign in defense of living standards, 'We Win Round One'.

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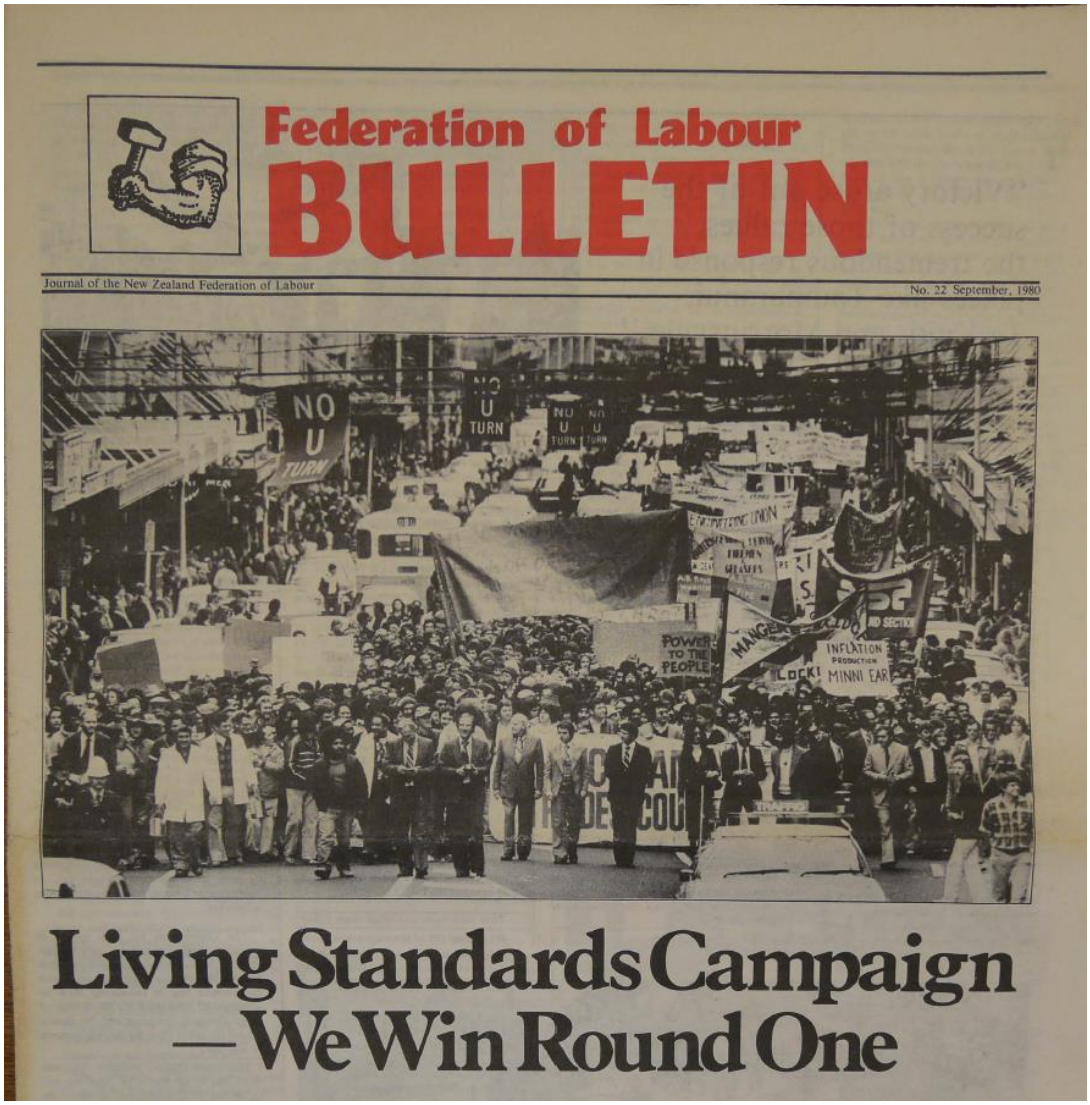
[128] Roper, 'Business Political Activism', p.12.
[129] Wage Policy Talks, 6 August 1980, 2001-129-13/2, ATL, Wellington.
[130] *NZPD*, 432, 14 August 1980, p.2669.
[131] *Herald*, 15 August 1980.
[132] Muldoon–Remuneration Address, 30 October 1980, Ngā Taonga Sound Collection, TZP209057; Scott, 'Chronicle', *NZJIR*, 6, 1981, p.51.
[133] FOL *Bulletin*, September 1980.



Federation of Labour

BULLETIN

Journal of the New Zealand Federation of Labour

No. 22 September, 1980

Living Standards Campaign
—We Win Round One

Figure 13 Cover of the FOL Bulletin, September 1980.

Conclusion

The first two years of Muldoon's second term was indeed a period of victory for the FOL, one that seemed only to confirm its place as a powerful political and economic force. That the Government had been effectively forced to back down in two major disputes and then to repeal anti-union legislation was a considerable achievement, and a vindication of the approach of the FOL's new leadership. The FOL proved that it could indeed mobilise workers to challenge the Government, to fight disputes, and win. If Labour leader Rowling had warned that political action

was necessary, the repeal of the Remuneration Act seemingly proved otherwise. By the end of 1980, then, the FOL had achieved two of the three goals of 'the Campaign in Defence of Living Standards': the repeal of the Remuneration Act, and the reestablishment of a system for applying for wage increases to catch up to the cost-of-living. The final goal, the achievement of the minimum living wage, remained elusive. But the FOL vowed to fight on. 'If we fail to give priority to our campaign in support of the low paid, we will be betraying one of the most important principles of trade unionism'.[134]

The FOL also recognised that these victories were only part of a broader campaign. It needed to be followed by action on a number of fronts. In stop-work meetings across the country in August, 1980, the FOL called for a continued commitment to full employment, a real living wage, 'realistic' social welfare benefits, an end to unfair taxation, an end to restructuring (discussed in the following chapter), trade union control over the introduction of new technology, an end to cuts to housing, health and education, opposition to Saturday trading and casual youth labour at low wages.[135] Following a march of 35,000 workers up Auckland's Queen Street, which aimed to highlight the 'growing difficulties of living in New Zealand', Knox said: 'I'm pleased and proud to see a greater number of workers who are concerned enough to take action to protect their jobs and living standards and protest about unemployment'. Such action, Knox claimed, had not been seen since the Great Depression.[136] But signs at the protest revealed a number of both emerging and unresolved concerns: 'New Zealand people sold out to overseas masters', 'Inflation the root of all evil', 'Workers are overtaxed', 'Can't eat silicon chips' and 'Restructure Muldoon'. These wider concerns—about restructuring, technology, and economic policy more broadly—are the subject of the following chapter.

[134] FOL 1981 Conference minutes.
[135] *Auckland Star* 11 August 1980.
[136] *Auckland Star*, 29 August 1980.

CHAPTER FOUR
Restructuring, Anti-Unionism, Economic Policy, and Labour, 1979-1982

Never before had the FOL been so confident in its ability to take on a government as it was at the end of 1980. The promise made by the new leadership to 'return' the FOL to affiliates and the rank-and-file and to challenge wage controls were, seemingly, realised. Yet the General Strike, Kinleith, and the repeal of the Remuneration Act were bright spots on an otherwise troubled time. Much celebrated events, they did little to alter the more fundamental problems that the FOL faced. If they were viewed as signs of strength and victory, and were presented as such by the FOL leadership, this elided the fact that they were also essentially defensive struggles. In retrospect, they would represent the peak and endpoint of the FOL's militant successes. A number of parallel developments between 1979 and 1982 made this all the clearer, revealing at times the limits of the FOL's industrial strategy. The FOL had successfully resisted wage controls. And yet, responding to the Government's programme of economic restructuring and liberalisation after 1979, and to the growing political and policy consensus about the need for such changes, proved more difficult. The FOL did not ignore these changes for a narrow focus on wages, as is often suggested, but rather attempted to grapple with what were new and difficult questions. They did so at the same time that the impacts of restructuring often placed the FOL and its affiliates in a defensive position. During these years, the FOL supported redundancy campaigns and challenged the closure of factories; it organised conferences on issues from technology to unemployment and challenged political leaders to maintain a commitment to the goal of full employment.

At the same time, the FOL and its affiliated unions remained confident in its ability to win disputes. As unions intensified their efforts to fight wage restraint, to defend their members from Government and employer attacks, and to build on the victories of the previous years, they also provoked backlash. Major campaigns of industrial action hardened the attitudes of employers and Government and exposed the FOL and its affiliates to major public antagonism. The 1981 anti-union Kiwis Care protest in Auckland, which saw as many as 60,000 people take to the streets, chastened the FOL, emboldened the Government, and put the opposition Labour Party in an awkward position. Tensions between the FOL and Labour increased markedly, as Labour struggled to combat Muldoon or present a viable alternative. The 1981 election loss demoralised Labour and intensified the internal debates about its relationship with the more activist FOL, and about economic policy.

The FOL itself recognised that it needed to formulate some kind of coherent response to the now persistent economic crisis and to have a broader macroeconomic alternative that gelled with its strategy. The FOL's 1981 Alternative Economic Strategy was a response to the Government's liberalisation and restructuring programme, to shifting economic orthodoxies internationally, and to the perceived lack of an economic policy debate within the Labour Party. It dealt with questions of employment, taxation, industrial development, trade, and monetary policy, as well as providing a more sustained critique of Government economic policy. Among those advocating such alternative strategies were a new generation of unionists who increasingly advocated a wider agenda. They argued that the FOL should fight to both hold onto and reassert the gains of the postwar settlement, and, increasingly, that the FOL's focus needed to move beyond defensive campaigns to maintain living standards.

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As the FOL celebrated its victories in late 1980, it could not fail to see that the world around it was changing in dramatic ways. An extraordinary confluence of developments after 1979 altered the political, economic, and ideological terrain. Buckling under the economic pressures, many governments around the world

abandoned the long-cherished goals of full employment. As traditional Keynesian policies faltered in the face of stagflation and as governments faced off against trade unions, the politics of inflation took on a resolutely more 'conservative, free-market, anti-labour character'.[1] The growing popularity of monetarist solutions promoted by Milton Friedman, among others, called for a rigid targeting of the money supply and a sharp reduction in government spending and budget deficits. Others called for deregulation and market liberalisation. There was also, however, a critique offered by some left intellectuals about union militancy in the 1970s. Concerned about an emerging right-wing anti-labour counter mobilisation, US socialist Michael Harrington wrote that what was needed was 'an offensive by the labor movement aimed, not simply at bettering the position of this or that segment of the working people, but at changing the rules of the game so that there can be some kind of rational solution to the inflationary challenge'.[2] Communist historian Eric Hobsbawm, too, critiqued what he called a 'militant economism' that was bound to antagonise the public.[3]

It was in the UK and US that these transformations most strikingly played out. In Britain after 1976, the Labour Government oversaw deep spending cuts and the abandonment of the postwar goal of full employment in favour of targeting inflation, as the embattled country sought a bailout from the International Monetary Fund (IMF).[4] UK workers 'suffered the biggest cut in [the] standard of living since before the industrial revolution' between 1975 and 1977. Union efforts to resist the erosion of their wages and the Government's attempt to enforce wage guidelines collided during 'the Winter of Discontent' in 1978-1979.[5] Conservative Party Leader Margaret Thatcher successfully pointed to the strikes as examples of Labour's inability to control neither the trade union movement nor the economy. Thatcher won the 1979 election and embarked on a programme of economic restructuring. The appointment of the pro-austerity Paul Volcker as chairman of the Federal

[1] Eich and Tooze, pp.188-190.
[2] Cowie, p.215.
[3] Eric Hobsbawm, 'The Forward March of Labour Halted?', *Marxism Today*, September 1978, p.286.
[4] Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics*, New Jersey, 2012.
[5] Steve Ludlam, 'Old Labour and the Winter of Discontent', *Politics Review*, February 2000, p.31.

Reserve in the same year by US President Jimmy Carter marked another turning point. Volcker's 'shock' interest rates hike and sharp curbing of the money supply to reduce inflation unleashed an international economic recession; unemployment soared, while systems of wage bargaining were wiped out.[6] To defeat inflation, Volcker explained, 'The standard of living of the average American has to decline'.[7] The 1981 mass dismissal of striking air traffic controllers by Republican President Ronald Reagan inspired aggressive strikebreaking across the private sector.[8] The years after 1979 thus marked the consolidation of a 'new, post-Keynesian monetarist consensus' and the beginning of a definitively anti-labour politics.[9] The emerging faith in supply-side strategies, cutting back on the social state, deregulating the economy, and anti-union politics were features of a transnational attempt to overcome the 'Great Inflation' of the 1970s; they would reshape the political economy of most western nations.[10] This 'seismic shift' from 'trust in governments to trust in markets' had a material impact on the New Zealand economy, shaped as it was by severe global headwinds. But it would also lead to a significant ideological struggle over how best to address the now long running economic crisis.

Restructuring and Liberalisation

The ensuing debate took on a number of political, policy, and popular forms. By the late-1970s, for example, officials in Treasury began advocating more boldly for restructuring and liberalisation.[11] Muldoon's Government was receptive to moderate liberalisation of the economy. It deregulated some industries, reduced restrictions on shop hours, commenced negotiations for a new free trade deal with Australia, and reformed the import licensing system. But Muldoon distanced himself from the emerging neoliberal orthodoxy. He wrote that he had 'no intention of letting efficient industries go to the wall for the sake of a theory'.[12] Such concerns

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[6] Friedan, pp.372-373.
[7] *New York Times*, 18 October 1979
[8] Mitchin, *Labor Under Fire*.
[9] Reid-Henry, p.97.
[10] Ibid., p.216.
[11] McKinnon, *Treasury*, p.275.
[12] Muldoon, cited in McKinnon, *Treasury*, p.228.

did not prevent Muldoon embarking on a programme of restructuring. After 1979, National set the Industries Development Commission (IDC) to work undertaking a review of certain sectors to ensure their international competitiveness; this meant restructuring, deregulation, and consolidation. Muldoon 'supported the drive for increased efficiency in manufacturing even at the cost of significant job losses'.[13] In 1979, Kevin P. Clements argued that a 'creeping capitalism' was reshaping New Zealand's economy. 'The depression is making an obvious impact on employment. prices, inflation, and the balance of payments. Less obviously, and yet perhaps more importantly, it is having a profound effect on the reorganisation of manufacturing and agriculture'. Clements continued, 'Most of the discussions around unemployment, industrial wages, manufacturing or agricultural productivity in New Zealand… scarcely ever consider the ways in which the New Zealand economy is being transformed by external forces'.[14]

The FOL had long seen these pressures. Skinner had warned about those 'who argued that the reins must be taken from Government', while 'the interests of capital and their proponents among the economic fraternity' were urging a 'restructuring' of the economy. In the years ahead, the FOL kept a close watch on what Knox now called the 'new economics' and the detrimental effect 'on living standards of people, particularly under Thatcher in Britain and Reagan in the United States'. [15] The FOL research officer and economist, Alf Kirk, warned about the growing 'influence of the Friedmanites' abroad.[16] The FOL also kept close watch of the internal debates within political parties. The push for further liberalisation or frustrations about its slow pace was the cause of major internal disputes within the National Government, including the unsuccessful 1980 'colonel's coup' against Muldoon. Knox expressed concern about power struggles within National between 'the young jerks of the new economic right attempting to unseat the ageing young turks of the more pragmatic variety'.[17] Indeed, while the need for restructuring was increasingly bipartisan,

[13] McAloon, *Judgements*, pp.157, 176-178. James, *New Territory*, p.62.
[14] *Industrial Relations Review*, November-December 1979, p.32.
[15] FOL Conference Minutes 1982, 94-106-56/12, ATL, Wellington.
[16] 'Monetary Policy: Alternative Economic Strategy, 1982, 94-106-56/12, ATL, Wellington.
[17] FOL Conference Minutes 1981.

debate about the scale, nature, and pace of that restructuring, was as much internal as across party lines, as we will see.

The FOL remained sharply critical of Muldoon's economic policy after 1979 which was, Knox said, designed to benefit 'the few', while effecting 'the closer integration of our economy into a world system dominated by multi-national corporations'.[18] Knox claimed that rather than 'restructuring', the term used should be 'destructuring' because it resulted in 'business closures and lost jobs, [and] had no benefit for working people'. FOL leaders were also critical of the continued export focus. While the Government's 1980 campaign, 'Export Year', aimed to get a commitment from various sectors, including the FOL, to give priority to export-growth, the FOL continued to emphasise improvement in the standard of living for the lowest paid. Bill Andersen claimed that exporters simply 'creamed off incentives and pass nothing onto workers', while Ken Douglas claimed that the focus on exports as a way to economic recovery was 'a bit of a fallacy'.[19] But condemnation alone made the FOL an easy target for accusations that it was merely a reactive and negative force and had no alternatives. 'Will the [FOL] carry that sort of attitude into the meat industry and continue the blacking of the pelting machines?', National MP Bruce Townshend said before Parliament. 'Will it carry the same attitude into the relaxation of shop trading hours? Will it adopt a totally negative attitude to new technology?'[20] Such criticisms would increasingly bite in the years ahead, providing just one impetus behind the alternative economic strategy.

The Employers Federation played an ambiguous and often indirect role in the debate. Between 1975 and 1980, it was, as we have seen, supportive of Government interventions to restrain wages, not because they were practical, workable, or provided a long-term solution to inflation, but because they provided 'breathing space' and left them 'off the hook'. On the question of restructuring and liberalisation, the Employers seemingly did not have strong views. It did reject tight

[18] FOL *Bulletin*, September 1980, p.5.
[19] *NBR*, 17 October 1979.
[20] *NZPD*, 430, 25 June 1980, p.1003.

monetary policies, claiming that the economic cost would be too great, and instead continued to place much of the blame on excessive union power rather than the structures of the economy or monetary policy more broadly.[21] But while the Employers Federation focused largely on the questions of wage determination, other employer or business associations came to favour liberalisation and the restructuring of the economy and industry. The Manufacturers Association shifted their initial opposition: 'Manufacturers have now come to regard a restructuring of the economy as inevitable', the *Manufacturer* announced in 1979.[22] By 1980, Federated Farmers had successfully lobbied for the deregulation of the meat industry, thanks to the efforts of its legal advisor, Ruth Richardson.[23]

Restructuring was broadly accepted within the Labour Caucus. Yet many, including leader Bill Rowling, saw state intervention and investment as a way of addressing the social costs. 'You cannot', Rowling said, 'whatever the theorists may say, achieve a flow from sunset to sunrise industries through the simple mechanism of the market'.[24] David Caygill argued later for the reform of IDC so that it included alternative employment opportunities, re-training programmes, redundancy provisions and investment measures required to promote new industries. Labour MP Mike Moore claimed that while the IDC had been established under the Third Labour Government to 'develop, not destroy' industry, it had been 'utterly perverted under the National Government'. 'If one wants to impose on New Zealand the prices of Taiwanese or Korean footwear or garments', Moore continued, 'one has also to impose on those people the labour laws, the wage rates, and the environmental laws of those nations'.[25] At the Woollen Mill Workers' annual conference in February 1982, Labour MP for Lyttelton, Ann Hercus claimed that the Government had made 'restructuring' a 'dirty word'. But she added: 'The National Government was not incorrect in making the textile industry the subject

[21] Boston, *Incomes Policy*, p.82.
[22] Roper, 'Business Political Activism', p.6.
[23] McKinnon, *Treasury*, p.276.
[24] W. Hugh Oliver, 'The Labour Caucus and Economic Policy Formation, 1981 to 1984' in Easton, ed., *The Making of Rogernomics*, Auckland, 1989, p.33.
[25] *NZPD*, 432, 16 July 1980, p.1711.

of study and a candidate of more rapid structural change. But it has blundered in almost every step after—and that is the tragedy'.[26]

Textiles, the first target of IDC restructuring, saw reduced protections and job losses. In June 1980, a textile plant in Shannon announced its closure, a move that would 'knock the guts right out of this town', said one worker.[27] The industry lost 4,000 jobs nationally in 1980 alone, and another 5593, or 15 per cent of the workforce, in the four years after 1981.[28] This impacted a mostly female workforce. 'Throughout the length and breadth of New Zealand', explained the feminist magazine *Broadsheet*, 'large numbers of women are being laid off from their jobs in the manufacturing sector'. Clothing and textiles, it continued, 'has come under fire from the government's industry restructuring scheme'.[29]

There were also fears of major redundancies in car assembly plants across the country, also the subject of an IDC report. In 1980, the Hutt Valley Labour MP expressed concern that General Motors in Petone would be laying off 150 to 180 people, a development that only added to 'the debacles of Government planning at Mosgiel and Shannon', two textile plants.[30] The Mayor of Porirua predicted a 'catastrophic' loss of jobs in the city (where Todd Motors employed some 1,300 people) if the Government went ahead with its restructuring of car plants.[31] Meanwhile in the meat freezing industry, the subject of deregulation in 1980, AFFco announced closure of the Southdown freezing works in Auckland, with the loss of over 900 permanent and 400 seasonal workers.[32] Unions rallied to prevent the closure, and kept it open for three months, before its full closure in 1981.[33] Elsewhere, workers took pay cuts when threatened with closure. Ocean beach freezing workers, for one, accepted a 10 per cent wage cut in early 1982. When

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[26] Oliver, 'Labour Caucus', p.33.
[27] *Dominion*, 12 June 1980.
[28] Locke, *Workers*, p83; McAloon, *Judgements*, p.178.
[29] *Broadsheet*, June 1981.
[30] *Evening Post*, 21 July 1980.
[31] *Evening Post*, 3 September 1980.
[32] See Locke, *Workers*, pp.82-83; Ross Webb, '"Your Livelihood is on the Line": Freezing Workers in Aotearoa/New Zealand 1973-1994', MA thesis, University of Auckland, 2015, p127.
[33] Ibid.

workers at the Gear meatworks in Petone voted to reject a wage cut of 20 per cent, the works were closed.[34]

The FOL aided affiliates in redundancy campaigns, with varying degrees of success. In 1980, the Mangere Bridge dispute, the longest in New Zealand history, came to an end. Lasting two and a half years, it was 'of major importance to the Federation of Labour', Knox wrote.[35] The dispute began in 1977 when workers struck to negotiate a better redundancy deal with Wilkins and Davis, the company that had won the bridge contract from the Ministry of Works, as the contract neared its completion. By May 1978, following a series of rolling strikes, the company dismissed the 140 workers and advertised to recruit replacements. Unions declared the site 'black', mounted daily pickets, and 'succeeded in discouraging job seekers'. The Government, meanwhile, cut off unemployment benefits to the remaining picketers—about 35 men—and terminated the contract. After protracted negotiations, the FOL secured a better redundancy agreement and work resumed. 'Despite the fact that the country's unemployment figures have been rising dramatically', the FOL would later report, 'the actions of the Government and the employers were not successful in having this job completed by either alternative labour or scab labour'.[36] Unfinished for the duration of the dispute, the Mangere Bridge stood as a symbol of the enduring power of organised labour.

Yet in other cases, efforts to achieve redundancy pay had mixed results. As part of the textile industry restructuring, workers at the Rixen factory in Levin were laid off in 1981 at short notice. They had no redundancy provision in their award. About 40 women and a few men occupied the factory in order to secure a better deal. Even after the FOL intervened and took over negotiations, the workers failed to achieve a fair deal, but a redundancy clause was included in the clothing workers award thereafter.[37] National MP Geoff Thompson accused the FOL of wanting to turn the workers at Rixen into 'martyrs for the redundancy cause, no matter what it cost the

[34] Ibid.
[35] FOL Bulletin, December 1980.
[36] FOL 1981 Conference, MSX-2405, ATL, Wellington.
[37] *Broadsheet*, November 1981; Boraman, 'Resistance to Destructuring', p.19.

workers'. 'But finally, the workers left, leaving egg all over the face of the Federation of Labour'.[38] Joyce Hawe, Clothing Workers Union member and the first Māori women elected to the FOL National Executive in 1981, insisted that 'we had not lost the battle totally… we had achieved something for workers'.[39] Even so, Rixen was just one of many emerging signs of the 'vulnerability' of the union movement in the face of closures.[40]

Figure 14 Rixen Redundancy Dispute Protest, 1981. Central Districts Clothing, Laundry and Allied Workers Union: Records, 2007-267-11, ATL, Wellington.

[38] *NZPD*, 443, 22 April 1982, p.413.
[39] Joyce Hawe, interviewed by Shaun Ryan, 14-16 September 1999, OHInt-0478/16, ATL, Wellington.
[40] Franks, *Print and Politics*, p.237.

FOL affiliates also faced the problem of lockouts which increased in proportion in the early 1980s. In December 1980, workers in Huntly and in the motor industry in Wellington were locked out. According to Ken Douglas, the two cases suggested that the employers had changed tactics, 'creating lockouts in order to coerce unions… to shift from seeking improvements in wage rates and working conditions to defending their existing agreements and conditions'. This was, Douglas said, a response to 'the success of the trade union movement in disputes like Kinleith and Mangere Bridge'.[41] A lockout of Coachworkers at Motor Corp's factories in Petone and Auckland, to take one example, was settled by the FOL. As Graeme Clarke of the Coachworkers Union recalled, the FOL 'effected a deal that was basically a surrender to the employer, [but] we knew we were not prepared to take on an industry lockout'.[42]

The FOL also faced a host of other connected concerns related to liberalisation. The introduction of new technology, cheaper imports, changes to shop trading hours and the emerging system of 'contracting out' all became the cause of a number of defensive disputes. In late-1979, for example, the Defence Department decided to cease employing its cleaning staff in Waiouru and to outsource this work. As a result, workers would suffer a decline in wages and conditions. Cleaners voted to strike, with the support of the FOL, and held pickets on State Highway 1 in zero-temperature conditions to stop all commercial deliveries. After a nine-week strike, the cleaners returned to work retaining their service entitlements. Soon after, Brewery workers threatened a ban on the importation of cheaper foreign beer which had been placed on a list as a result of GATT negotiations. In the same month, the Auckland Shop Employers Union and six other unions inserted a full-page advertisement condemning weekend trading, while the union also paraded with placards outside shops that were defying the law by opening on Saturdays.[43] Passed in November 1980, the Shop Trading Hours Amendment Act 1980 permitted shops to remain open from Monday to Saturday, from 7am to 9pm.[44] In April 1980, with

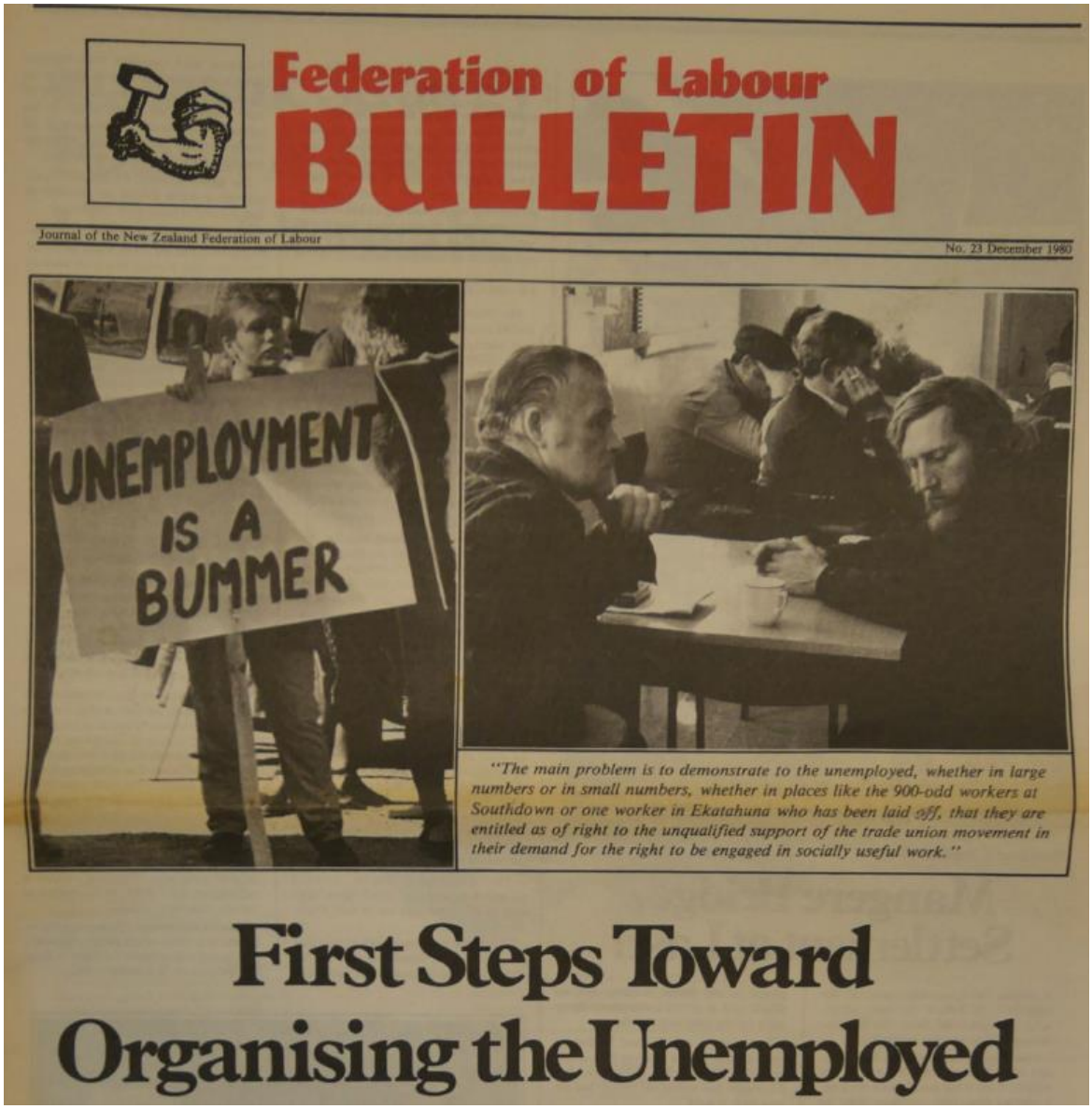
[41] FOL Bulletin, December 1980.
[42] Graeme Clarke, 'What is to be done?' LHP Bulletin, 66, April. 2016, p.41.
[43] Roth, 'Chronicle', *NZJIR*, 5., 1980, p.4.
[44] Scott, 'Chronicle', *NZJIR*, 6., 1981, p.52.

the Combined State Unions, the FOL held a conference on the question of technology, to devise a trade union response. Delegates debated and endorsed a joint resolution: new technology should be used to benefit all sections of New Zealand society, subject to control by the community as a whole, and that productivity gains should follow through in improved living standards, a shorter working week, job creation and sharing and adequate training and retraining facilities.[45]

Figure 15 The FOL's conference on technology in April 1980 called for policies to control the process of technological change. FOL Bulletin, May 1980

[45] FOL *Bulletin*, May 1980.

Figure 16 'The FOL Supports Us', Cleaners at the Waiouru Military Camp strike in protest at proposal to 'contract out' services to a private contractor. PAColl-10045-3, ATL.



Federation of Labour
BULLETIN

Journal of the New Zealand Federation of Labour

No. 23 December 1980

"The main problem is to demonstrate to the unemployed, whether in large numbers or in small numbers, whether in places like the 900-odd workers at Southdown or one worker in Ekatahuna who has been laid off, that they are entitled as of right to the unqualified support of the trade union movement in their demand for the right to be engaged in socially useful work."

First Steps Toward
Organising the Unemployed

Figure 17 FOL Bulletin special edition on unemployment, December 1980.

Yet perhaps the overriding concern for the FOL was the emergence of higher unemployment—which increased from 1.84 per cent in 1978 to 3.69 per cent by 1981—and the fraying political commitment to full employment. [46] 'Unemployment and the threat of unemployment' posed a threat, wrote Rob Campbell, as great or greater than 'the more immediate problems of maintaining wage levels'.[47] By 1979, the Government came to view rising unemployment as structural rather than cyclical, a lasting and inevitable reality. It was, Bolger said, 'common place throughout the Western World', and 'a fact of life that we must live with'. [48] Employers, concerned as they were about union militancy, saw unemployment as a force of discipline. J.G Russell of the Auckland Chamber of Commerce told the *Evening Post* that 'more unemployment was highly desirable to discipline the labour force'.[49] The FOL maintained that full employment should remain a policy priority and accused the Government of allowing unemployment to grow as part of its fight against inflation.

It was local trades councils and the unemployed workers movements that responded first. The South Island Trades Council met in February 1979 to address the need for job opportunities in the South Island; there was, the Council said, a 'new type of swagger starting to appear on the roads… looking for jobs'. The Council created an eight-point programme, which involved the development of railways and coastal shipping, more processing of local raw materials and the establishment of a sugar beet industry.[50] In July 1980, the Auckland Trades Council organised a march through Queen Street to address the plight of the unemployed.[51]

By 1981, with pressure from affiliates and from an emerging grassroots unemployed workers' movement, the FOL, once again with the CSU, held a joint conference on unemployment, involving about 300 people. Largely organised by a

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[46] McAloon, *Judgements*, p.174.
[47] Rob Campbell, 'Unemployment and redundancy', *NZJIR*, 7, 1982, pp.179-181.
[48] C.L Murdoch, 'Unemployment and the Muldoon Government', MA Thesis, Lincoln University, 2001, p.155.
[49] Russell cited in Andrew Punabantu Mulengu, 'From Job Creation to Training, 1840-1990', PhD Thesis, Massey, 1994, p.184.
[50] *Otago Daily Times*, 15 February 1979.
[51] *Auckland Star*, 21 July 1980.

FOL Research Officer Wendy Davis, with help from unemployed workers' rights activist Jane Stevens, the aim was 'to lay the groundwork for a working-class fightback against unemployment'.[52] Knox opened the conference noting that it was time 'working-class people started to take a serious look at the present economic system… the system which is to blame for unemployment'. Unions, he said, were not traditionally designed to 'assist workers who did not have jobs'. This would need to change, and more flexibility was required 'if the strength of existing union organisation is to be used to assist unemployed workers'. Speakers included trade union economists such as Peter Harris alongside Viv Porzsolt of the Palmerston North Workers Unemployed Rights Centre. 'We face real threats to our jobs, conditions, and dignity as human beings', Porzsolt told delegates, 'We will have to strengthen our organisation considerably to deal with those threats… All of us here must make sure that this conference is not just a talk shop but a springboard for unity and action. Let's get stuck in and build that organisation'. The conference agreed on strengthening action against unemployment, including union financial support for unemployed workers groups.[53]

Yet delegates also largely agreed that unemployment required political action. Conference delegates hoped to mobilise political support for the restoration of full employment.[54] Remits at FOL Conference during these years reflected a strong desire for a proactive response from the FOL to restructuring. But they, too, recognised the need for political change. In 1981, for example, an Auckland Trades Council remit condemned the 'policies of restructuring and job destruction' and urged 'all Labour MPs to fully support the policy of full employment'.[55] Yet, as we will see, while the FOL called for Government action to address unemployment, official opinion increasingly saw little place for direct government intervention and

[52] Locke, *Workers*, p.91; FOL *Bulletin*, September 1981.
[53] The relationship between the FOL and the unemployed workers movement has been covered extensively in: Locke, 'Organising the Unemployed''; 'Fractious Factions: The Organized Unemployed and the Labour Movement in New Zealand, 1978-90', in Matthias Reiss and Matt Perry, *Unemployment and Protest: New Perspectives on Two Centuries of Contention*, Oxford, 2011.
[54] FOL/CSU Unemployment Conference Delegates, MS-Papers-4100-14/2/1; FOL/CSU, *Out of Work: The Fight for Full Employment*, Wellington, 1981.
[55] Ibid.

an ‘active labour policy’ for job creation, instead placing more emphasis on removing ‘labour market rigidities’ and restoring market forces.[56]

Figure 18 The FOL/CSU Unemployment Conference 1981. CTU Photograph Collection, ATL, Wellington

While the FOL had fought major industrial struggles in 1979 and 1980, responding to restructuring, liberalisation, and unemployment proved often much more difficult, even if there had been some successes. Following the closure of AFFco’s Southdown works, for example, the FOL claimed that without consultation ‘in respect of, rationalisation, restructuring or relocation’, employers could not expect FOL cooperation. That approach changed little, however, and Knox believed that the Southdown case needed to be ‘studied and considered by union officials in other

[56] McKinnon, *Treasury*, p.287.

industries, because the pattern of approach adopted' was likely to be repeated.[57] The FOL's short-term response, then, was to support campaigns where workers were affected. In the longer term, however, many recognised that the FOL needed an economic programme. After 1979, the FOL began to develop an alternative economic strategy, discussed in more detail below, one that would not ignore the need for change, but would instead aim instead 'to develop and implement policies that will restructure the economy in the interests of the working-class'.[58] In the meantime, if the FOL's defensive strategy had limits in addressing broader economic changes, and often only provoked accusations that it was merely a reactive and negative force, a major popular anti-union backlash in early 1981 would not help challenge this perception.

'Kiwis Care'

In early 1981, a number of disputes involving picket line confrontations with police dominated the headlines. In February 1981, 32 union picketers were arrested outside the Ravensdown fertilizer works in Dunedin protesting the dismissal of an employee. Soon after, Air New Zealand workers in Auckland voted to strike and placed a ban on overtime. When the company dismissed those who refused overtime and used non-union labour to continue operations, twelve hundred union members ceased work and formed a major picket to close the airport. Forty-eight were picked off by the police and arrested. Those arrested, including Engineers Union secretary Jim Butterworth, refused to sign bail bonds and remained imprisoned. Perhaps with Andersen's 1974 arrest in mind, they hoped for a major union mobilisation. At first, that scenario looked promising. The Auckland Trades Council called on every union member in the northern region to 'down tools in protest at today's mass arrests at Auckland airport'. 'We want every worker out there', added Mike Jackson of the Storemen and Packers Union, 'to outnumber the police and support the picket'.[59]

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[57] FOL 1981 Conference Minutes.
[58] 'Alternative Economic Strategy', 94-106-56/10, ATL, Wellington.
[59] *Auckland Star*, 24 February 1981.

Figure 19 Knox addresses workers protesting the arrests of picketers. *Dominion*, 27 February 1981.

With the arrests, the FOL took over the dispute, which quickly became about 'the right to picket'. Knox called on the Government to drop the charges and amend the law to establish the right of peaceful picket. If it did not, it would face continued industrial protest. To a crowd of 3,000 union Auckland delegates, Knox called for yet another general strike if charges were not dropped. When the Attorney General Jim McLay announced that the charges would not be dropped, a collision with the Government seemed imminent. 'Never', Knox claimed, 'has there been such a major struggle looming since the one in 1951'. This was not the fault of organised labour, Knox added, but of harassment by the police and by Government.[60]

[60] *Herald*, 27 February 1981.

The press responded with a more than usual level of hostility. 'Unions cannot expect to be a state within a state', read one *Herald* editorial. 'What some of them are doing is surely repugnant to most New Zealanders'.[61] Statements by union leaders did not always help matters. 'I'm not employed by the public', said Butterworth in response to questions about the public inconvenience of cancelled or delayed flights. 'I'm employed by the Engineers Union. If Air New Zealand uses scabs again, we'll shift them again'.[62] Relying on industrial force, the FOL did not anticipate the public relations fiasco that was to follow. As unionists marched down Auckland's Queen Street to protest the arrests, the press reported not the speeches by Knox and others, but the jeering from the crowds towards trade unionists. From the pavements, people shouted, 'get back to work', 'traitor', and 'you're all low class'. With press and public hostility mounting, Knox now feared that Muldoon might use the dispute to 'call a snap election on a law-and-order issue'.[63]

The FOL backed down on its threat of a general strike and sought a compromise instead: a return to work if the Government agreed to hold discussions on the laws regarding picketing.[64] For commentators at the time, this was a clear defeat for the FOL. It had overplayed its hand and assumed there was public support behind the issue. 'The militants in the trade union movement may be licking their wounds for some time following the Government's clear victory this week', claimed the *Herald*.[65] Many compared it to the FOL's clear victories the previous year. 'At Kinleith, where pulp is manufactured, Jim [Knox] was triumphant', wrote Tom Scott in the *Listener*, '[but] at Auckland airport, where picketers were arrested, the Government reduced Jim to pulp'.[66]

The protest against the arrest of picketers led, in turn, to a mass demonstration of another kind: a massive anti-union protest march down Auckland's main street. Called 'Kiwis Care', the march came two days after the union march on Queen

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[61] *Herald*, 25 February 1981.
[62] Roth and Hammond, p.177.
[63] Ibid; *Herald*, 28 February 1981.
[64] Ibid. p.176.
[65] *Herald*, 28 February 1981.
[66] *Listener*, 1 May 1981.

Street, and a day after arrested picketers appeared in the Otahuhu District Court. With as many as 60,000 participants, it was 'one of the largest protest rallies in the country's history'; it reflected a popular backlash against strikes, anger about the persistent economic crisis, on top of the divisions introduced by the upcoming Springbok tour.[67] A 22-year-old self-employed kitchen sales representative, Tania Harris, led the march. If we are to believe the account Harris gave (and many, as we will see, remained skeptical), Harris began organising the march in late-February, believing it would be just herself 'and a few workmates marching down Queen St'. After her and her work colleagues decided they needed to do something about ongoing industrial disruption, Harris called Radio Hauraki and the *New Zealand Herald*. 'Look', she said, 'I'm not politically aware. I just hear things around me. Am I right about the course of events because, if you say 'yes', I want to do a march'.[68] Harris would regularly play up her political naiveté and innocence, and, for supporters, this became part of her charm.

Much of the press, the Employers Federation and the National Party quickly lined up behind Harris. Before the march, Harris was presented with flowers and a card by Auckland's four National backbenchers who joined the march, Winston Peters among them. 'New Zealand salutes a genuine kiwi', the card read. 'On behalf of three million New Zealanders'.[69] While Harris claimed that the demonstration was 'against what the recent strikes are doing to the country', she later emphasised the apolitical and patriotic nature of the demonstration.

Military veterans led the march wearing their service medals, New Zealand flags were seen throughout the crowd, and protestors sang the national anthem. 'You would be amazed', Harris said, 'how patriotic New Zealanders are. I'm marching for my country and so is everybody else'.[70] Yet signs held by other protestors and chants heard reflected the fact that this was squarely an anti-union protest. The FOL,

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[67] Bodman, pp.59-61; Jenny Carlyon and Diana Morrow, *Changing Times: New Zealand Since 1945*, Auckland, 2013, p.206.
[68] *Listener*, 25 November 1991.
[69] Undated newspapers clipping, in Industrial Relations Act - Strikes - Protest Action Over Arrest of Union Pickets, Part 1, 46/5/323, ANZ, Wellington.
[70] Ibid.

and its leadership in particular, stood in the crosshairs. The crowd held signs that read ‘NZ not Red yet’, ‘Picket you can stick it’, ‘NZ’s HAD enough of HARD Knox’, and ‘Freedom is the Right to Work’. The media praised the march, calling those involved the ‘Silent Majority’. It was ‘probably the largest demonstration of good-humoured nationalism New Zealand has seen in decades’.[71] On its cover page, the *Truth* declared: ‘Jim Knox is finished’.[72]

Figure 20 The 1981 'Kiwis Care' march. Tania Harris is at centre holding a New Zealand flag. *Herald*, 4 March 1981.

[71] *Herald*, 4 March 1981.
[72] *Truth*, 10 March 1981.

As we have seen, anti-union movements had been organising in the years prior. Yet none had caught the attention of the public or had been able to mobilise such a crowd. As Ryan Bodman has demonstrated, the march was the culmination of a political and media presentation of organised labour as a threat to the 'national interest'. The march 'demonstrated that a significant portion of the population had come to view trade unions—and in particular their leaders—as hostile to the nation's interests'. [73] No longer the underdogs fighting a noble cause, unions were increasingly cast as a 'vested' interest, contributing to an inflation that undermined living standards and disrupting the economy. As Bolger said, trade unions were no longer seen as 'fighting for some new social goals as they might have been in the early part of the century. [They are] now seen much more clearly in economic terms… as an economic cost'.[74] Anti-communism, stoked by Muldoon for years, played a key role, as did the view that workers were being led by expatriate British unionists, or 'Pommie stirrers'. This political hostility towards unions increasingly bit hard into the public consciousness.

The massive turn out has led some to express scepticism about Harris' role as the organiser, suggesting instead that she was a 'puppet' for the employers, the press, and the National Party. According to David Grant, the march had 'implicit state support and significant employer sponsorship, with many giving their employees time off to attend and even providing them with buses to get them there'.[75] Ken Douglas claimed that it was the 'first time that there had been a political mobilisation by big business interests in New Zealand'.[76] Rob Campbell added, 'We all believed she was a puppet in some way, for some employer interests. That could be totally unfair. I just don't know'.[77] Harris herself denied accusations from the FOL that she was once connected with the anti-union organisation 'Strike Free',

[73] Bodman, p.62.
[74] *NBR*, April 14, 1980.
[75] Grant, *Man for All Seasons*, p.218.
[76] Ken Douglas, interviewed by Ross Webb, 1 October 2020.
[77] Rob Campbell, interviewed by Ross Webb, 3 May 2021

claiming once again she had no political leanings. 'I'm for whichever Government is for the best of the country'.[78]

Whatever the truth of who organised it, the march did garner wide support among the public, and the FOL could not ignore its message. Muldoon and Bolger viewed the march as an endorsement of their Government's policies and praised its nationalistic message. If industrial turmoil was often a political liability for the Government in power, the 'Kiwis Care' march put the blame squarely in the lap of unions. Writing to a disgruntled employer in Penrose, Bolger said, 'Perhaps the recent "Kiwis Care" marches in your city will have given [unions] some indication of where the groundswell of public opinion lies'.[79] Yet Ian Templeton questioned whether it really was an endorsement. In the march, he saw an expression of 'dissatisfaction with the failure of political institutions to provide answers to the problems of which the industrial anarchy is only one symptom. They were warning the political parties that unless they could come up with the answers then the silent majority would no longer remain silent'.[80]

The march put Labour in an awkward position. 'I think [Rowling] should face up to the fact', Bolger said, 'that it was his mates in the trade unions who caused this bother'. [81] Rowling himself also could not dismiss the march. Instead, he downplayed the anti-union message and suggested it was really about New Zealanders having 'a gutsful of waste and division' in general.[82] Others were more skeptical. In Parliament in June, Labour MP Michael Bassett suggested that the Government 'engineered' the dispute, 'with the full knowledge of the Government, culminating with the Tania Harris march'.[83] Labour Party President since 1979 Jim Anderton, too, claimed that the march missed the real issues. 'I don't know when

[78] Bodman, p.62.
[79] Bolger to G Brougham, 16 March 1981, 46/5/323, 1, ANZ, Wellington.
[80] *The Bulletin*, Volume 101, 1981, p.100.
[81] *Truth*, 24 March 1981.
[82] *Truth*, 10 March 1981.
[83] *NZPD*, 437, 4 July 1981, p.159.

the dust settles whether anyone will be able to say any one thing that the march has changed'.[84]

The FOL would maintain that the whole dispute and the resultant march was engineered by National, employers and the press. 'I don't know of any public activity that's received such overwhelming support from the media', Knox wrote.[85] The FOL would call it 'the so-called Tania Harris march', 'organised and manipulated by the National Party'.[86] Yet FOL members took contrasting lessons. Tony Neary, for one, believed the FOL leadership 'blew it' and 'set the movement back several years'. What he called the FOL leadership's only tactic — 'angry outbursts to try scare opponents'— had failed. 'The only move left is retreat'. Neary was also concerned that the turn of events 'may have cost the Labour Party any chance of a win in the November general election'.[87] Graeme Clarke dismissed the protest. 'I mean, there was a lot of disruption', he said, 'and I can understand people get sick of that disruption, [but] we looked at [the march] and thought, you know, what a load of nonsense and just kept on doing what we were doing'.[88]

Even so, the march raised urgent questions about the FOL's public image and its response to anti-unionism. 'We were used to fighting big employers', said Rob Campbell, 'but seeing people on the street—even if we could all satisfy ourselves that they were small businessmen or petite bourgeoisie or just fools—did have an impact... it made the unions think perhaps a lot harder about what impact we were having and what our public image was at that time'.[89] Indeed, the FOL's clear lack of attention to public relations was parodied in the press. Writing in the *Listener*, Tom Scott claimed that Jim Knox and the FOL needed training in the 'rudiments of public relations'; his column appeared next to a cartoon of a bloody and battered

[84] *Herald*, 6 March 1981.
[85] FOL Bulletin, March 1980.
[86] FOL 1982 Conference.
[87] *Truth*, 10 March 1981.
[88] Graeme Clarke, interviewed by Ross Webb, 9 April 2021.
[89] Rob Campbell, interviewed by Ross Webb, 3 May 2021

Jim Knox, clearly defeated but unwilling to backdown: 'Let this be a lesson to the Government!', the caricatured Knox warned.[90]

There was also an obviously gendered element to the protest that could not be ignored. At least half or more of those protesting were women; many speakers introduced themselves as 'ordinary housewives'. 'I'm fed up with listening to men with accents bellowing out at me over TV and the radio', said one protester. 'I'm sick of them telling me when I'm going to be allowed to have milk, when I'm going to be allowed to buy meat, when I can catch a bus, when I can get petrol, and most of all I'm fed up with them telling men not to work'.[91] For Anne Else, writing in the Feminist Magazine *Broadsheet,* the march demonstrated two things: first, the need for unions, often male bastions, to change their ways. 'Union leaders ought to think long and hard about the [march]', Else wrote. 'The result is that too many women, egged on by media misrepresentation of union activities… see the unions as at best just another more troublesome version of the local rugby club; at worst, as the swaggering, workshy, dangerously bolshie—and male—villains of the whole economic piece'. Second, Else continued, feminists should remain wary of anti-union politics. 'As for Tania Harris, the real views of the bosses and the media were well summed up in the classic put-down from [Muldoon], "A very good girl". Beware the media or Muldoon, praising women—they're up to no good for feminists, or unions either'.[92]

As the march faded from the headlines, the issue seems to have abated, possibly due to union retreat. Yet it still lingered on in political discourse for months afterwards. Harris was asked to join the National Party, an offer she declined, while the Prime Minister invited her to meet Prince Charles, 'the best way in which we can reflect the admiration so many New Zealanders hold for Miss Harris', Muldoon said.[93] A few weeks later, National MP Paul East mocked the Labour Party for going quiet on the debate. Labour initially supported the FOL position. 'Suddenly

[90] *Listener*, 21 March 1981.
[91] Cited in Bodman, p.60.
[92] *Broadsheet*, May 1981.
[93] Bodman, p.62.

the story changed when 50,000 New Zealanders, led by Tania Harris, marched down Queen Street. Suddenly the Labour Party got off the bandwagon about changing the law on picketing. Since then, we have not heard a whisper'.[94] 'Let us get clear once and for all what is meant by thinking big', National MP Keith Allen said before Parliament in in late July. 'In my opinion Tania Harris thought big when she organised the march and showed up the unions and the Labour Party as the contemptible socialists they are'.[95]

For some commentators, if the 1981 election had looked like a tight race, the protest had all but secured it for Muldoon. Indeed, in the wake of the march, and in the lead up to the 1981 election, the Government also stepped up its attacks on organised labour. In August 1981, Bolger announced to a cheering audience at the National Party Conference that the Government would introduce youth rates and voluntary unionism. In the same month, the Industrial Relations Reform Bill added meat works, hospitals, and the dairy industry to 'essential' industries, gave employers the right to lockout workers if one group impacted production, and allowed the Minister of Labour to refer unresolved disputes to the Arbitration Court for compulsory settlement.[96] As if to rub salt in the wound and reinforce the Government's victory, the Minister of Justice doubled the maximum fine for picketing, citing the Mangere Airport dispute as the 'most serious challenge to the rule of law in New Zealand's history'.[97]

The FOL 1981 Conference, the Alternative Economic Strategy, and Labour

The sense of demoralisation was clearly on display when the FOL met for its May 1981 conference, a stark contrast to the optimism of 1980. Union morale 'has taken a battering', Raymond Harbridge observed, and unity was 'placed under considerable strain'. Knox did not shy away from that reality. 'The developments which occurred as a result of the picketing dispute have probably led to some depression in trade unions circles' he said. Knox conceded that more

[94] *NZPD*, 437, 16 July 1981, , p.422.
[95] *NZPD*, 439, 28 July 1981, , p.2042.
[96] Roth, 'Chronicle', *NZJIR*, 6, 1981, p.173.
[97] Ibid.

communication with grassroots membership was required. 'This may mean industrial action has to be scaled down to provide the opportunity for such work to be undertaken, because action undertaken without a full understanding and support of the members can only lead to defeat'. The lessons of the dispute indicated the dangers of the government or employers 'escalating a dispute to the point where it is able to establish substantial public support'.[98] In what some have perceived as a sign of the FOL's more subdued approach in the aftermath of 'Kiwis Care', delegates voted to support opposition to the Springbok Tour but to leave action to the local level. It would not mount a national campaign.[99]

Yet the FOL's 1981 conference was also notable for another significant development: the presentation and endorsement of *Towards an Alternative Economic Strategy.* Since at least 1979, the FOL had recognised the need for such a strategy to act 'as a trade union response to the current restructuring programme'.[100] In 1979, Ken Douglas and Rob Campbell commenced formulating an economic strategy for the FOL, recognising, in Campbell's words, that it 'did need to have an economic program. It wasn't enough just to have an industrial program'.[101] The FOL Executive agreed. 'Probably at no point in our history', Knox said in 1980, 'has it been so clear that unions need to develop economic strategies of their own'.[102] To fully develop that strategy, the FOL employed Alf Kirk in April 1979, an economist with a background in the Treasury.[103] Previously, the FOL policy was largely determined by remits brought forward at conference, while the work of the research officer was entirely consumed by general wage orders and wage negotiations. This would change with Kirk. As Kirk developed the strategy, he would also play a vital role in negotiations with Governments and as an economic advisor to the FOL leadership.

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[98] *Herald*, 6 May 1981; Raymond Harbridge, 'Report: The 1981 FOL Conference', *NZJIR*, 6, 1, 1981, p.91.
[99] Bodman, p.63; Harbridge, 'Report: The 1981 FOL Conference'.
[100] Secretary to all affiliates, 25 November 1980. 95-050-34, ATL, Wellington.
[101] Rob Campbell, interview with Ross Webb, 3 May 2021
[102] FOL Bulletin, September 1980.
[103] FOL Bulletin, April 1979.

The development of union alternative economic strategies was an international phenomenon during these years of shifting economic orthodoxies. A period of 'institutional searching' saw unions, some left and Labour parties, as well as Treasuries, Reserve Banks and policy-makers in general attempt to formulate new and often contrasting responses to the long economic crisis. Keynesian orthodoxies were not immediately eclipsed by monetarism and free-market prescriptions. Rather, social democratic and democratic socialist proposals remained on the agenda; some sought to merge union activism and critique with a new macroeconomic strategy. Some were radical alternatives and a movement towards socialism, others an attempt to hold onto and protect the Keynesian welfare state.[104] Others still, like the FOL's, steered something of a middle course, attempting to restore or reassert the gains of the postwar settlement, such as full employment, while also incorporated longstanding union calls for nationalisation, industrial democracy, and concerns about the power of monopolies and multinational corporations.[105] The concerns about the role of monopolies and multinationals characterised broader international efforts to understand and respond to nascent globalisation.

Towards an Alternative Economic Strategy was presented at the 1981 Conference as a 'workers' alternative' to economic policy. It included a programme of investment in production 'for social use and not private gain', full and productive employment, effective price control, increased welfare services, and a progressive tax scale that took the burden off low- and middle-incomes. It had three aims: reflation ('growth without high inflation and balance of payments crisis'), restructuring ('solving the long-term problems of the economy') and redistribution ('more to those who have less and less to those who have more').[106] Crucially, the Strategy was neither a list of demands, nor a set of policy proposals that might be

[104] Ingo Schmidt, 'There were Alternatives: lesson from Efforts to Advance Beyond Keynesian and Neoliberal Economic Policies in the 1970s', *WorkingUSA: The Journal of Labor and Society*, 14, December 2011, pp.474, 480, 486.
[105] Reid-Henry, pp.81, 89.
[106] FOL, *Towards an Alternative Economic Strategy*, Wellington, 1981, MS-Papers-4100-04/09, ATL, Wellington; Kirk, 'Towards an Alternative Economic Strategy' in Peter Davis, ed., *New Zealand Labour Perspectives: The Challenge of the Third Depression*, Auckland, 1981, pp53-67. 'Alternative Economic Strategy', undated, 6/1/4,, 95-050-34, ATL, Wellington.

picked up by a political party or government. Rather, it was simply an analysis of the problems, and a vision of an alternative to further stagnation and decline. As the FOL *Bulletin* explained, instead of 'warning off the blows of capital and trying to keep this job or that factory, we are endeavouring to go on the front foot and say to capital, "This is what you have to do if you want to survive and operate in this country"'.[107] If the FOL had argued for a demand-led wage fuelled growth through concepts like the minimum living wage, the alternative economic strategy expanded this with a broader macroeconomic policy framework.

The FOL did not have 'all the answers to [the] economic crisis', Knox conceded in the foreword to the document, but economic policy 'must be firmly based upon the understanding of working people and reflect their needs and aspirations'. 'Therefore, we reject the handing down of "instant solutions" by experts'. The strategy would instead 'provide the tools to initiate a better alternative to elitist approaches adopted by policy makers at the present time'.[108] Kirk also acknowledged the limits imposed by the economic crisis and what he saw as long overdue 'structural adjustment'. 'The limits of our economic options are dictated by the hard reality of the economic crisis which confronts us. It is highly unlikely that the consistent growth over the 1950s and 1960s will be repeated over the 1980s'. Thus, a union-centred response would not ignore the need for restructuring, Kirk explained, '[but] would develop and implement policies that will restructure the economy in the interests of the working-class'.[109]

Kirk provided a more coherent critique of both the structures of the economy, and the Government's economic policies, particularly its export-led strategy, the reorientation towards 'private enterprise', the focus on attracting foreign investment, and 'Think Big'. The many papers produced by Kirk over 1979-1983 challenged the notion that New Zealand was a country of small businesses and that it was predominantly an 'agricultural society'.[110] In some papers, Kirk critiqued postwar

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[107] FOL Bulletin, March 1981.
[108] FOL, *Towards an Alternative*.
[109] 'Alternative Economic Strategy', undated, 94-106-56/10, ATL, Wellington.
[110] See Alternative Economic Strategy Policy Paper 4: Ownership and Control', January 1982', 94-106-56/06, ATL, Wellington.

labour relations in general. 'To a certain degree, the FOL in particular, and the trade union movement generally, acted as a proxy for the Government'.[111] For Kirk, too, New Zealand's structural problems boiled down to export dependence and political instability; Kirk cited the leadership crisis in the National Party, and 'a fair amount of disarray in the Labour Party', too. Combined with the ongoing economic trends, Kirk concluded, this was a 'recipe for repression and stagnation in our way of life'. With unions increasingly under attack as a result, it was now necessary that unions press a set of policies to 'prevent drift towards greater inequality from continuing through the 1980s'.[112] In promoting an alternative strategy, Kirk also argued that the FOL be involved in questions wider than wages. Workers' living standards were not solely determined by wages 'but also by the taxes they pay, the benefits they receive from Government expenditure, the inflation rates they face, their prospects of getting a job and the overall development (or lack of it) of the economy'. Kirk added that even if the role of unions was limited to living standards, as defined by the maintenance of real wages, 'it would be necessary for the union movement to develop a position on such issues'.[113]

The impact of the strategy should not be overstated. Like many of its international counterparts, it remained 'much more present in books, speeches, and resolutions at union or party conventions than in applied policies'; they were 'conceptions that have never made their way into practice'.[114] Kirk's work did, however, garner wide attention. Trades Councils across the country asked Kirk to address their members, reflecting a wider desire among workers and union officials to understand the vast economic changes around them.[115] Secretary of the Wellington Drivers' Union, Jackson Smith said that his members were interested in understanding trade deals with Australia 'because of the collapse of Atlas/Majestic in Masterton… [and] the refusal of the Government to relieve the company and the Wairarapa area'.[116] In

[111] Ibid.
[112] FOL Bulletin, December 1980.
[113] Alf Kirk, 'The trade union response to structural change', *NZJIR*, 8, 1983, pp.211-221.
[114] Schmidt, pp.474, 480, 486.
[115] See numerous letters requesting Kirk to speak at stopwork meetings and trades councils, in Economic Issues, Economic Information and FOL Economic Strategy, 1978-1987, 95-050-34, ATL, Wellington.
[116] Jackson Smith to Douglas, 2 December 1981, 95-050-34, ATL, Wellington.

response to calls to make the strategy more accessible, the FOL created a special lift-out pamphlet that explained the economic crisis and the strategy in simple terms. 'Working people know', it read, 'from direct and painful experience that the New Zealand economy is in a state of crisis'. The scale of the crisis led many to feel that they were 'up against something much bigger than they can understand and tend to leave finding the solutions to the Government and "experts"'. The strategy aimed to 'bridge the gap between our own experiences and economic theory… to put our hopes and dreams into policy recommendations'.[117] As Kirk noted, the 'state of crisis' had the effect of making 'people feel powerless'.[118]

Kirk featured on the current affairs programme *Eyewitness* in 1981 to discuss the policy. During the programme, Frank Holmes, Chairman of the Planning Council, claimed that the FOL was charting a middle line, attempting to open communication between Government and employers.[119] Holmes wrote privately to Kirk, saying he was 'delighted to see the Federation addressing itself positively to the important economic issues confronting the country and taking a longer-term look at what could be done'.[120] Even the National Party paid attention. Ruth Richardson, who joined Parliament on the right-wing of the Party in 1981, would call Kirk '[o]ne of the most innovative people in the trade union movement' and an 'enlightened trade unionist'.[121] The praise from the right did not preclude approval from the left. Bill Andersen, for example, welcomed the strategy, but suggested that a grassroots rank-and-file understanding would be the best means of advancing the policies. Remits from the Northern and Wellington Drivers Union at the 1982 conference called on the FOL to 'continue its fruitful work on the economic alternative papers' and called for 'educative work [to] be strengthened'.[122] Others still had little interest in the strategy, arguing that change needed to be driven by industrial strength alone. As Campbell recalled, 'there were people that liked it. There were other people who

[117] 'Special Lift-out', May 1982, 94-106-56/07, ATL, Wellington.
[118] 'Towards an Alternative Economic Strategy', 15 September 1981. 95-050-34, ATL, Wellington.
[119] Eyewitness – Alf Kirk', 1981, Television Collection TZP49163, Nga Taonga Sound & Vision.
[120] Frank Holmes to Kirk, 12 June 1981, 95-050-34, ATL, Wellington.
[121] *NZPD*, 455, 1 December 1983, p.4487.
[122] FOL Conference Minutes 1982, MS-Papers-4100-04/10, ATL, Wellington.

thought it was just another piece of middle-class dalliance and that unions, at the end of the day, had to rely on themselves and the industrial struggle'.[123]

Some sympathetic to the Strategy worried about its implementation. One Tom McRae wrote to Kirk: '[I]t is sadly faulted when it attempts to explain how a Labour Movement, assuming it comes to power, will operate any Strategy… If I may say so, it all seems very elitist and remote from the average working person'.[124] Others critiqued the strategy, suggesting, for example, that it was naive in its opposition to export-led growth.[125] Still others were outright hostile. For Eric Smith, writing in *Better Business*, it was a sign of union retreat from traditional strategy, and an unhelpful one at that. As unions faced the realities of economic crisis and unemployment, 'conventional industrial theatricals did not produce results'. The FOL had 'marched into the dangerous minefield of alternative economic strategy'. While it was an 'honest effort to penetrate beneath the surface of things', 'positive and effective antidotes are not likely to come from the FOL'.[126] Yet Smith believed that the opposition benches were an 'intellectual desert'. McRae, too, noted that 'many of us feel that it is the duty [of the FOL] to enter the political vacuum caused by the perilous state of the Labour Party. I am well aware this should not be the job of the Federation of Labour, but someone has to make a start, with a few new ideas'. Indeed, the Strategy was also increasingly a response to the debate—or the perceived lack of debate—within the Labour Party over economic policy.

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The upcoming general election also featured prominently at the FOL 1981 conference. Knox maintained that the Government's economic management—its export strategy, its support for foreign investment, 'Think Big', and restructuring—was failing. Despite this, its re-election in 1981 was likely because of 'the lack of

[123] Rob Campbell, interview with Ross Webb, 3 May 2021
[124] Tom McRae to Kirk, 29 July 1982; Douglas to McRae, 13 August 1982, 95-050-34, ATL, Wellington.
[125] Bill Poole, interview, 'Eyewitness – Alf Kirk', 1981, Television Collection TZP49163, Nga Taonga Sound & Vision.
[126] *Better Business*, August 1983.

any coherent policy being put forward by the Opposition'. Knox berated the failure of the Labour Party to oppose the Government's policies and repeated his suggestion that the FOL was now the 'real opposition' to the Muldoon Government, even if, in the aftermath of 'Kiwis Care', that claim had lost some of its power. The tensions between the FOL and Labour were bubbling under the surface for much of Muldoon's second term, as the previous chapter has shown. While the FOL's increasing militancy had been the source of some strain for much of the 1970s, the question of restructuring and then the 'Kiwis Care' march only introduced new tensions.

After 1980, several events had caused some alarm among the Party's union supporters. The release of Roger Douglas' free-market alternative budget without the approval of caucus was one such event. Alf Kirk said it was 'lousy for sound economic management' and 'a sure road to chaos'. 'That anyone could be arrogant enough to release, without consultation, such a patchwork paper which could only be an embarrassment to many Labour supporters is amazing but is sadly an indication of the degree of disarray in Labour Party policymaking'.[127] In the same year, Douglas' book, *There's Got to Be a Better Way* called unions short sighted and conservative. 'Why can't we get our trade unions to take the long view more often?', Douglas wrote. 'Why do they always seem to be locked into defensive positions—opposing new machines, fighting to retain unnecessary jobs?' Unless union showed flexibility and budged 'from the existing leap-frogging union structure [they] will get only as much as the weakest industry their fellow-members work in can afford'.[128] In August 1981, meanwhile, Labour MP Richard Prebble came under fire from the FOL and the Industrial Affiliates Council for disparaging comments he made about the Boilermakers Union.[129]

But as the 1981 election neared, the FOL and Labour closed ranks. Many called to put such divisions aside and work towards a change of government. '[T]he defeat

[127] 'The Alternative Budget – or – New Zealand the way Roger Douglas wants it', 8 July 1980, 97-114-36/05, ATL, Wellington.
[128] Roger Douglas, *There's Got to Be a Better Way*, Wellington, 1980, pp.71-72.
[129] Diane Burns to Bill Rowling, 12 August 1981. FOL, Labour Party Trade Union Affiliates Council, 95-050-14, ATL, Wellington.

of the Muldoon National Party Government [and their] replacement by the NZ Labour Party, is a major task for the New Zealand Trade Union Movement', Pat Kelly wrote to Knox in September 1981, and he urged the FOL National Executive to 'advise all Unions that this is their primary objective this year' and that members should 'put aside any considerations they may have about policies or personalities… and recognise that a further three years of the present administration is unthinkable and… could spell the end of our democratic and civil rights as workers and citizens of New Zealand'.[130] Muldoon, of course, did win the 1981 election off the back of the Springbok tour and Labour's internal divisions. 'It is a bitter disappointment to us all [that] the National Party once again retained the Treasury benches', Knox wrote to FOL affiliates.[131] Labour was also roundly criticised for advocating what were viewed as unrealistic economic policies. Jim Knox said that Party had failed to 'put up a cohesive economic strategy' and made promises 'more in keeping with Father Christmas', a criticism shared by Roger Douglas, but for different reasons.[132] Douglas increasingly argued that higher incomes and social services would only produce further inflation and economic decline. Rather, Labour had to preach restraint, and focus on restoring growth.[133]

The election loss injected only further division between the FOL and Labour. Into 1982, Rowling would attribute the Party's loss in part to the association with the FOL.[134] At the Labour Party regional conference in Timaru in February 1982, Rowling reinforced this message. There is 'no doubt that [the Labour Party] have suffered from being associated in the public mind with some extreme and increasingly alien elements in the Trade Union movement', Rowling said. 'The Federation of Labour and the Labour Party', he emphasised, 'are completely separate and autonomous organisations'. Labour had evolved from a 'movement born of the struggle of the working class [into] a modern, social democratic

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[130] Pat Kelly to Knox, 2 September 1981. 95-050-14, ATL, Wellington.
[131] 'Memo to Affiliates', Trade Union Affiliates Council, New Zealand Labour Party, 18 December 1981, 95-050-14, ATL, Wellington.
[132] Franks and McAloon, p.197.
[133] Ibid; Oliver, 'The Labour Caucus', pp.24-25.
[134] Bodman, p.70; David McCraw, 'Classifying the 1981 General Election', *Political Science*, Vol.35, no.2, December 1983, p.196.

movement', and it had to secure the middle-ground. The Party's 'modern philosophy was with the individual and the sound growth of economic wealth, and new methods of creating that wealth, and its fair distribution'. Trade unionists who 'shared our beliefs' were welcome to come into the fold, Rowling said. Those who did not 'must inevitably stand in opposition'. Rowling then accused some unionists of engaging in 'kamikaze politics'.[135] The widely publicised speech set off a wider debate within the Party. Jim Anderton argued for a stronger relationship with organised labour and—at the Joint Council of Labour—thanked the FOL for 'its financial, physical and moral support' during the campaign.[136] Secretary of the Trade Union Affiliates Council of the Labour Party, Diane Burns, too, condemned Rowling's statements. The two wings of the movement had 'common objectives in promoting the economic and social wellbeing of all New Zealanders', Burns wrote. 'Failure to combine can do nothing but promote the control of our economy by private corporations and outside interests. Nothing should be done to divide our energies from pursuit of goals which we all share'.[137]

Knox, meanwhile, claimed that Rowling was trying to scapegoat unions for the 1981 election loss. Wellington and Timaru Waterside Workers Unions voted to disaffiliate from the Party 'in protest at statements that unions were to blame for the Party's election defeat'.[138] A song composed by an anonymous 'disillusioned labour supporter' included the chorus: 'Goodbye to Jim Knox. Goodbye to Ken Douglas / Goodbye to the worker that we once knew / We won't be embarrassed by the unions no longer / Now that we're painted a pale shade of blue'.[139] But as Rob Campbell, who sat on Labour's Industrial Affiliates Council explained, the view that 'unions were the problem' was widespread in the Parliamentary Labour Party, and 'that was undoubtedly what they were hearing from many people on the

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[135] 'Address to the Labour Party Regional Conference, Timaru, 20 February 1981', 2007-115-5/08, ATL, Wellington.
[136] *Herald*, 22 February 1982; Minutes of Joint Council of Labour, 6 April 1982. 97-114-36/05, ATL, Wellington.
[137] 'New Zealand Labour Party, Trade Union Affiliates Council', undated, 95-050-14, ATL, Wellington.
[138] 'Chronicle', *NZJIR*, 7, 1. 1982, p.89.
[139] 'From Disillusioned Labour Supporter', undated, 94-106-56/06, ATL, Wellington.

campaign trail'.[140] A month after Rowling's statements, the Labour Party Council resolved to commission a report on the relationship between trade unions and the Party to be presented at the 1982 Conference. That same resolution rejected any connection between the SUP and Labour and stated that the Council rejected the 'Marxist belief that any real social progress can come from revolutionary class struggle'.[141]

The recrimination that followed the election had cooled down somewhat by the May 1982 FOL and Labour conferences. Rowling was received warmly, as was the Deputy Leader David Lange, who delivered a scathing attack on the 'poverty and misery' caused by Muldoon's economic policy.[142] At the Labour Party Conference a week later, delegates debated the working party's report on the trade union/Labour relationship. It recommended a strengthening of ties to unions rather than splitting and the 'need to encourage more unions to affiliate to the Labour Party'. The report was thus a 'rebuff to Rowling', who had in any case toned down his attacks on organised labour.[143]

The debate about union affiliation was settled for now, or at least buried, but the debate about economic policy was far from over. Economic policy would be the subject of 'strenuous debates' within the Party after 1981.[144] The loss of the 1981 election marked a 'crucial break with the past' for some within Labour in that the social goals and aspirations of the Party were subordinated to economic policy.[145] It opened up a new division within the Party about economic policy and control of the Party between, broadly, the 'elitists' and free market advocates centred around Roger Douglas and the 'populists' centred around Jim Anderton, who wanted a mass-based party.[146] The continued debate about economic policy and, related to

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[140] Rob Campbell, interviewed by Ross Webb, 3 May 2021
[141] Press Statement: New Zealand Council New Zealand Labour Party', 26 March 1982, 2007-115-5/08, ATL, Wellington.
[142] Walsh, 'Myth and reality in industrial relations', p.80.
[143] Report of the Working Party on the relationship between the Trade Unions and the Labour Party', Mike Smith Personal Collection; *Herald*, 11 May 1982.
[144] McAloon, *Judgements*, p.200. Also see Oliver, 'The Labour Caucus'.
[145] Oliver, 'The Labour Caucus', p.27.
[146] Wilson, *Labour in Government*, p.27.

that, the relationship of the Labour Party with unions and the FOL, continued into Muldoon's third term.

Conclusion

While the new FOL leadership celebrated its many major victories after 1979, these years were also defined by key setbacks and challenges. First, Muldoon's programme of restructuring and liberalisation, while modest in comparison to what would come, posed a significant challenge to traditional union strategies. For the FOL it reinforced its view that the Government was abandoning longstanding economic protections for domestic industry and the goal of full employment and attempting to open up the economy to control and exploitation by multinational corporations. While the FOL aided campaigns against closures and for redundancy pay, these were often defensive actions. It recognised that it needed an alternative economic strategy, on top of an industrial one. This desire for such a response however occurred at the same time that many in the FOL leadership came to the view that the Labour Party was no longer able or willing to solve these issues; indeed, the impetus behind the alternative economic strategy was the view that the union had to solve these problems themselves.[147] That the FOL developed both its militant industrial strength and an economic strategy was thus no contradiction.

Yet, as the FOL faced an immensely difficult third term of the Muldoon Government, as the industrial defeats increasingly outnumbered the victories, and as the economic strategy made no headway in terms of shifting political and economic change and debate, many began to ask questions about the FOL's strategy: if industrial power and an independent economic strategy were the priority, what ends was it serving? It foreshadowed a broader change in thinking among a group of emerging and young trade unionists who argued that unions needed to move beyond what they saw as a militant labourism, the focus on keeping wages up with inflation with a focus on a broader economic programme, one that would increasingly see the need for a political programme and a renewed relationship with Labour. Indeed, the perhaps unspoken reality of the alternative economic strategy

[147] Rob Campbell, interviewed by Ross Webb, 3 May 2021

and the desire among trade unionists for a positive response to economic change was the fact that these issues would need to be settled politically. Muldoon's third and final term, which saw both an extended wage freeze and a renewal of legislative attacks, would only hasten this realisation, at the same time that it put the FOL back into a squarely defensive position.

CHAPTER FIVE
Stalemate: The Freeze and the end of the Muldoon Era, 1981-1984

Before the May 1984 FOL conference, Jim Knox delivered a grim message. The union movement had tried but failed to oppose the Muldoon Government. It was now 'fighting for its survival'. 'We have not', he said, 'achieved a sufficient level of political and industrial mobilisation'. What explained this startling admission of failure? As we have seen, economic crisis, rising unemployment, and anti-unionism put the FOL on the backfoot during and after 1981. In Muldoon's third term, however, the situation only worsened. In 1982, National introduced a rigid wage and price freeze, and, with the freeze still firmly in place by 1984, fulfilled its long-standing promise to abolish compulsory unionism. The FOL seemed largely powerless. Unions could not bargain. Workers faced a substantial cut in real wages. Some lost members, and unemployment rose to a then high 5.6 per cent by 1983. After peaking in 1981, labour's share of national income commenced its precipitate decline, the beginning of a decades long trend.[1] These developments attested, Knox said, to both the power and the weakness of the union movement. It was the 'intensity of the attacks which the Government finds necessary' which reflected a recognition of its enduring power. Yet it was the Government's capacity to 'change the rules' that revealed a key vulnerability. Thus, a Labour victory in the 1984 general election was, Knox said, now a matter of urgency.[2]

[1] Bill Rosenberg, 'A Brief History of Labour's Share of Income in New Zealand, 1936-2016', in Anderson *et al.*, eds., *Transforming Workplace Relations*, pp.79-106.
[2] FOL 1984 Conference Minutes, MSX-2408, ATL, Wellington.

Figure 21 Jim Knox addressing the FOL conference. Evening Post Collection, ATL.

Knox's address illustrated how much the FOL had changed its position over the previous three years. Gone was the optimism of 1979-1980, the confidence in industrial strength as a source of political change. Gone, too, was criticism of Labour and the assertion that the FOL was the 'real opposition'. Defensive battles, changing economic orthodoxies, and economic and political change weighed heavily against the labour movement. Yet even as Muldoon seemed to hold the upper hand, his Government had not triumphed. Rather than a decisive blow against the FOL, the freeze became the most glaring symbol of Muldoon's inability to advance a durable solution to the crisis. Described variously as a 'tacit admission of defeat on Muldoon's part' and a 'crude exercise of state power by a desperate and bereft Muldoon Government', scholars have long viewed the freeze as a sign of failure.[3] One month after Knox's address to the FOL conference, Muldoon called the June snap election that would end his long term in office. Both the leadership of the FOL and the Government had, in one way or another, admitted defeat. The long conflict between the two, which kicked off in late-1975, had reached an impasse, a reflection of a broader and widely recognised stalemate in New Zealand's political economy.

That political economy stalemate only accelerated the 'institutional searching' among unionists, employers, political leaders, and policymakers that had characterised the previous years. All sought new solutions to the now decade-long economic crisis. Increasingly pessimistic about the prospects of industrial action or of an economic recovery and inspired by events in Australia (where the trade union movement and Labor Party reached an 'Accord'), some within the FOL looked towards an alternative corporatist model that could exist after Muldoon, and after the freeze. The FOL's increasing electoral focus by early 1984 did not mean that it was embraced by Labour. Some within Labour viewed the relationship with the FOL as a liability rather than an advantage, corporatism as incompatible with much needed economic restructuring, and the FOL as unable to enforce any kind of corporatist agreement among its affiliates. Indeed, at the same time that Knox

[3] McAloon, 'Muldoon and the New Zealand economic crisis', p.19; Harvey, 'The Unions and the Government', p.59.

declared the 1984 election of Labour essential, the FOL and Labour remained mired in a contentious debate about economic policy. If the FOL pushed to modify the Party's shift towards free-market policies, it was also becoming increasingly reliant on the Party for legislative change. When Muldoon called the snap election, such debates were put aside in the cause of unity. 'Institutional searching' occurred elsewhere, from the Reserve Bank and Treasury to the Employers Federation. To varying degrees, all increasingly broke with past commitments to gradual liberalisation and embraced a radical break from the past. That this 'institutional searching' occurred concurrently with a political economy stalemate was no contradiction. With all parties advancing their own and increasingly irreconcilable prescriptions for change, the scene was set for either confrontation, confusion, inaction, but also for radical change.[4] None of this could have been anticipated in 1981, on the eve of the wage and price freeze.

'Inflation is our number one enemy'

The immediate cause of the freeze lay in a confluence of developments: the FOL's rejection of the Government's proposed wage/tax trade-off, a high inflation forecast for the year, and an increasingly gloomy international economic context. The FOL and Employers Federation had agreed, as a condition of the 1980 Kinleith settlement, to negotiate a new wage-fixing structure. Yet as negotiations proceeded, Muldoon and Treasury increasingly favoured, and eventually proposed, an alternative: tax cuts in lieu of wage increases. Confident in the proposal, Muldoon consulted little, and gave few guarantees to the FOL, which rejected the offer at its May 1981 conference—a decision that left Muldoon 'astonished and disturbed'. It led one reporter to declare his anti-inflation strategy 'effectively torpedoed'.[5]

Following the 1981 election, however, the FOL recognised that the potential reprieve of a change of Government was now far off. Added to this, workers were indeed concerned about taxation as inflation and wage increases drove their incomes into steadily higher tax brackets; they might indeed be critical of an FOL

[4] Heino, *Regulation Theory and Australian Capitalism*, p.62.
[5] McAloon, *Judgements*, pp.190-191; Roth, 'Chronicle', *NZJIR*, 6, 1981, pp.114.

rejection of a plan that addressed this concern. Alf Kirk advised that the FOL should 'highlight the need to combine any such proposition with overall wage policy reforms and tax reforms'.[6] In a joint letter to Muldoon in early 1982, the FOL and CSU announced their willingness to renegotiate, but added that 'establishing a mechanism… to take account of changes in the cost of living remains the highest priority'.[7] The trade-off was back on the table, albeit with a consideration of a minimum living wage and increases to match the cost-of-living.

In the weeks prior to the FOL's 1982 conference, where delegates would once again vote on the trade-off, a number of developments raised suspicions. The Government attributed planned cuts in the state sector in part to the trade-off, contrary to earlier assurances that it would not be financed through cuts. Bolger then threatened wage regulation if no agreement was reached.[8] Before delegates, Knox now called it 'essentially a subsidy of employers' wage bills… financed by cuts'.[9] Kirk, too, pointed out that such a scheme would reduce revenue, resulting in cuts to government services that benefited workers. Yet Kirk warned that rejection might lead to wage regulations. Delegates largely agreed that regulations would 'be tolerated as a price of rejection'; some even suggested that imposed wage controls might actually serve to mobilise workers, pointing to Muldoon's previous failed attempts.[10]

The FOL/CSU rejected the trade-off once again, calling it the 'wage/tax rip off'.[11] Muldoon was furious. 'The objective… [was] to strike a decisive blow at inflation and to boost employment… the trade-off must now be a matter for Government action'.[12] The Employers Federation's Ray Taylor agreed. The second rejection had 'greatly damaged prospects for any further tri-partite negotiations… Two and a half

[6] Alf Kirk, 'Wage Policy Talks', 15 January 1982, 94-106-56/06, ATL, Wellington.
[7] FOL/CSU to Muldoon, 20 January 1982, 94-106-56/06, ATL, Wellington.
[8] 'Chronicle', *NZJIR*, 7, 1. 1982, p.89.
[9] Ibid, p.93.
[10] Pat Walsh, 'Myth and reality in industrial relations: moderates, militants and social contracts', *NZJIR*, 7, 2, 1982, pp.79–80.
[11] *FOL/CSU Campaign Against Cuts in Living Standards*, June 1982.
[12] *Herald*, 6 May 1982.

years of meetings and work went down the drain'.[13] This ignored the fact, of course, that it had been Muldoon who rejected the joint FOL/Employers Federation proposals. In the same month, Muldoon was warned that inflation might reach a record 20 per cent for the year (the OECD average now stood at 8 per cent and was falling), while an international recession in 1981 was also expected to ripple out towards New Zealand over 1982-1983.[14] The major powers 'had no intention of reflating', recalled Hugh Templeton. European governments had 'accepted higher unemployment' in order to 'squeeze down hard on inflation. So New Zealand, or rather Muldoon, could not rely in this case on the world economy, as was traditional, to lift God's Own Country out of the trough into which the oil shock and recession had plunged [it]'.[15]

Muldoon announced the wage and price freeze that would stay in place for the remainder of his term in a television and radio address to the nation on 22 June 1982. 'I seek the support of all New Zealand in making this major attack on inflation a successful one', he said. 'Inflation is our number one enemy'. The freeze applied to wages, prices, rents, and professional charges. Muldoon's closest economic advisors and officials were opposed, suggesting that a freeze would only postpone problems, could be difficult to enforce in the face of massive opposition, and would be difficult to emerge out of.[16] Despite the misgivings from his officials, pressure also came from employers, Federated Farmers and the Manufactures Association 'about containing inflation'.[17] Muldoon believed that this time the Government would stand firm; to demonstrate that commitment, he threatened a snap election if the FOL attempted to break the freeze.[18] Knox welcomed the threat: 'if there is any shred of principle left in the National Party, they should immediately offer themselves for re-election and endorsement or rejection. We accept the challenge'.[19]

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[13] *Auckland Star*, 29 May 1982.
[14] Michael Bassett and Judith Bassett, *Roderick Deane: His Life and Times*, Auckland, 2006, p.93.
[15] Templeton, *All Honourable Men*, pp.169-172.
[16] Boston, *Incomes Policy*, p.228-230; Gustafson, *His Way*, p.346.
[17] McKinnon, *Treasury*, p.243.
[18] Boston, *Incomes Policy*, p.230.
[19] *Herald*, 7 July 1982.

If the freeze was seen as a direct attack on the FOL, it also added to the perception that Muldoon was running out of options. In 1982, the *Economist* called it 'a panicky attempt to keep inflation at bay once economic management has gone awry'.[20] The freeze marked an abrupt reversal from Muldoon's tentative moves towards liberalisation in his third term. According to his biographer, after 1981, Muldoon began to see 'the choice between the two positions [that is, between Keynesian and emerging monetarist and neoliberal politics of the era] as a stark choice between good and evil and as a result, in the opinion of some senior advisers, committed himself totally to an anti-New Right position'.[21] This did not, however, stop the steady increase in unemployment. What many came to view as Muldoon's intransigence would provoke a marked change among officials; initially advocating a gradualist approach to liberalisation, many increasingly called for radical changes.[22]

'$20 To Get New Zealand Working'

The FOL and CSU condemned the freeze immediately, although it took a good three months before the two approved a plan of action.[23] Several unions—notably the drivers, electricians, and public servants—announced their intention to lodge wage claims regardless. They were, in effect, mounting a legal challenge to the freeze regulations and the legislation that underwrote them: the Economic Stabilization Act. The Drivers Union case went to the Court of Appeal. The presiding Judge described the case as a 'formidable attack' as it involved matters of constitutional importance. The Court upheld the regulations, though two of the five judges gave dissenting opinions.[24] Meanwhile, the slow build up to an industrial campaign was just one indication of the new caution within the FOL. It needed to wait, Knox said, until the 'time was right, when awareness about the unfairness and dishonesty of it has become prevalent' before action was taken.[25] It would not, he continued, provoke a confrontation that might simply work to the

[20] *The Economist*, 3 July 1982, p.63.
[21] Gustafson, *His Way*, p.357; McAloon, *Judgements*, p.197.
[22] Boston, *Incomes Policy*, p.84.
[23] 'Chronicle', *NZJIR*, 7, 2, 1982, p.208.
[24] Ibid, pp.205, 210.
[25] *Auckland Star*, 3 August 1982.

Government's advantage—a lesson, perhaps, from the 1981 picketing dispute. By September, then, Knox and David Thorp of the CSU made the case for a campaign. 'In desperation the government is now attempting to incite progressive groups and unions by blocking off all legal avenues for relief… The FOL and CSU have agreed to co-operate in intensifying their joint campaign'.[26]

The coalition between the private and public sector bodies, the FOL and CSU, had its origins in the previous years, from the 'Campaign In Defence of Living Standards' to the joint efforts to address issues of unemployment.[27] If, under Skinner, both parties viewed one another with mutual suspicion, a number of developments tied their fate together, including the recognition of the connection between cuts to government spending and efforts to suppress wages, signalled in the wage/tax trade-off. The FOL/CSU joint newspaper, *Campaign Against Cuts in Living Standards*, regularly stressed those connections.[28] The role of the PSA was key in the growing coalition. In 1982, after longstanding resistance, it raised the possibility of affiliating with the FOL. The relationship between the FOL and PSA 'took quite a dramatic turn', Ken Douglas recalled, when the FOL forcefully protested Muldoon's threatened deregistration of the PSA in 1983. 'The direct involvement of Jim Knox and the FOL in support of the PSA in that dispute led to an increased confidence in the PSA and a number of the other state unions about the relationship between the CSU with the FOL'.[29] The freeze made unity only more urgent. A confidential paper for executive officers of the PSA noted the 'many disturbing developments in recent months', which raised the question: 'has the right moment finally come for the Association to tackle the question of affiliation with the FOL?'.[30] Rather, the PSA's 1982 conference proposed an entirely new peak body to represent both private and public sector workers, tentatively named 'the Council of Trade Unions'.[31]

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[26] Knox and Thorp, 'Press Statement', 1 September 1982. 94-106-56/09, ATL, Wellington.
[27] FOL Annual Report, 1981.
[28] *Campaign Against Cuts in Living Standards*, June 1982, 94-106-56/08, ATL, Wellington.
[29] 'Trade unionists recall the transition from the Federation of Labour to the Council of Trade Unions, 1987', in Nolan and Franks, p.185.
[30] 'Affiliation with FOL', 5 July 1982. 94-106-56/08, ATL, Wellington.
[31] *PSA Journal*, August 1982.

A special FOL conference in November convened to devise a strategy. Kirk outlined the grim economic forecast: the rise in unemployment, the balance of payments deficit, and the international economic headwinds. 'The reality is that the New Zealand economy will continue to operate within a framework of international recession and financial instability'. This placed 'severe constraints' on wage growth and employment, a problem that required the FOL to respond 'in a positive and coordinated manner'. Kirk recommended that the FOL push in the longer term for wage bargaining reform, given the unlikelihood of a 'swift return to free wage bargaining' (which in any case 'may not be desirable given the relative position of the low paid'), an independent body to review the wage fixing system, and a push for a dollar figure increase, rather than a percentage increase, to address the needs of the lower paid.[32]

Delegates agreed 'that this wage freeze has to be defeated both industrially and politically'.[33] What that meant was not yet clear, but it was an early sign of an emerging realisation that industrial action alone would not this time prove successful. Delegates left the conference somewhat divided, some wondering why immediate action was not taking place. 'We've got a crippling wage freeze on, a non-existent price freeze and constant redundancies, and a FOL that is scared shitless of leading the trade union movement', wrote Therese O'Connell shortly after. '[They] hope they can break the wage freeze by doing nothing'.[34] Wally Clement of the Printers Union cited the 1968 'nil' wage order and the 1976 freeze, where '[o]n both occasions, the injustice was defeated by trade union protest action, as I expect this 1982 attempt will be defeated'.[35] Tony Neary, on the other hand, believed the FOL leadership was too 'gung-ho', promising a 'campaign of activity around the country' rather than an accommodation with Muldoon, the only alternative to defeat. 'That sickened me. It wasn't a kid's game we were playing'.[36]

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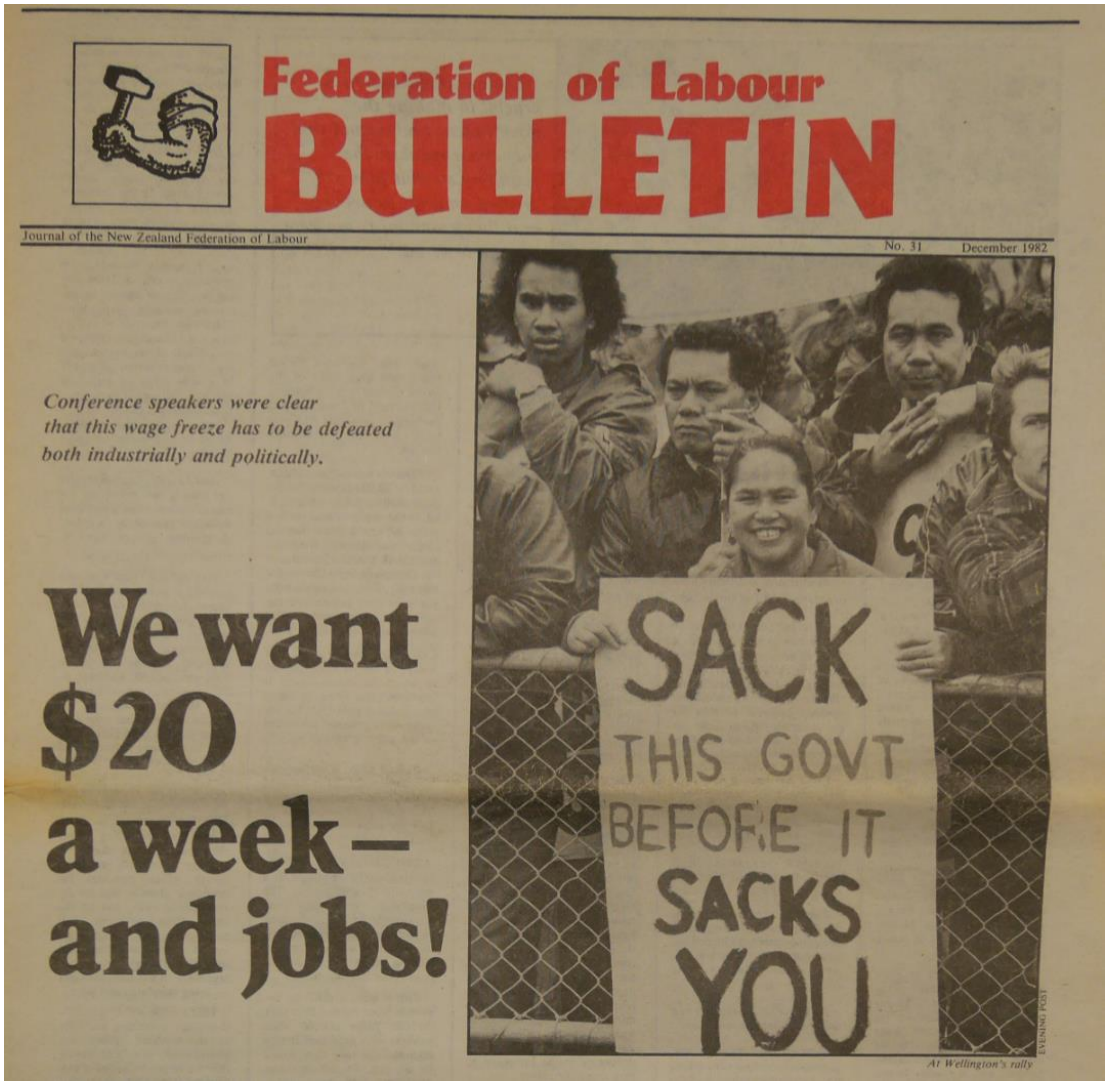
[32] 'Special Conference: Recommendations and Background', 94-106-56/09, ATL, Wellington.
[33] FOL Bulletin, December 1982.
[34] Therese O'Connell, letter, 18 November 1982. O'Connell Personal Collection.
[35] Franks, *Print and Politics*, p.237.
[36] Neary, *Price*, p.174-175.



Federation of Labour
BULLETIN

Journal of the New Zealand Federation of Labour No. 31 December 1982

Conference speakers were clear that this wage freeze has to be defeated both industrially and politically.

We want $20 a week – and jobs!

SACK THIS GOVT BEFORE IT SACKS YOU

At Wellington's rally

Figure 22 FOL Bulletin, December 1982

Delegates agreed to hold mass rallies across the country. After several in smaller towns, a crowd estimated to be anywhere between 30,000 and 60,000 took to Queen Street on 28 October 1982, the first major public demonstration against the freeze. 'The marchers walked up to 50 abreast and in an almost festive mood', the *Auckland Star* reported. 'They joked [and] sang…. Few jeers were heard as the ranks filed past'.[37] Heartened by the response, Knox told the crowd: 'You are no longer going to sit down and do nothing about your standards of living'.[38] Newspapers compared

[37] *Auckland Star*. 28 October 1982.
[38] *Herald*, 29 October 1982.

it to the 'Kiwis Care' march, suggesting that the FOL had perhaps made a comeback.[39] It was still clear, however, that this was no easy fight. The FOL Executive recognised that 'smashing the freeze inevitably entails a confrontation with the government and it is unlikely that the government could be totally defeated in the situation'. FOL protest marches could turn out many thousands of workers, but it was not yet clear what it would mean if the Government did not budge. Industrial action would be used, said the FOL Executive, to 'erode the credibility of the freeze and weaken employer support', while the FOL would also develop and support 'a credible alternative to the freeze' and campaign for a Labour Government.[40] In other words, action may not necessarily defeat the freeze alone.

The FOL/CSU sent a joint open letter to Muldoon in early January 1983 calling for an urgent meeting to address the economic crisis. Following Kirk's suggestion, the FOL/CSU leadership presented itself as willing to contribute to the devising of a shared solution with Government to restore economic growth, though still with an emphasis on raising wages and stimulating demand.

> The FOL and CSU accept that there is no single cause behind the quite obvious state of decline in the level of economic activity… [but we] cannot accept that the state of the international economy is itself entirely to blame. Problems of external stagnation have been compounded by the decline in the domestic economy. … It is also clear that some employers have taken advantage of the climate of economic insecurity to mount an offensive against trade unions… The weakness in the domestic economy is itself linked to the dramatic declines that have taken place in the real value of take home pay… The freeze was imposed on a wage structure that itself had been undermined by inflation.

Remedial action to 'shore up living standards and spending levels' would 'prevent a calamitous contraction in the domestic economy'.[41] The FOL/CSU thus proposed a $20-a-week increase across the board. '$20 To Get New Zealand Working' would become the basis of the union campaign against the freeze for the remainder of 1983. The aim, then, was wage-fuelled demand-led growth in the domestic economy.[42] This was not a new argument, as we have seen. But it took on a new urgency. As unemployment rose, Treasury and the Reserve Bank increasingly saw wage increases as a significant part of the problem. The campaign reflected the FOL's

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[39] *Herald*, 30 October 1982.
[40] 'Special Conference: Recommendation and Background', 94-106-56/10, ATL, Wellington.
[41] FOL/CSU to Muldoon, 6 January 1983, 94-106-57/01, ATL, Wellington.
[42] Gustafson, *His Way*, p346.

attempt to combine raising living standards with economic recovery, to challenge the emerging orthodoxy that wage growth produced inflation and unemployment.

The FOL could not avoid these questions. Asked whether the $20-a-week would simply add fuel to the fire of inflation and unemployment, Kirk argued that only about 'one third of any wage increase goes into prices'. Kirk agreed that inflation was 'a real problem', '[b]ut there's a choice in this case between keeping inflation down an extra 2%, and whether or not people can eat and survive—and that's a very real choice right now'. Kirk pointed out that unemployment had risen during the period of the freeze, and 'if people don't have money to spend, then they don't have money to buy goods and services'.[43] Calling for a $20 figure increase rather than a percentage was aimed at the low paid, whose plight was exposed by the freeze. As Kirk would later say to Muldoon, 20 per cent of an elephant is different to 20 per cent of a mouse.[44] Or as the young executive member of the Hotel and Hospital Workers, Matt McCarten recalled, 'percentages don't work for us because the poor will still be poor'.[45]

The press was predictably hostile to the claim, while David Lange, Labour leader after February 1983, opposed it on the basis that it would play into the Government's hand and lead to a major confrontation.[46] Muldoon did not respond to the letter. The FOL/CSU's campaign for $20 would build momentum, but only once negotiations proved entirely futile.

The failure of negotiation

With the freeze due to expire in June 1983, stakes were high. How the country emerged out of the freeze, one journalist suggested, might determine not only whether inflation could be vanquished, but also 'the fate of the Muldoon Government… [and] the future leadership of the trade union movement'. Either way, it would 'touch the lives of all New Zealanders'.[47] Negotiations began in late

[43] FOL Bulletin, December 1982.
[44] Ken Douglas, interviewed by Ross Webb, 1 October 2020.
[45] Cathy Casey, *Matt McCarten: Rebel in the Ranks*, Auckland, 2002, p.58.
[46] *Herald*, 11 January 1983; *Auckland Star*, 6 May 1983.
[47] *Herald*, 27 February 1983.

February 1983. After attending an FOL special conference on the '$20-a-week campaign', Knox, Douglas, Andersen, Kirk and the CSU's Ron Burgess went to Parliament to negotiate with Muldoon. Knox insisted that the FOL would 'not give away the right to continue to discuss the $20', the claim which Muldoon had ignored. Muldoon stressed again that the Government would not tolerate a campaign 'to try and force a general wage order because it wouldn't work'.

Muldoon directed his anger at Andersen. The animosity between the two had been longstanding. Andersen had, for example, stood as an SUP candidate in Muldoon's electorate of Tamaki in every election between 1972 and 1981. 'Mr Andersen is on record', Muldoon continued, 'saying there's going to be a great campaign… It won't work, Mr Andersen... You will back off, or you will end up in jail where you ended up once before'. 'This man, if he wants to run the country should stand for office as he does in my electorate and he ends up with about 50 votes and that's what he's worth'. 'If you stand for the Northern Drivers Union you wouldn't get four votes', Andersen replied. 'I don't want to', Muldoon said. 'I want to be the Prime Minister, and so far I've done all right'.

Knox interrupted, trying to bring the discussion back to ending the freeze. 'We have a democratic organisation, and Mr Andersen was only expressing his viewpoint. Now, what I'm saying is this. We haven't got much time, but if we're going to get involved in… character assassination we won't get very far'.

While Knox suggested an independent body to address wage-fixing after the freeze, an idea that both the FOL and Employers Federation had agreed in 1980, Muldoon favoured tripartite negotiations; he threatened that industrial action against the freeze would foreclose any further discussion about a post-freeze system. Before ending the meeting, Knox stressed that the FOL could not stop delegates from mounting a major campaign after the FOL May conference if talks had not made any progress by then.[48]

[48] 'Transcript from Meeting with the Prime Minister on February 21, 1983', 94-106-57/01, ATL, Wellington.

Returning to the special FOL conference, Knox informed delegates that Muldoon gave an unequivocal 'no' to the $20-a-week, rejected an independent body, and threatened that any industrial campaign would only jeopardise future negotiations.[49] The FOL walked a fine line, then, between continuing the momentum of the campaign and keeping the Government on side. This tension played out soon after when 200 workers at Alex Harvey Industries in Auckland struck in support of the FOL campaign. As threatened, Muldoon said the Government would withdraw entirely from negotiations unless the strikes ceased. The workers accepted an FOL recommendation to end the strike.[50]

But if Muldoon's preference was tripartite negotiation, the now irreconcilable positions of each party made any progress unlikely. The Employers Federation increasingly argued that radical change was needed: the 'institutions of the 1890s and the framework of bargaining of the 1970s are no longer appropriate to the needs of the future' and were, in part, to blame for the 'present economic difficulties'.[51] At a meeting of the Cabinet Economic Committee mid-March 1983, Muldoon and Bolger all but admitted that negotiations were futile. 'The two sides were separated by a basic conceptual difference… The FOL wanted a substantial wage order to replace the wage round missed last year, while the Government intended only to offset the drop in real wage earnings over the period of the freeze'. The Committee agreed to reinforce the message that a 'general downturn in purchasing power had to be accepted until the economy improved'.[52] In a rare public statement, one Treasury official said there were 'few grounds for optimism now' about 'reaching a successful incomes policy'.[53] In the same month, the FOL released a press statement outlining the decline in take home pay for the quarter ended September 1982, which revealed that while there was a 4 per cent fall in inflation, there was also a 6.7 per cent fall in take home pay. 'This fall in real take home pay', Knox

[49] 'Meeting with Government on 23 February 1983, 94-106-57/01, ATL, Wellington.
[50] 'Chronicle', *NZJIR*, 8, 2, 1983, p.161.
[51] Employers Federation, 'Statement for Wage Policy Talks', 23 February 1983, 94-106-57/01, ATL, Wellington.
[52] Minutes of Cabinet Economic Committee, 15 March 1983, W419 215/1, 4, ANZ Wellington.
[53] Cited in McKinnon, *Treasury*, p.291.

claimed, ‘is a major contributing factor to the current low level of demand and consequently high unemployment’.[54]

When negotiations recommenced in April, Muldoon again conceded that agreement was unlikely. The Employers Federation suggested a need for further inflation reduction on par with New Zealand’s trading partners. Any deviation, or any movement in general wages, ‘can only have the effect of pushing up prices and increasing our unemployment and decreasing our overseas competitiveness’. With Muldoon and the employers in agreement, the FOL/CSU representatives could only protest. ‘We’re getting a bit tired of this fallacy’, Knox said, ‘about how [the freeze] would create more jobs… show me where unemployment has not increased’. Ron Burgess added, ‘we see inflation being replaced by another very serious problem… the problem of rising unemployment. We recognise that the New Zealand economy has problems. We recognise that there are problems selling our produce overseas, we didn’t deny this is a problem…What we are saying is that these people of ours, the wage and salary earners, particularly in the bottom three quintiles, are the people who are bearing the brunt and the full effect of it’.

‘[We have] endeavoured to keep living standards as high as possible through very difficult times’, Muldoon replied. ‘But I do not think we can say that we can preserve living standards at the highest ever level, and at the same time deal with this question of inflation. I do not think we can do it’.

‘So, at this stage’ Alf Kirk asked, ‘it is almost certain that the freeze will be continued?’.

‘That’s right’, Muldoon replied.

While the parties had met to negotiate a way out of the freeze, it was clear the Government had no intention of changing course. Both parties accused one another of failing to negotiate. ‘We are being presented with a *fait accompli*’, Burgess

[54] ‘Press Statement’, 23 March 1983. 94-106-57/01, ATL, Wellington.

protested, ‘and told to come along here to negotiate but there is no room to negotiate at all’.

Muldoon replied, ‘You come along here [and claim] “We cannot agree to any extension of the wage freeze”. Now, that is in the same category, surely?’

The freeze was ‘not ideal’, Muldoon insisted, and the Government was not getting anything out of it. ‘What we are trying to do is diminish the rate of inflation’.

‘At any cost!’, Knox said.

The FOL’s Ashley Russ outlined the impact of the freeze on low wage workers: ‘We have people on $145 a week and they can no longer afford to sustain the brunt of the attack against inflation. [The Employers] will sit there rather glibly and say we will agree with the Government that there should be a continuation of the freeze [but] we cannot live with what is happening to the lower paid people in our society’.

Russ added that if there was no deal by the May 1983 FOL conference the worker response to a continuation of the freeze would be out of the FOL’s hands. ‘I don’t think that beyond next week the FOL is going to be in a position to be able to live with the revolt that is occurring at the job and factory level.... You can call upon Knox and Douglas and all the rest of the leadership of the FOL to maintain a state of harmony while you go about your business, but down there, people are not prepared to accept what is happening, and the reaction is going be strong against the Government… we are going to be in a position of serious industrial dislocation’.

‘We are not doing this to be difficult’, Muldoon said, ‘we are doing it because we believe we have no option’.

Muldoon closed the meeting. ‘I do not think we can go any further today’.[55]

[55] ‘Transcript of Meeting Held in Cabinet Committee Room’, 28 April 1983, 94-106-57/02, ATL, Wellington.

What the meeting revealed was that the battles between the FOL and Government were not simply public performances. Personal attacks aside, the meeting also reveals the extent to which negotiations were in a deadlock: a continuation of the freeze was unacceptable to the FOL for quite obvious reasons; the Government, meanwhile, had few ideas for what might come next. A stalemate was firmly in place.

The industrial campaign

Meeting in the context of an inevitable extension of the freeze, delegates at the FOL's 1983 conference made a strong call for action, as Knox and Russ had predicted.[56] On the second day of the conference, Knox and other FOL representatives met with Muldoon and Bolger informing them that, after six hours of debate and calls for action, delegates voted overwhelmingly to mount an industrial campaign to break the freeze. Still, Muldoon told Knox that there was no alternative.[57] Returning to the conference, Knox addressed delegates. '[Muldoon] wants me to recommend to you not to take any action. I'm not going to do that. It is time we did something. I believe the trade union movement is ready to fight back'. Knox closed the conference with a call to action. 'Let's raise our voices. Let's show we do have some strength. Let's show we are not going to let the press or Government make our policy and take away the rights of the trade union movement'.[58] If the FOL had held off on action to ensure the continuation of talks, it was no longer so inhibited. But despite Knox's call to action, the FOL leadership remained privately uncertain about the efficacy of the campaign, and about rank-and-file support.

Even so, the campaign made a strong start. In the months ahead, as affiliated unions took the $20-a-week campaign into their workplaces, Department of Labour officials struggled to keep pace with the number of disputes. 'Activity is now at such a level that it is not possible to document each and every one', read a report

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[56] *Auckland Star*, 4 May 1983.
[57] 'Prime Minister, Minister of Labour, Officials, and FOL/CSU meeting minutes', Beehive, 5 May 1983, 94-106-57/02, ATL, Wellington.
[58] *Herald*, 6 May 1983; FOL Conference 1983, MSX-2407

prepared for Bolger in June 1983. A few examples were provided: the Labourers Union staged a stop-work meeting to support 'FOL policy' and to 'formally request a wage increase of $20 per week for their members'. At Todd Motors in Porirua, coachworkers undertook rolling stoppages and 'sit-ins' between 9 and 17 June, until they faced suspension. After work resumed, the union gave the company until the afternoon to join in approaching the Government for an exemption from the freeze. 'The company is going to refuse', the Department official wrote, 'but before it conveyed this to the union a further stoppage took place… in the paint shop and all coachworkers were again suspended'.[59] Ford workers were locked out on 8 July after refusing to assure the company that no further action would be taken in support of the FOL campaign.[60]

The Employers Federation believed that the campaign would 'reach its peak' and 'die from natural causes'. It therefore called on companies to refrain from using heavy-handed countermeasures, and ride out the storm.[61] Officials did note, however, that employers appeared 'to be adopting a more hard-line approach to the campaign by threatening striking unions with legal action'.[62] In a letter to Bolger and Muldoon in June 1983, the Federation's new Director of Advocacy Max Bradford claimed that while 'a number of companies have already sustained quite severe financial loss as a result of industrial action', the campaign was having 'no success in terms of concessions from employers, and little success in terms of support amongst the trade union membership'. Employers, he said, had 'adopted a deliberately low-key response to the campaign and have not availed themselves fully of their legal rights to suspend' in order to 'ensure that the SUP unions cannot achieve industrial martyrdom'. Bradford added that suspension of workers and lockouts were a possible, though last resort, action. It may, he added, be 'necessary to provide a response to such industrial action which could stretch on for months and seriously affect the viability of some businesses'. With opinion polls now suggesting that a majority supported the freeze, Bradford recommended a public

[59] 'Summary of Industrial Action', 24 June 1983, 46/5/393, 1, ANZ, Wellington.
[60] 'Summary of Industrial Action', 15 July 1983, 46/5/393, 1, ANZ, Wellington.
[61] 'Round up of industrial issues', 23 June 1983, 46/5/393, Part 3, ANZ, Wellington.
[62] 'Summary of Industrial Action', 1 July 1983, 46/5/393, 1, ANZ, Wellington.

statement from the Prime Minister and Minister of Labour to reinforce this message.[63]

The Government quickly obliged: 'The continuation of the wage and price freeze was absolutely vital to achieving a permanent cut in inflation and an improvement in New Zealand's competitiveness on world markets', read a press release shortly after. The recently published opinion poll 'confirmed the Government's belief that the freeze was supported by the vast majority of New Zealanders'. It claimed that the FOL's actions were 'bound to fail' for lack of 'any solid basis of public support'. '[I]n light of this [it is] difficult to comprehend why some workers were prepared to forgo their wages'.[64] In its own press release shortly after, the FOL again condemned the freeze, which 'demonstrated the bankruptcy of the Government's economic policy in addressing in any way the seriousness of the country's economic problems'.[65] But into July, the FOL shifted the emphasis of the campaign that reflected a more defensive stance. Rather than a campaign for $20-a-week, it was a now dubbed the campaign for the 'survival of the trade union movement'. The FOL Executive passed a resolution in July 1983 congratulating 'all unions and workers on their support [for the $20 a week campaign], the restoration of our negotiating rights and for the very survival of our movement'.[66]

[63] Bradford to Bolger, 10 June 1983, 46/5/393, 3, ANZ, Wellington.
[64] Press Statement, 21 June 1983, 46/5/393, 3, ANZ, Wellington.
[65] 'Press Statement', [probably July 1983], 94-106-57/03, ATL, Wellington.
[66] 'FOL Executive Resolution', 5 July 1983, 94-106-57/03, ATL, Wellington.

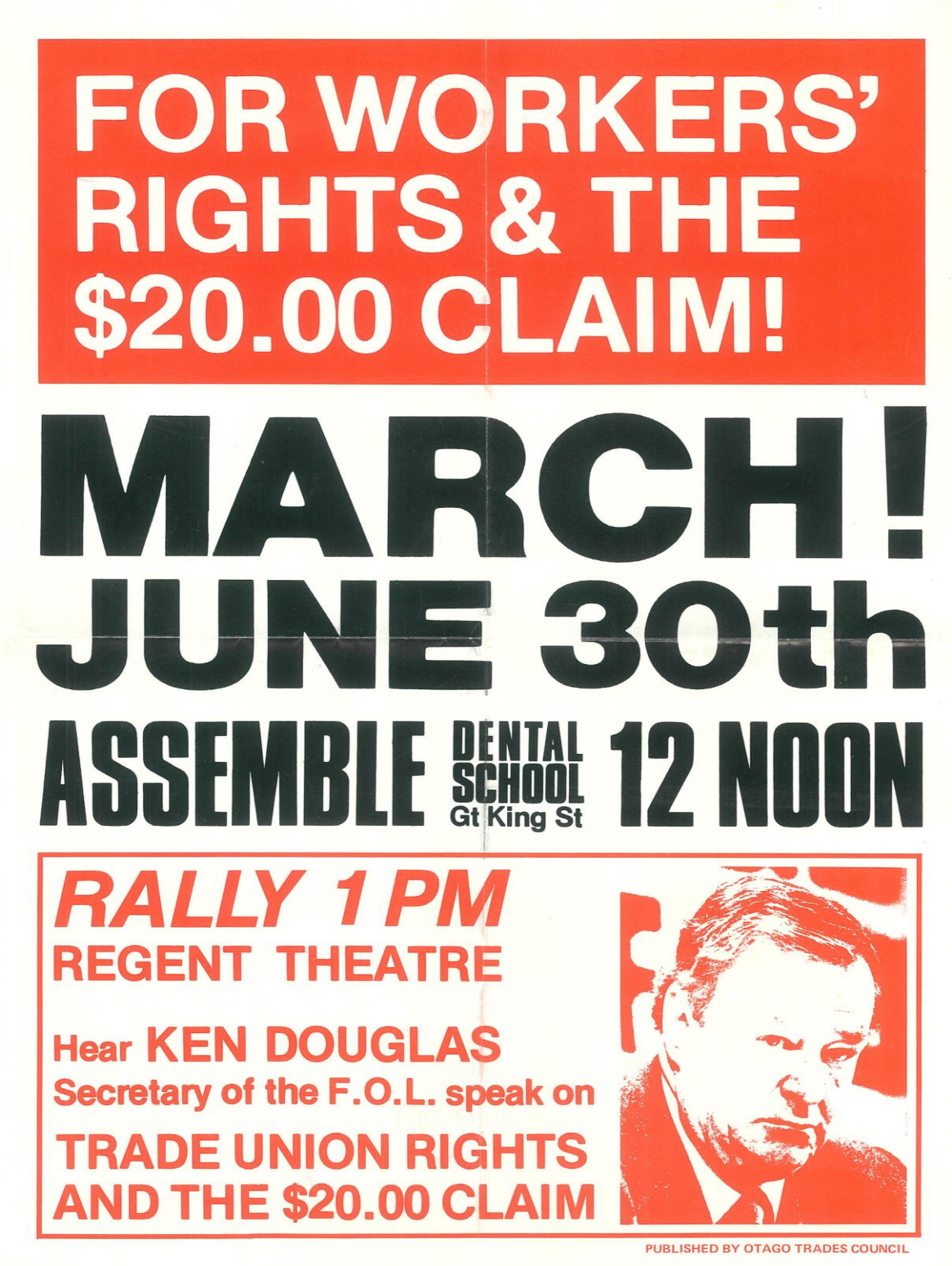

Figure 23 Otago Trades Council Poster for a rally on 30 June 1983 for the $20 claim. Ken Douglas Personal Collection.

Soon after, however, the FOL called for an end to the industrial campaign by July 30 'to improve the climate for positive progress [in talks with employers and government]'. 'At the same time', Ken Douglas explained, 'we are warning unions that they will have to continue agitation and education activities among their membership because of the threat to the whole structure of the trade union movement'.[67] The campaign of industrial action was thus over. It was a short and sharp campaign and one ended somewhat abruptly by the FOL leadership. Precisely why remained unclear. Negotiations still bore no results. But neither was the campaign, the leadership suggested. Except for isolated workplaces, there was no major mobilisation. The press quickly pronounced the campaign a failure, citing a 'lack of support in the ranks'.[68] Jonathan Boston, too, noted that lack of rank-and-file support precluded an 'all-out assault on the freeze'.[69]

But in ending the campaign, the FOL remained certain that the freeze remained a 'hopeless pause', a 'tacit admission of the fact that the economy will remain on a "hold" in the absence of appropriate policies designed to restore overall economic stability whilst waiting for the expected recovery to arrive'.[70] Yet, having exhausted negotiations, legal challenges, and now an industrial campaign, and unable to even gain a single concession, the FOL was in a vulnerable position. Running out of options, and still far away from a potential change of government, Knox went to the International Labour Organisation (ILO) conference in Geneva in late July calling for an investigation into New Zealand where the 'right to bargain' had been removed by the imposition of a wage freeze. When the ILO delegation finally arrived, it condemned the Muldoon Government, but to no avail.[71] Before then, however, another cornerstone of the industrial relations system was undermined.

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[67] *Herald*, 14 July 1983.
[68] *Herald*, 15 July 1983.
[69] Boston, *Incomes Policy*, pp.235-236.
[70] FOL Research Office, 8 November 1983, 95-050-83, ATL, Wellington.
[71] *Herald*, 26 July 1983.

The Abolition of Compulsory Unionism

With the FOL on the back foot, Bolger seized the opportunity to return to the question of compulsory unionism. 'During the last few months, I have questioned whether New Zealand has benefited from 50 years of providing the trade unions with a guaranteed membership and guaranteed income', Bolger said. '[The belief] that we do not have a trade union movement in tune with the average New Zealand workers' aspirations has gained momentum'. [72] The Industrial Relations Amendment Bill 1983, which would, among other things, introduce voluntary unionism and youth rates (the latter permitting the payment of wages to people under 18 at rates lower) was introduced to Parliament in mid-September.[73] Bolger framed the abolition of compulsory unionism as restoring the 'right to work' without coercion. The highly publicised case of Lawrence Sumner, who refused to pay the strike levy at the Whakatu freezing works and 'found he could no longer get back to work', became the exemplary case. Minister of Justice Jim McLay called for laws 'to protect the rights of people like Sumner'.[74] That National would finally deliver on an election promise that lasted as long as the Party's existence, yet long watered down or refused by pragmatic leaders for the sake of industrial stability, reveals much about the hardening attitudes. With most employers, the National Party, and much of the public no longer convinced that the system delivered stability, and served as a barrier to economic growth, Bolger took the opportunity to strike a blow.

The FOL was not alone in its condemnation of the Bill. The widespread opposition included the Labour Party, women's, church and student organisations, and even some employers.[75] The *Auckland Star* described a 'united, and often angry… wall of opposition' at select committee hearings'.[76] Some employers, such as those in the pulp and paper and freezing industry, feared the creation of a union-enforced closed shop and 'mafia tactics'.[77] The FOL told the Government it could expect no

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[72] *Auckland Star*, 27 June 1983.
[73] *NZPD*, 453, 16 September 1983, p.2455.
[74] *Herald*, 2 August 1983.
[75] Roth, 'Chronicle', *NZJIR*, 8, 1983, p.252.
[76] *Auckland Star*, 12 November 1983.
[77] *Auckland Star*, 2 November 1983.

co-operation once it introduced voluntary unionism.[78] Yet as the *Auckland Star* noted, the FOL would probably need to wait until the election for any relief, while 'a pitched battle next year could give the Government ammunition to call a snap election on the issue and divert attention away from economic woes'.[79] Bolger claimed that if the Bill were defeated, 'then I would be inclined to agree that [trade unions] are stronger than elected Government and the will of the people'.[80]

Figure 24 FOL Representatives before Parliament's Legislative Chamber delivering a submission on the Industrial Relations Amendment Bill 1983. From Left: FOL Research Officer Graeme Aitkin, Knox, and Ken Douglas. Evening Post Collection, ATL.

[78] *Auckland Star*, 3 November 1983.
[79] *Auckland Star*, 17 September 1983.
[80] *Herald*, 22 November 1983.

Showing his increasing frustration, Knox claimed that the Bill represented an attempt to distract the public from the economic crisis: 'The actions of this Government are the actions of desperate men of a Government in its death throes.[81] Two hundred spectators lined up outside Parliament to get into the debating chamber for the final reading, where Labour's Mike Moore called it a 'charter for exploitation, tyranny and terror'.[82] Most dramatically, National MPs Marilyn Waring and Michael Minogue refused to support it. 'The burden of the effect of this bill will fall nationally on scattered workers and particularly female workers', Waring said.[83] Muldoon scrapped the youth rates clause, persuading Waring and Minogue to vote in favour.

'Dawn of a New Era for Unionism Stirs Fears' read the front cover of the *Herald* on 1 February 1984 when voluntary unionism came into force. 'Will industrial unrest heighten?', the paper asked. 'Will workers by the thousands opt to leave their unions? Will some disappear, or will others strengthen their hand? What course will union politics take?'[84] Knox predicted industrial chaos as unionists refuse to work alongside non-union members; he warned that 'unions intended to use their muscle to oppose the legislation'.[85] Yet any industrial campaign to challenge the law was now all but lost. Union members did resign, but in small numbers at first. The Shop Employees Union received 11 letters of resignation in the first day of the law out of a membership of 9,500, while the 22,000 strong Clerical Workers Union received 200 resignations.[86] Anti-union campaigner John Luton (disillusioned with unions because, he said, 'they create inflation and unemployment') funded a quarter page advertisement in *Auckland Star* calling on people to resign from their unions to 'save the country from economic destruction'.[87] Others took action to maintain a closed shop. Workers at Kinleith mill 'told the management they will not work with non-union labour after voluntary unionism becomes law on February 1'.[88] The

[81] Knox, 'Press Statement', 7 January 1984, 95-050-14, 1981-1987, ATL, Wellington.
[82] *Auckland Star*, 10 December 1983.
[83] *Herald*, 2 December 1983.
[84] *Herald*, 1 February 1984.
[85] Ibid.
[86] *Auckland Star*, 2 February 1984.
[87] Ibid.
[88] *Herald*, 26 January 1984.

Engineers Union followed afterwards. In more than 600 Auckland and Northland workplaces, members agreed that they would not work alongside non-union labour.[89]

Unions noted increasing intimidation from employers. 'Every day we are getting calls from members who say they are being intimidated on the job', said Dorothy Fraser of the Auckland Clerical Workers Union. Employers 'have been getting braver because of voluntary unionism' on the horizon. Fraser believed that members were petrified of losing their jobs and were facing situations where employers were unilaterally changing work hours and forcing full-time employers to take part time hours.[90] Ken Douglas, too, noted that workers were increasingly concerned about job security: 'That's the reality of what's happening for a lot of workers. The Prime Minister keeps saying "well things have stood still". They haven't stood still. Overtime has been cut back quite tremendously… a four day week has been imposed upon workers… the value of the award, the protection of the 40-hour week, has been undermined'. Asked in a radio interview whether the union movement had reached 'a crossroads', Douglas answered that it had, but only because 'our economy is at a crossroads'.[91]

After the Freeze

The idea that the union movement, the economy, and the country had reached something of a 'crossroads' was, in fact, widespread. All parties seemed to agree, all shared a pessimism about the prospects for recovery in the short term, and all offered their own solutions. International developments provided some guide. For some, monetarist and supply-side reforms along with sharp constraints on union power provided the answer. For others, events across the Tasman provided inspiration. There, a sense of stalemate had also taken hold. There, too, a pay freeze by Malcolm Fraser's Liberal Government demonstrated the lack of any kind of strategy for the economy. The Labor Party under Bob Hawke and the Australia Council of Trade Unions signed an 'Accord' before the Party was elected in early-

[89] *Auckland Star*, 26 January 1984.
[90] *Auckland Star*, 21 September 1983.
[91] Ken Douglas, interviewed by Sharon Crosbie, 24 July 1983, Nga Taonga, Reference Number: 635.

1983. The Australian Accord provided an example of positive union action and cooperation with Government. As Rob Campbell argued, it was precisely the 'chain of defensive reactions' that had stymied a positive approach. Instead, unions should advocate for a new system of centralised wage determination, and a role for unions in economic policy in partnership with a Labour Government.[92] As Campbell explained, 'we came to a realisation that direct industrial action was not going to be sufficient to really make any progress for workers. One needed a dual approach of strong industrial unionism combined with a good relationship with the Labour Party'.[93] Others, such as Chris Eichbaum of the Engineers Union, agreed, calling for a shift from a 'traditionally defensive orientation' of the union movement to an incomes policy with a Labour Government.[94]

In late-1983, as industrial action against the freeze exhausted itself and as Parliament debated the abolition of compulsory unionism, Alf Kirk and Campbell published *After the Freeze: New Zealand Unions and the Economy*. It was a book, the authors hoped, that 'ought to be unpopular with everyone'.[95] The main message was corporatist, a call for union involvement in economic policy and centralised wage-fixing. It critiqued what it saw as the conservative position of 'holding the line' on wages; that is, fighting to keep wages in line with the cost-of-living. It also argued that calls for 'free wage bargaining' were misguided. 'Free wage bargaining is consistent with a free market in other areas; unless we can live with a free market in other areas, we can hardly argue for a free market in wage fixing'. Combined, what this amounted to was a major critique of the FOL's main strategy since 1975: the defence of living standards and insistence on free wage bargaining.

It was perhaps easy enough to say that unions should show restraint for the good of the economy, others argued, but to give up on raising living standards would be a dangerous concession. 'If wage increases are not gained then workers' living

[92] Rob Campbell, 'It is really 1984 already?', in Raymond Harbridge, ed., *Future Options in Industrial Relations*, Wellington, 1983, p.5-8.
[93] Rob Campbell, interviewed by Mike Smith, 7 September 2016, OHInt-1208-10, ATL, Wellington.
[94] *Labour Network*, September/October 1983.
[95] Rob Campbell and Alf Kirk, *After the Freeze: New Zealand Unions and the Economy*, Wellington, 1983,p.7.

standards would fall even more dramatically' said Knox. 'To argue that trade unions should moderate their demands to bring down inflation is to condemn a large section of the working class to penury'.[96] This was also the view of Bert Roth. 'We can imagine a society in which the good of the community is paramount, but in our present economic system the profit motive prevails and self-interest rules', Roth wrote. 'Nobody should blame unions if they pursue their own self-interest and band together to maintain and improve their members' standard of living'.[97]

After the Freeze said little about the Labour Party, but the message was clear. The prescriptions would require an incomes policy and agreement with Government, and experience of 'the present government since 1975 leaves little doubt that such co-operative planning is impossible while they remain in office'.[98] If *After the Freeze* reflected a growing pessimism about the limits of industrial action, and of economic recovery any time soon, it also reflected an emerging optimism about the prospect of a Labour Government the following year. In May 1983, polls had Labour ahead on 50 and National on 40.[99] Muldoon 'was going to be replaced by someone', Campbell explained. 'That someone wasn't going to be Bill Andersen and Jim Knox. It was going to be someone from the Labour Party'.[100] To be sure, others had long called for a stronger relationship with Labour. But what Kirk and Campbell called for was different. Unlike Neary, for example, who saw unions as organisations fighting for wages and conditions while Labour did much of the rest in relation to economic and social policy, Campbell and Kirk saw union as playing a role in the general management of the economy.

If Campbell and Kirk focused on political and economic strategy, others looked inwards to the effectiveness of union organising, particularly in the wake of the end of compulsory unionism. 'If we're to combat the pressures for members to desert our unions', Ken Douglas said, 'we've got to take the union movement to those

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[96] FOL 1981 Conference.
[97] Roth, 'The State of the Unions', *NZJIR*, 8, 1, 1983, pp.47-56.
[98] Campbell and Kirk, *After the Freeze*.
[99] Raymond Richard, *Palmer: The Parliamentary Years*, Christchurch, 2010, p.141.
[100] Rob Campbell, interviewed by Ross Webb, 3 May 2021

members and prove the relevance and the right of our existence'.[101] But organising efforts were largely coming from the grassroots of affiliated unions. Some union activists described the period of the freeze as one of 'intense union activity' as activist union officials 'encouraged deliberative vitality through new delegate structures, which, in turn, changed industrial practices'.[102] While workers could not fight for wage increases, the freeze encouraged increasing organisation. In the Wellington Motor industry, Graeme Clarke recalled, 'we were fighting fit, and ready to have a go'.[103] These energies also spilled over from wider movements. The more assertive Māori protest movement, for example, 'dared Pākehā to think about their place in this Māori land, and to combine demands for social justice with an untiring insistence that the obligations of the Treaty of Waitangi be upheld'.[104] Led in part by remits from the Northern Drivers Union and others, the FOL organised a sub-committee in 1981 'to look at the problems related to Maori and Polynesian workers'.[105] In 1983, the FOL established the Maori and Pacific Island Advisory Committee to report to the FOL conference and give Maori and Pacific members 'a voice in national union politics'.[106]

Meanwhile, the FOL made slow progress on both its representation of women, and on progressing the calls of the Working Women's Charter. A number of women did take up key positions within the FOL: Joyce Hawe was elected to the executive in 1981, Therese O'Connell was elected Vice-President of the Wellington Trades Council in 1984, and Sonja Davies, who had largely led the campaign for the Charter was elected Vice-President of the FOL in 1983. Since 1982, the Women's Advisory Committee had worked to encourage women's participation and representation in all levels of the FOL; it promoted issues like equal pay and opportunity, sexual harassment, and childcare. It reported some progress at the FOL 1983 conference; though the FOL 'had some way to go'. The WAC registered its

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[101] *Ken Douglas: Traitor or Visionary?* [Documentary] (NZ on Screen, 2006)
[102] Locke, 'Building solidarity at the flax-roots'.
[103] Graeme Clarke, interviewed by Ross Webb, 9 April 2021.
[104] Atholl Anderson, Judith Binney, Aroha Harris, *Tangata Whenua: A History*, Wellington, 2015, pp.369.
[105] FOL 1981 Conference, MSX-2405, ATL, Wellington. Also see: Locke, 'Trade Union Anti-Racism Work, 1937–80'.
[106] Locke, 'Maori Sovereignty', p.264. Also see: Locke, 'From Human Rights', pp75-89.

concern that the ‘special needs of women workers’ tended to ‘slide backwards’ in the context of the economic crisis, threatening a reversion to the ‘traditional response’ of the FOL to ‘treat the struggles of women workers’ as ‘peripheral and luxury items’, ‘being placed at the bottom of meeting agendas, and treating issues like sexual harassment as a joke’.[107]


Federation of Labour
BULLETIN
Journal of the New Zealand Federation of Labour
No. 25 May 1981
"Til women join the struggle, married, single, white and black, you're fighting with a blindfold and one arm behind your back."
SPECIAL Working Women
Fighting Industrial Apartheid

Figure 25 The FOL's special edition Bulletin on the theme of working women. FOL Bulletin, May 1981.

[107] FOL 1983 Conference Minutes, MSX-2407, ATL, Wellington.

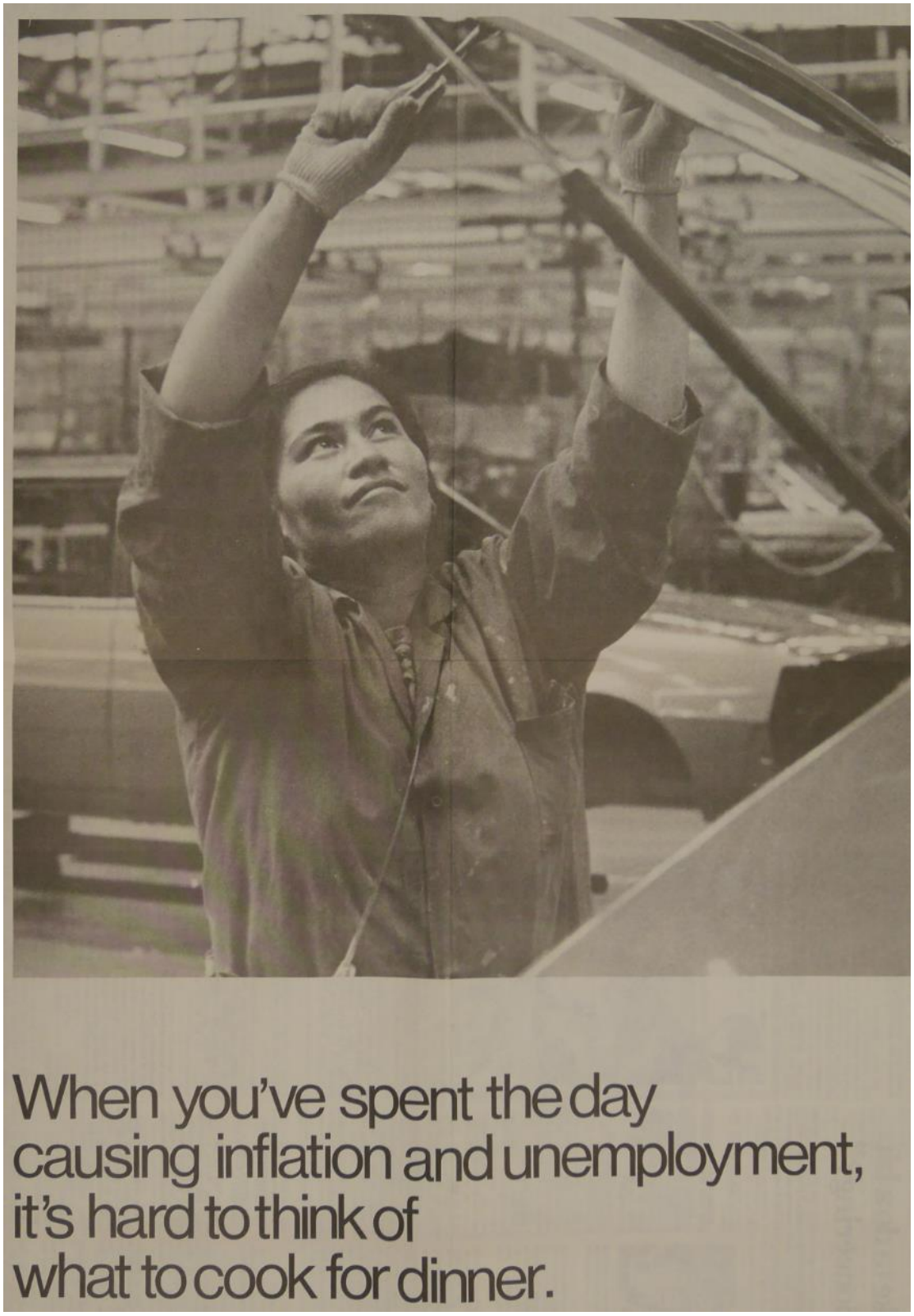

Figure 26 This poster created by Patricia Sarr was a response to Muldoon's suggestion that working mothers in particular, and union wage claims in general, were the cause of inflation. FOL Bulletin, May 1981.

Even if the FOL leadership were slow to respond, these pressures were increasingly changing attitudes. Ken Douglas recognised the power that more effective organising and representation could have, especially in the voluntary union era. 'Get out there to your membership', Douglas said, 'organise delegates, seminars, work your Maori and women's structure and widen the base of your operations'.[108] Often caricatured as a 'class-first' older-style trade unionist, Knox, too, saw action against racism and sexism, 'topics which we sometimes seek to avoid' he acknowledged, not as separate from the class struggle but part of forging unity.[109] In 1983 Knox acknowledged that the trade union movement was 'part of the society which has treated Māori and Pacific Island workers with such disrespect' and the movement had 'to make good that past'.[110] A year later, he described the 'structural racism' that led to high Māori unemployment.[111] Yet for the FOL leadership, rhetoric and reality clashed, particularly in their personal interactions with women.[112]

What connected these internal challenges—from Campbell and Kirk's provocations to the fight for democratising of union structures from below—was a wider sense that unions needed to be more effective in their strategy, organisation, and representation and in their approach to economic policy and relationship with Labour. In time, these efforts would both coalesce and conflict in the creation of a new organisation.

Within Labour, the corporatist policies along the lines advocated by Campbell and Kirk still constituted a 'feasible alternative'; the freeze and the Australian Accord, had caused some in the Labour caucus to emphasise the need for consensual and negotiated agreement on wage growth.[113] Addressing the 1983 FOL conference, Lange said that the Australian Accord would 'inspire us all to victory'. 'Unless we are together before we hit these seats in Treasury, we are not going to enjoy the

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[108] Grant, *Man for All Seasons*, p.240.
[109] FOL 1984 Conference, MSX-2408, ATL, Wellington.
[110] Ibid.
[111] Ibid.
[112] Therese O'Connell, interviewed by Ross Webb, 27 May 2021; Sonja Davies, *Marching On*, Auckland, 1997.
[113] Jesson, *Fragments*, p.93; Oliver, 'Labour Caucus and Economic Policy', p.21.

term in office'.[114] Yet many within Labour remained sceptical. Stan Rodger told the Labour Caucus and Economic Policy committee that an accord agreement was unworkable: the decentralised structure of the FOL made enforcing it impossible, and such a move would be 'massively unpopular' with the electorate. It was 'not worth pursuing', Rodger concluded.[115] Perhaps most consequential were the views of Roger Douglas. Douglas had since 1981 argued that inflation remained the key economic problem, that it was caused by wage increases and high government spending, and that Labour could not promise expansionary policies. With the accession of Lange as Labour leader in February 1983, Douglas became finance spokesperson.

While Douglas' views remained controversial among his colleagues, he found allies among a number of other institutions. The Reserve Bank began to more forcefully argue over 1982 and 1983 that reductions in real wages were required if the Government wanted to address unemployment.[116] At the same time that Treasury attempted to 'wean ministers from Keynesian thinking', its internal department, Economics II, began formulating a new approach, one that would form the basis of the briefing for the next Government.[117] In short, officials were 'utterly dismayed' by the freeze, and 'persuaded by their experiences between 1981 and 1984 that consensual and gradual liberalisation was a dead-end, and blitzkrieg was the only option'.[118] Even as the Employers Federation publicly supported the freeze, it privately believed the measures were 'hopelessly arbitrary and doomed'. They were, however, anxious not 'to give any comfort to militant unions' and saw the freeze as a period of 'breathing space' that might force the creation of a new system.[119] In late 1982, the Employers Federation's Max Bradford argued that the system took no account of 'ability to pay', and that this was the root cause of low growth, inflation and unemployment.[120] It would be 'madness', said Jim Rowe, 'to return to

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[114] FOL 1983 Conference Minutes.
[115] Oliver, 'Labour Caucus and Economic Policy', p.40.
[116] Reserve Bank, 'Unemployment: Causes and Policy Options', June 1982.
[117] McKinnon, *Treasury*, p.288.
[118] McAloon, *Judgements*, p.197.
[119] Parker, *Wealthmakers*, p.303.
[120] 'Real wages, inflation, unemployment and the wage determination system', Employers Federation Discussion Paper, November 1982.

the pre-June 1982 system of bargaining'.[121] Meanwhile, an emerging force, the Business Roundtable, which began meeting informally in 1976 and established itself as an organisation and think tank in 1980, began to challenge what it saw as an overly regulated economy and wage determination system.[122] By 1983, the *National Business Review* would call it 'probably the most powerful and influential group in New Zealand outside the Cabinet and Treasury'.[123]

Backs to the wall

The introduction of voluntary unionism coincided with yet another extension of the freeze.[124] With few options and an election still nine months away, the FOL/CSU commenced a campaign of industrial action. The 'right to bargain' campaign, as it was called, stressed the 'issues of trade union rights, wage levels, jobs and the election of a Labour Government'. While the intense but rather brief campaign for $20-a-week and an end to the freeze had collapsed in July 1983, the 'right to bargain' campaign was surprisingly large. Meat workers, waterside workers and members of the Engineers Union led the campaign. The Wellington Trades Council focused their local campaign on cleaners to emphasise the plight of the low paid during the freeze.[125] Over the four months in early 1984, 152 work stoppages took place, a total of 57,264 workers took direct action, and a total of 126,793 working days were lost.[126] These were impressive numbers for a union movement on the defensive. But it was, as Rob Campbell recalled, a 'back to the wall campaign'.[127]

While the Employers Federation still supported the freeze, companies now facing industrial action sought some kind of resolution. The lawyer for one company issued 'a cry for guidance and help' from Government. 'It genuinely believes that in the absence of assistance the cost of observing the current regulations would be

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[121] *Dominion*, 11 March 1983.
[122] Roper, 'Business Political Activism'.
[123] *NBR*, 3 October 1983.
[124] *Herald*, 2 February 1984.
[125] *NBR*, 23 April 1984; Raymond Harbridge and Don Edwards, 'The Federation of Labour's Right to Bargain Campaign: Its Background, Impact and Effectiveness', *NZJIR*, 10, 1 (1985), p.134.
[126] Ibid.
[127] Rob Campbell, interview with Ross Webb, 3 May 2021.

suicidal'.[128] The Union Carbide Limited Chief Executive wrote to Bolger after its employees went on strike. The company had abided by the regulations but were concerned about the financial impacts of the strike. 'The situation is becoming serious'. While acknowledging the success of the freeze in reducing inflation, 'industrial relations pressures are such that we stress the urgent need for a speedy resolution of long-term wage reform so that preparations can be made by the parties concerned for the return to free negotiation at the earliest possible date'.[129] New Zealand Forest Products also wrote to Bolger calling for a return to bargaining, claiming that the regulations were unworkable for larger firms.

These lobbying efforts were quickly condemned by the Employers Federation and by Bolger. 'We simply cannot afford', Bolger said, 'to add any inflationary pressure to the economy'.[130] It was just another sign that while the Government had succeeded in striking a blow against inflation, the pressures building up behind the freeze had not gone away. As the action at workplaces continued, the FOL/CSU's new demand for a general wage increase of between $17 and $38 was rejected by Muldoon out of hand as 'quite ridiculous'. Muldoon did, however, say that the government would grant a small increase, a move now even supported by Federated Farmers, the Manufacturers Federation and the Employers Federation, all of whom agreed that some relief was needed for low-income earners. On 23 March, Cabinet agreed to grant an $8 a week across the board increase.[131] It was 'nowhere near enough', said Knox, and he called on unions to continue to bargain directly with employers.[132] 'We want you to get out and show that the increase this Government has brought down by decree is unacceptable', Knox told union delegates in Auckland. 'Don't be put off, because if we don't do it this side of an election we never will. Now is the time. We want a change of Government'.[133]

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[128] Cool Allan & Co, Solicitors to Prime Minister, Minister of Labour and Minister of Justice, [possibly April 1984], 46/5/393, 3, ANZ, Wellington.
[129] Heaslip to Bolger, 24 April 1984. 46/5/393, 3, ANZ, Wellington.
[130] *Auckland Star*, 13 and 14 April 1984.
[131] 'Chronicle', *NZJIR*, 9, 1984, pp.135-144.
[132] *Herald*, 24 March 1984.
[133] *Auckland Star*, 26 March 1984.

Muldoon once again threatened a snap election over industrial action.[134] At this, Knox met with Labour Party President Jim Anderton. Together, Anderton and Knox announced they were ready to fight an election if Muldoon called one.[135] Labour leader David Lange, wanting to present himself as the 'Prime Minister in waiting', did not weigh in. But he did say that Muldoon was 'dribbling with joy' at the prospect of a confrontation. 'In the end, the unions know they don't defeat a government industrially. You defeat it constitutionally'.[136] Some within Labour did fear that National would run, and win, on a 'who rules the country?' type campaign.[137] The Joint Council of Labour met on the morning of 27 March and debated the continued industrial action. The Party called for caution in the face of a possible election, while some unionists argued that employers had to be convinced to get back into bargaining, and that industrial action was part of a union election campaign, but it was a campaign that the Labour Party clearly did not welcome.[138]

On the same day as the Joint Council meeting, 27 March, Alf Kirk drove down Vivian Street, making his way back to the Wellington Trades Hall. Suddenly, his car shook. In the distance, a cloud of smoke bust out of the Trades Hall. Kirk's first thought was that it was a bomb. He was right. Left in a suitcase in the Trades Hall lobby, the bomb blew out the front and back doors of the building and shifted a car parked out front several feet into the road. Ernie Abbot, caretaker of the building and former vice-president of the Caretakers and Cleaners Union was killed. The perpetrator got away.

For Kirk, seeing the smoke that day and coming across the debris, a question stuck with him: 'Why did I think it was so inevitable?' Kirk's thoughts were shared by almost every trade unionist interviewed afterwards. The event shone a spotlight on the near decade long press and political hostility towards unions, from Muldoon's 1975 election campaign to the 1981 'Kiwis Care' march, to the more recent legislative assaults. It was, Kirk continued, 'not an isolated event. It was the logical

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[134] *Auckland Star*, 24 March 1984.
[135] *Auckland Star*, 28 March 1984.
[136] *Dominion*, 24 March, 1984.
[137] *Auckland Star*, 31 March 1984.
[138] Joint Council of Labour Meeting Minutes, 27 March 1984. 2000-150-32/08, ATL, Wellington.

outcome of a climate of hostility that had been deliberately fostered for many years' on top of the 'social tensions associated with the economic crisis'. 'Over the period 1981-1984', Kirk said, there was a 'campaign against unions'; they were 'blamed for unemployment, inflation, balance of payments, any deficiency of economic management'.

A trade unionist attending Abbot's funeral claimed that the bombing could be traced back to those 'scurrilous films from 1975', referring to Muldoon's anti-communist campaign advertisement. [139] 'Generally speaking, the Government and the Employers Fed, they didn't set the bomb, but they lit the fuse', said another. In his eulogy, Pat Kelly asked those who had played a role in the 'vitriolic attacks' on trade unionists since the mid-1970s to reflect: 'Is this what you sought to achieve?' In the months afterwards, Knox was placed under police protection, while a number of hoax bomb threats led to evacuations of union buildings across the country.[140] The trades hall bombing only added to the sense that the FOL was under siege. It was the grim conclusion to what trade unionists dubbed a long running 'hatred campaign'. [141]

'Unity and understanding sustain election year support'

Two months later, Knox announced at the FOL conference that the movement had failed to successfully oppose the Government's anti-union policies. He did so to highlight the major priority for the year ahead: the election of a Labour Government in November.[142] The cover of the FOL Bulletin in June would feature David Lange and Knox shaking hands at the conference, with the title, 'Unity and understanding sustain election year support'.[143] Some viewed the FOL's focus on efforts to change the Government as a sign that it had exhausted its industrial muscle and given up on being a militant and independent movement. Certainly, as Raymond Harbridge wrote, the 'luxury of criticising the Parliamentary Labour Party in an election year

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[139] Rod Prosser (Producer/Director), (1985), *The Hatred Campaign* [Documentary], New Zealand: Vanguard Films
[140] *Auckland Star*, 3 April 1984.
[141] Ibid.
[142] FOL/Labour Party links, Muldoon Papers AAXO W4246 22139 Box 7, ANZ Wellington.
[143] FOL Bulletin, 37, June 1984.

is a thing of the past'.[144] Party President Jim Anderton explained that the FOL had its 'back to the wall and have turned to the Labour Party for a political solution'.[145]

The FOL leadership did not dispute this fact, nor hide their fears of the alternative. A re-elected National Government, Bill Andersen said, would deliver a 'huge blank cheque… for the demolition of the union movement'.[146] Muldoon, meanwhile, continued to stress the links between the FOL, SUP, and Labour, but with seemingly less success.[147] There were, Muldoon claimed, 'sinister links' between the Labour Party and trade union movement, while three 'Moscow-aligned coms' sat on the Joint Council of Labour.[148] Such arguments held less salience than they once might have. For one thing, Muldoon was clearly 'losing touch with the political mood of the country and was finding it more difficult than in the past to enthuse his own supporters'; Labour, by contrast, was now clearly a 'government in waiting'.[149]

Yet as the FOL endorsed a campaign to elect Labour at its conference, what was not known to the wider membership was that an important debate about economic policy had taken place earlier in the year between the leadership of the FOL and Labour, one that took on even more significance in hindsight. It began almost by chance when the FOL's research officer George Bevin met with Doug Andrew, a Treasury official seconded to Roger Douglas' office. Following a routine meeting about income level data, Bevin asked Andrew for some indication of Labour's potential economic policy proposals in the year ahead. Andrew outlined Douglas's thinking: the economic policy proposals included, among other things, the introduction of a goods and services tax, a reduction in protections for manufacturing, a cutting down of the deficit 'as quickly as possible', a sharp constraint on the money supply, and 'a large devaluation' of 20 per cent. 'Trade unions and other groups would not be able to recover the real wage loss resulting'.

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[144] Harbridge. '1984 FoL Conference', p.121.
[145] *ODT*, 30 March 1984.
[146] *Herald*, 19 June 1984.
[147] FOL/Labour Party links, Muldoon Papers AAXO W4246 22139 Box 7, ANZ Wellington.
[148] Roth, 'Chronicle', *NZJIR*, 9, 3, 1983, pp.221-228.
[149] Gustafson, *His Way*, p.361.

Employment should be led by 'growth'.[150] Bevin wrote detailed notes, phoned Doug Andrew to confirm every point, and then recommended that the FOL Executive call an 'urgent meeting' with the Labour Party.[151] According to Bevin, '[t]he overall thrust of the package is to return to the market to sort out the economic problems of efficiency and equity'. It would result in 'real wage loss for workers' and 'a deterioration in living standards'.[152]

It was a message that contrasted with the Party's union campaign strategy. In the same month, for example, the Party invited union affiliates for a meeting to rally around its election campaign, and its pledge to 'bring about a new era of economic and social justice for all New Zealanders'.[153] Rex Jones of the Engineers, perhaps aware of the debates, replied that his union 'await with interest the reports on the economic and industrial relations policies of the NZ Labour Party'.[154] At the Joint Council of Labour meeting in the same month, Jim Anderton introduced the election year strategy, citing the Swedish experience of 'political success through Labour Movement cooperation'.[155] This reflected not an attempt to deceive (that would come later), but rather the lasting divisions within the Party. Some in the Party shared the FOL's shock at Douglas' proposals. Labour MP Stan Rodger, for example, called it a 'quite unacceptable leap to the right'.[156]

The FOL Executive passed a resolution soon after calling for an 'urgent meeting' with Labour Party representatives to discuss the policies, which were 'impossible' for the FOL 'to endorse'.[157] On the same day, Rob Campbell shared with Ken Douglas an entirely different economic policy document that he had been given in confidence. It claimed that Labour's policies would be aimed at 'raising permanently the living standards of all New Zealanders', which required 'a new

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[150] 'Labour Proposed Economic Policy', undated, Ken Douglas Personal Papers.
[151] Bevin to Douglas, 'Economic Strategy Election '84', undated; Bevin to National Executive, 31 January 1984, Ken Douglas Personal Papers.
[152] FOL Research Office to National Executive, 31 January 1984, Ken Douglas Personal Papers.
[153] 'To All Local and National Trade Union Affiliates Secretaries', 22 February 1984, 95-229-71/10, ATL, Wellington.
[154] Rex Jones to 6 Wybrow, 6 March, 95-229-71/10, ATL, Wellington.
[155] Minutes of Joint Council of Labour Meeting, 27 March 1984, 2000-150-32/08, ATL, Wellington.
[156] Oliver, 'Labour Caucus and Economic Policy', p.43.
[157] Ken Douglas to JF Wybrow, 13 February 1984, 97-114-36-05, ATL, Wellington.

style of economic management' to help New Zealand move 'more rapidly towards an outward-looking internationally-oriented development phase'.[158] If the appeal to raising living standards was common enough in election policy pledges, the inclusion of the word 'permanent' was itself a critique on what Labour saw as inflationary wage growth and inflationary growth more generally. 'It is hard to see how sensible discussion can proceed', Campbell wrote, 'if the caucus is considering one economic policy draft and we are considering another'. Both documents retained the 'offensive characteristics' that would ensure that there would be 'a more intense development of the same economic policies as we experienced during the Muldoon government'.[159]

The Joint Council of Labour met on 22 February. There, Lange and the Deputy-Leader Geoffrey Palmer claimed not to have seen the economic policy proposals. The pair asked that the FOL put the paper 'behind us', 'destroy all copies of the document', and agree to set up a working party to look at 'mutually acceptable economic policy'.[160] Ken Douglas would later call it a 'tragedy' that the FOL 'accepted the assurances' of Lange and Palmer.[161] Rob Campbell recalled that Lange and Palmer dismissed it as just 'another one' of Roger Douglas' 'off the wall ideas', much like the 1980 alternative budget. Yet a number of people, including Kirk, Peter Harris and Campbell knew that it was not just 'another one'. 'In Wellington at the time', Campbell recalled, 'you kind of knew the other policy work that was going on, especially in Treasury'. Campbell believed that the Labour leadership, including Lange, were, above all, 'naïve'.[162] It remains difficult to know who saw the proposals, but it did not seem to have gone beyond the Executive. The FOL National Council were told in late February that the Executive 'had a long meeting with the Joint Council of Labour and it has been agreed that a working party be set up between the FOL, CSU and the Labour Party to deal with the

[158] 'Labour's Economic Policy', undated, 95-050-83, ATL, Wellington.
[159] Rob Campbell to Ken Douglas, 13 February 1984, 95-050-83, ATL, Wellington.
[160] We have no minutes from the meeting, only Ken Douglas' own recollection. *Dominion*, 14 July 1994; Marcia Russell, *Revolution: From New Zealand Fortress to Free Market, Auckland*, 1996, p.79; Franks and McAloon, p.202.
[161] Russell, *Revolution*, p.79.
[162] Rob Campbell, interviewed by Ross Webb, 3 May 2021.

propositions of an economic strategy'.[163] But none of the substance of the proposals were provided.

When the working party on economic policy commenced, the FOL/CSU outlined its own economic policy priorities. While it acknowledged the very real constraints of high government debt, low levels of investment, and the unstable domestic and international economic environment, it called for a fairer tax system, more effective use of government spending, a stable wage-fixing system, a national economic reconstruction plan, and an investment programme with greater worker input.[164] Roger Douglas removed some of the sharper edged policies, to remedy both union and internal Labour criticism, including devaluation. The removal of devaluation was necessary for public release, regardless.[165] The FOL now critiqued the new proposals as too vague. 'What we require is a clear statement of what a Labour government would do… vague statements that are capable of different interpretation are regarded with suspicion', read the FOL's comments on the draft. 'It would be just as possible to summarise the economic policy as one that said, "trust us". It is not sufficient to rely on that level of support from working people. They require something that they can identify with and work positively towards'.[166] The working party, and the Labour Party's own policy council, continued to debate economic policy, until other events intervened.

During these same months, the 'right to bargain' campaign reached its peak, the Wellington Trades Hall was bombed, and the FOL enthusiastically endorsed a campaign to elect Labour at its May Conference, as the debate about economic policy continued. One month later, National MP Marilyn Waring broke ranks with her Party once again, announcing her intention to support Labour's nuclear-free stance. Muldoon called a snap election for July, bringing the election forward from November. Some have since argued that it was economic issues, rather than the immediate issue of Waring's dissension, that provoked the election. National MP

[163] FOL National Council Minutes, 29 February 1984, 95-050-04, ATL, Wellington.
[164] 'Economic Policy: Trade Union Concerns', 24 February 1984, 97-114-36/05, ATL, Wellington.
[165] Franks and McAloon, p.202.
[166] 'Notes for the Economic policy Working Party: Comment on Draft Policy Document', 23 March 1984, Ken Douglas Personal Papers.

John Luxton claimed that Muldoon 'used [Waring] as an excuse to bring [the 1984] election forward' because 'the economy had heated up'.[167] Indeed, Muldoon was finding it impossible to navigate a way out of the freeze without causing runaway inflation and an escalation of industrial unrest. Foreboding economic forecasts from advisors in Treasury and pressures for change were also bearing down hard on his leadership.[168]

The 1984 Election

Labour campaigned on a platform of 'Bringing New Zealand together' and a programme of economic recovery. Geoffrey Palmer 'quickly pieced together a manifesto'; he 'stuck with platitudes' to plaster over the continuing disagreements within the Labour Policy Council and with the FOL.[169] The manifesto outlined Labour's vision: full employment, economic growth, fairness and social justice, a more democratic approach to economic management, and greater control by New Zealanders over the economy. The economic 'recovery' had eight foundations: consensus on the programme of economic and social reconstruction, a fair prices and incomes policy, an investment strategy to help restore full employment and reduce the external deficit, reform of industry assistance, a fair tax system, monetary policy that underpinned a balanced growth strategy, fiscal policy that tackled the problems caused by the internal deficit, and a re-targeting of public resources to ensure a more effective delivery of services to those in greater need.[170]

The Party promised a conference of business, labour and Government leaders immediately after the election to hammer out a new 'social accord'.[171] It would end the freeze and replace it with a 'negotiated, voluntary incomes policy or wage accord' similar to that instituted in Australia in 1983.[172] And it would restore the 'freedom of trade unions to negotiate with employers on wages and conditions'.

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[167] 'Three Reviews and a Postscript to *His Way'*, *Political Science*, Vol, 53, no.1, 2001, pp.37-55.
[168] Gustafson, *His Way*, Chapter 20 and 21.
[169] Richard, *Palmer*, p.161.
[170] NZLP, 'Official Policy Release', Ken Douglas Personal Papers.
[171] *Auckland Star*, 19 June 1984.
[172] Jonathan Boston, 'Wages Policy and Industrial Relations Reform', in Jonathan Boston and Martin Holland, eds., *The Fourth Labour Government, Radical Politics in New Zealand*, Oxford, 1987.

This was to occur, however, within 'the context of general economic restraint'.[173] Indeed, while promising a plan of economic reconstruction, the theme of constraint and 'belt-tightening' became a constant theme in Lange's speeches.[174] Before an election meeting of Kinleith paper mill workers, for example, Lange warned that 'open-slather' free wage bargaining would not be allowed under a Labour government.[175]

The FOL mobilised for the election campaign. It played a major role to get out the vote, affiliated unions donated large sums, and the FOL and Party together produced pamphlets and posters aimed at union members.[176] 'The National Party in Government has clobbered working people and their families again and again', read one pamphlet entitled *Why I'm Voting Labour: Working people speak out*. 'It's time to win back our pride in our work, our pride in our social system, our hope for our kids. We'll only do that with a Labour Government. But there isn't much time'. [177] Muldoon complained about the amount of union propaganda in workplaces across the country attacking his Government, a point Knox did not deny. Knox claimed he had never seen workers campaign as hard and contribute so much money for the election of a Labour government.[178] If there were remaining concerns about economic policies, these were side-lined while the campaign was on. The FOL 'had to defeat the common enemy', recalled Rob Campbell, 'and basically suspended hostilities internally in order to win'.[179]

The general sense that things could not continue as they had was profound. Writing in the lead up to the 1984 election, Michael Pugh noted that while the wage freeze effectively reduced inflation from 16 per cent to 4, the fall in real incomes 'contributed to the sense of malaise which can only benefit the other political

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[173] NZLP, Official Policy Release, Ken Douglas Personal Papers.
[174] Oliver, 'The Labour Caucus and Economic Policy', p.30.
[175] *Auckland Star*, 4 July 1984. Roth, 'Chronicle', *NZJIR*,.9, 3, 1983, pp.221-228.
[176] Franks and McAloon, p.203.
[177] *Why I'm Voting Labour: Working people speak out*, 1984, 94-106-57/11, ATL, Wellington.
[178] Roth, 'Chronicle', *NZJIR*, 9, 3, 1983, pp.221-228.
[179] Rob Campbell, interviewed by Ross Webb, 3 May 2021

parties'.[180] 'It was becoming quite evident', incoming Labour Party President Margaret Wilson later wrote, 'that the policies of the last nine years were not delivering the economic or social prosperity that the people wanted'.[181] Ken Douglas, too, added that Muldoon had 'slowly but finally offended everyone and all sections of society'.[182] Among them were business and employers, who had now largely abandoned Muldoon. A *NBR* business opinion poll just before the election found that Muldoon was 'seen to be further to the left [and] more strongly anti-business than the [Australian Hawke-Keating Labor Government] or Labour leaders Douglas, Palmer, or Caygill…. [Roger] Douglas is seen as having the vision and a readiness to tackle the restructuring of the economy'.[183] An Assembly of Business in August 1983 voiced strong opposition 'to government handling of the economy'.[184]

Muldoon's off-beat election campaign slogan, 'New Zealand, you're winning!', only highlighted his sense of detachment. Other National supporters disillusioned with Muldoon defected to the newly formed free market New Zealand Party led by Bob Jones, others to Labour. Tania Harris, who continued to feature occasionally in the press for comment since 'Kiwis Care', put her support behind Jones. The new Party, she said, was 'definitely here to stay'.[185] It was not, but it did split the National vote, which helped secure the election for Labour.

The FOL saw its own contribution to the election as decisive. Labour's victory in some safe National seats, such as Waitaki and Hawke's Bay, came down to local union support and campaigning, while the strong showing of the major centres was in part a result of the educative impact of the FOL's 'right to bargain' campaign.[186] Just days after the election, outgoing Party President and new MP Jim Anderton

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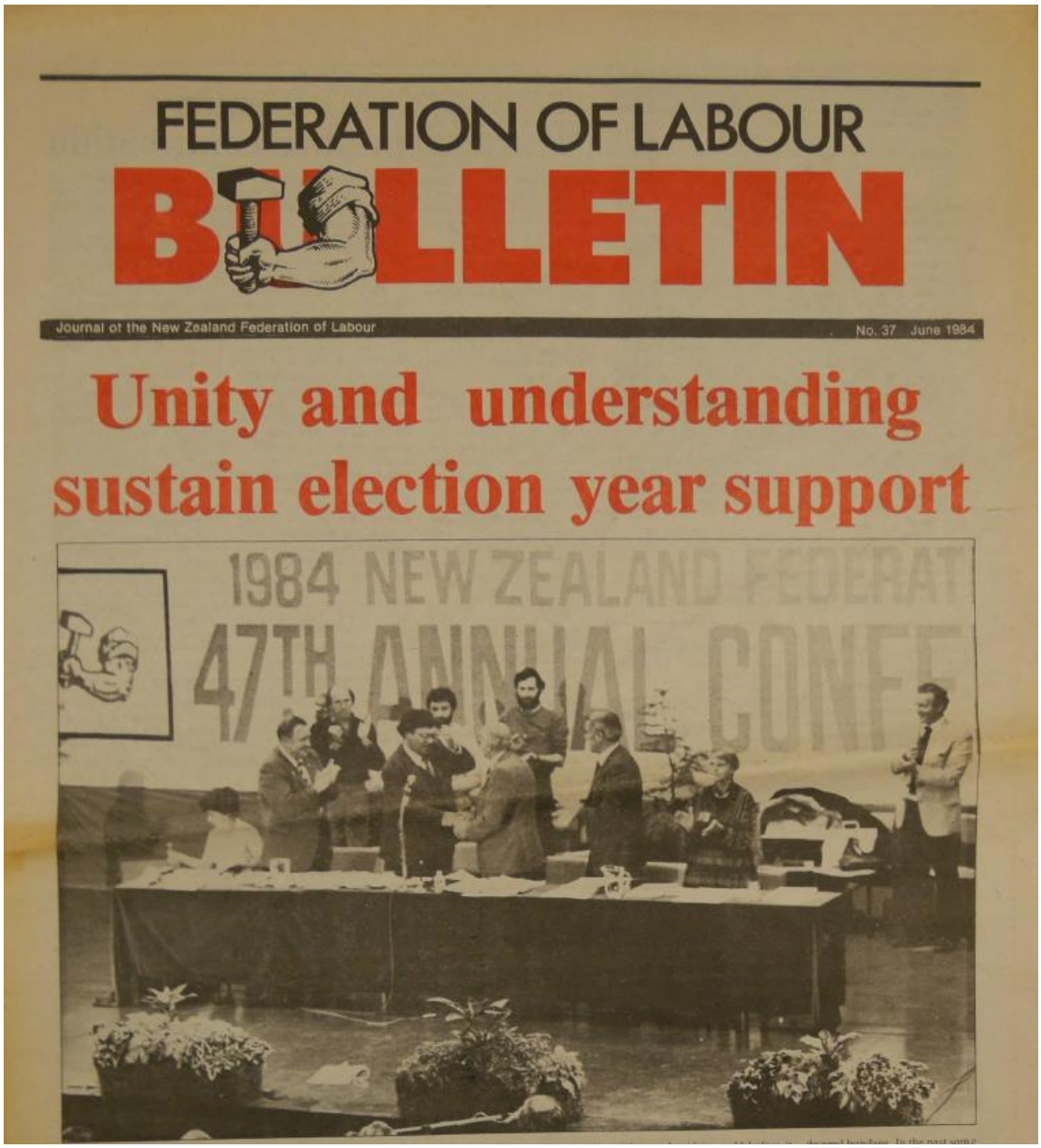
[180] Michael Pugh, 'New Zealand: The Battle for the Middle Ground', *The World Today*, 40, 7, July 1984, pp.308-314.
[181] Wilson, *Labour in Government*, p.32
[182] Douglas, 'What were the real issues?', p.74.
[183] *NBR*, 2 July 1984.
[184] Roper, 'Business Political Activism', p.15.
[185] *Herald*, July 1984.
[186] Nick Pacey, 'Trade Union Support of the New Zealand Labour Party, 1984–1993', Research essay, University of Auckland, 1993; Harbridge and Edwards, pp.129-139.

wrote to Knox thanking him for the role of the FOL 'in our victory'. 'You and your members can rest assured that I will do everything I can to see that those people we both represent get a Government and a society which offers social justice and equality of opportunity for working people'.[187] Lange, too, wrote to Knox. 'Many thanks for all the personal effort you put into the campaign', Lange wrote. 'I know that you will make an important contribution to industrial harmony and social and economic progress. My door will remain open to you, and I look forward to your continued advice and co-operation'.[188]

Despite the ongoing debates about the FOL and Labour Party relationship, and ambivalence on both sides, the FOL increasingly recognised that a change of government was essential. And while divisions remained over economic policy, that goal of removing Muldoon provided 'a semblance of unity' between the FOL and Labour Party.[189] Even while optimism about removing Muldoon only increased, some still worried about the parlous state of organised labour and what that might mean for the future. In a letter to Ken Douglas just days before the election, Len Smith of the Labourers Union warned: 'while we must fight for Labour to become Government, we must remember that we are a trade union organisation and we must maintain our independence, or we will be in trouble'.[190] Even so, the FOL looked to the future with some optimism. Muldoon's third term had been particularly bruising: industrial action to break the freeze had made no ground, and some unions were losing members fast in the wake of the abolition of compulsory unionism. The FOL thus concluded that the election of a Labour Government was essential, not only for much needed wage relief but also for the very survival of the union movement. The election, then, heralded the swift end to the long Muldoon era and the promise of a much-needed change of direction. 'Surge of optimism follows Labour victory' declared the *Federation of Labour Bulletin* in August 1984.[191] The

[187] Anderton to Knox, 17 July 1984, 94-106-57/12, ATL, Wellington.
[188] Lange to Knox, 18 July 1984, 94-106-57/12, ATL, Wellington.
[189] Bodman, pp.72, 79-80.
[190] Len Smith to Ken Douglas, 11 July 1984, 95-050-13, ATL, Wellington.
[191] FOL *Bulletin*, August 1984.

stalemate between the FOL and Muldoon would finally end. Yet what would break the stalemate was not a new consensus and partnership, but rapid economic reforms.



FEDERATION OF LABOUR

BULLETIN

Journal of the New Zealand Federation of Labour No. 37 June 1984

Unity and understanding sustain election year support

1984 NEW ZEALAND FEDERAT

47TH ANNUAL CONFE

Figure 27 Lange and Knox shake hands at the FOL 1984 conference. FOL Bulletin June 1984.

CHAPTER SIX
'Wages versus Rogernomics'
Labour and Economic Reform, 1984-1986

With the short but momentous election campaign now over, the questions of wages and economic policy quickly resurfaced as the most pressing issues. There were few within the FOL that thought Labour's election would solve all of their problems. It was, at best, a guarded optimism. As Knox explained, FOL cooperation relied on a simple delivery: wage relief for workers and 'jobs for all'.[1] Others hoped the reprieve of a new Labour Government would allow the FOL to recover and rebuild after Muldoon's bruising final term. 'Now we want to be building on, rather than defending, what we have got', said Bill Andersen. 'We can do that under Labour'.[2] Yet the question of what exactly the FOL and indeed much of the country expected was lost in the urgency of the election campaign. From the manifesto, one might have reasonably expected a negotiated incomes policy, the repeal of anti-union legislation, an active labour market policy aimed at curbing unemployment, more spending on social policy, a phased reduction in some forms of industry assistance, and perhaps a firmer monetary and fiscal stance.[3] Even if this was not all to the liking of some within the FOL, the assumption was still of moderate and negotiated change. An economic summit would hammer out a new accord and create a path to economic recovery consistent with social democratic politics. To be sure, Labour would do much that pleased the FOL, from restoring compulsory unionism and wage bargaining, to increasing the minimum wage.

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[1] *Christchurch Star*, 3 August 1984.
[2] *Herald*, 23 July 1984.
[3] Jonathan Boston, 'The Fourth Labour Government in New Zealand: The Economics and Politics of Liberalization', *The Australian Quarterly*, 59, 3/4 (Spring - Summer, 1987), p.367.

Yet the direction of economic policy in the years ahead opened up a whole new set of problems for the FOL and exposed an alarming gulf between its own priorities and that of the new Labour Government. Led by its Finance Minister Roger Douglas, Labour embarked on a rapid and unprecedented programme of deregulation and economic restructuring; it removed interest rate and import controls, liberalised the financial sector, abolished agricultural and export subsidies, reduced income tax for the wealthy and introduced a regressive consumption tax, floated the dollar, corporatised or commercialised state-owned enterprises, and abandoned universalism in social policy. It did not pursue a negotiated incomes accord with the FOL, but nor did it accede to the growing pressures to deregulate the labour market. Instead, the Government allowed a continuation of wage bargaining but in the context of an aggressively monetarist anti-inflationary stance, one that would have a profound ripple effect on organised labour, the system of wage bargaining, and on the rate of unemployment.[4] The result was a savage shock to the economy and society, and a steep rise in both inequality and unemployment. Price stability replaced full employment as the overriding principle of short-term economic policy-making, and monetary policy became an increasingly important lever to maintain it.[5]

While lobbying for wage relief and for a change in the direction of economic policy occupied the FOL's energies in the early months, the recommencement of bargaining in late 1984 put the FOL and Labour on a collision course. Union efforts to make up for lost time and restore living standards by pursuing large wage increases ran up sharply against the calls for wage restraint that were a central tenet of the new economic policy. If unions showed some wage restraint in 1984 in the honeymoon year after the election and amidst the early calls for consensus, the 1985-1986 wage round marked an historic peak in strike action. By then, the FOL's hope that the economic reform agenda could be reversed, was shattered. In an environment of austerity, deregulation, tight monetary policies, and a bitterly contested wage round, the FOL was forced to seek new strategies. For one thing, it

[4] Boston, 'Fourth Labour ', p.370; Singleton *et al.*, *Reserve Bank*, pp.2, 132.
[5] McAloon, *Judgements*, p.199.

faced what was an historic dilemma: how would it make up for the decline in living standards of its members and critique economic policy without endangering Labour's electoral advantage? This chapter traces the FOL's response to the Fourth Labour Government during its crucial first two years, between the immediate aftermath of the July 1984 election and the May 1986 FOL conference. At that conference, delegates were asked to vote on two key questions about its strategy and its future as an organisation: should the FOL approach the Government to reach an incomes agreement? And should it combine with the CSU to form a new organisation, the Council of Trade Unions?

From Devaluation to the Economic Summit

The dampening of expectations occurred immediately. On the day after the election, officials in the Treasury and Reserve Bank commenced crisis talks with senior Labour politicians. The snap election, and the expectation of devaluation, had triggered a foreign exchange and fiscal crisis. The economy 'went into a tailspin'. The Reserve Bank was forced to borrow $1,700 million overseas to protect the value of the New Zealand Dollar.[6] After some resistance, and a near constitutional crisis, Muldoon devalued the currency by 20 per cent, extended the wage-freeze for three months, and lifted interest rate controls before handing over the reins of power. The inherited economic challenges were devastatingly real. But they would also form part of the mythology of the need for the rapid economic reform that followed. The fiscal crisis was 'a gift', Lange later said, because it forever identified 'the old regime with recklessness and impunity' and allowed the Government to pursue its bold path.[7] Soon after taking power, the new Government 'opened the books', publishing Treasury's post-election briefing, *Economic Management*, to make 'the gravity of the present economic crisis' plain to the public.[8] Treasury's briefing outlined a very different path to that espoused in the campaign: there was, it suggested, 'no room to further stimulate domestic activity to raise employment'.[9]

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[6] McRobie, 'Politics of Volatility', p.402.
[7] Lange, *My Life*, p.176.
[8] Singleton, *Reserve Bank*, pp.101-102; Franks and McAloon, p.206.
[9] NZ Treasury, *Economic Management*, Wellington, 1984, p.118.

A parallel but ultimately quite different scenario had already played out across the Tasman. In 1983, the newly elected Labor Party promised a new consensus politics to move beyond the 'division' and 'confrontation' of the previous years; it held an economic summit to build that consensus. Labor's leader, Bob Hawke, would also later view Australia's own inherited fiscal crisis as 'political gold', granting the Government the freedom 'to cast aside many of its election promises'.[10] Hawke's Labor Government would pursue a similar raft of policies, including floating the dollar, deregulating financial markets, reducing tariff protection, and privatisation. Yet the Australian experience was different in significant ways. For one thing, Labor agreed to an 'Accord' with the Australian Council of Trade Unions (ACTU) before the election. In short, the Accord was a trade-off: wage restraint in exchange for 'social wage' policies, and cooperation and consultation in pursuit of reform, thus 'marrying traditional Labor concerns with the imperatives of opening up the economy'.[11] While some argue that it resulted in a softer, more consensual programme of restructuring, and involved key victories such as the introduction of Medicare and industrial superannuation, others point to the decline in living standards and union vitality that resulted, and the efforts by union officials and government to curb unions that did not accept the discipline the Accord required.[12]

Just six days after the election, and two days after Muldoon relented and agreed to devalue the currency, Rob Campbell wrote to Ken Douglas outlining his own forebodings about the new Government. 'Some members of the National Executive may feel that these comments are either too harsh or premature', he began. 'We need to keep our sights firmly on policy and its impact on our members and not get swept up in the euphoria of the mass media and big business singing a "unity chorus" at our expense.' Devaluation, far from being forced, was spoken openly about by Roger Douglas long before the election, a move 'bound to provoke speculation'. Campbell was suspicious, too, of Lange's now repeated claim that there had been a

[10] Frank Bongiorno, *The Eighties: The Decade that Transformed Australia*, Collingwood, 2015, pp.4, 15.
[11] James Walter, 'Growth resumed, 1983-2000', in Alison Bashford and Stuart Macintyre, eds., *The Cambridge History of Australia, Volume 2*, New York, 2013, p.166.
[12] Bramble, *Trade Unionism*, p.125.

‘damaging overstimulation’ of the economy, a view ‘contrary to the FOL/CSU policy position’ for ‘a controlled reflation in the interests of employment and living standards’. Campbell called for the Executive to take urgent action ‘to gain back the commitment to real consultation’ and to ‘a sustained package in so far as they are achievable in the post-devaluation climate’. The alternative was not only a major assault on workers’ living standards, but also the FOL’s reversion into a defensive role, conflict, and political backlash. ‘Unless a good working relationship on economic management can be established at the outset… we will be forced into a negative role with the consequent risk of a Labour loss in 1987’. [13]

If the relationship was already off to an unsteady start, FOL and Labour leaders quickly aimed to salvage some consensus in the aftermath of devaluation. The Joint Council of Labour met just over a week after the election.[14] Union representatives asked about the status of the economic policy agreed to before the election, requested an outline of the Government’s legislative program, and protested the impacts of devaluation on living standards. Devaluation was forced upon the Government, Lange insisted, and, to assuage FOL concerns, he claimed that money ‘released’ from the removal of agricultural subsidies would be used to provide relief for the low paid; he hoped, too, that workers would make up for ‘the hardships caused by the National Government’ in the next wage round. With these assurances, the FOL/CSU agreed to a period of ‘breathing space’ until an economic summit. The wage freeze would remain in place. The parties released a joint press statement agreeing to ‘a consensus-based economic recovery programme’. ‘[The FOL] welcomes the approach to economic management set out in the Labour Party policy which is in sharp contrast to the experience of unions under the Muldoon Government’. Union members had ‘the deepest possible interest in seeing a return to sane industrial relations, full employment and the re-establishment of decent living standards which are a key point in Labour’s policy’.[15] Yet the statement ran

[13] Rob Campbell to Ken Douglas, 20 July 1984. Ken Douglas Personal Collection.
[14] Attended by: Jim Anderton, Lange, Geoffrey Palmer, Roger Douglas and others from Labour, alongside Knox, Sonja Davies, Ken Douglas, Bill Andersen, Rob Campbell, Ron Burgess, Peter Harris, and Colin Hicks from the FOL/CSU. Minutes of the Joint Council of Labour, 23 July 1984, 95-050-14, ATL, Wellington.
[15] ‘Statement from Joint Council of Labour’, 26 June 1984’, 97-114-36/05, ATL, Wellington.

entirely counter to the Government's general message of austerity. Indeed, Lange's sometimes glib assurances during the early months only delayed the coming conflict.

There were some encouraging signs. Knox emerged 'all smiles' from a separate meeting with the new Minister of Labour, Stan Rodger. 'There is better communication and a better understanding of the problems affecting the wage and salary earners that we represent', Knox said.[16] Rodger had himself served as a union official in the PSA before entering Parliament in 1978.[17] But he had effectively foreclosed an Accord-style agreement in early 1983, a decision he would later regret. His ultimate goal, as he explained, was to 'do himself out of a job', to 'set in place an industrial Garden of Eden where unions, employers, mediators and industrial judges lie down together and sort out problems without recourse to the Minister'.[18] It was consistent, he thought, with the Government's broader deregulatory reforms. From the outset, he would advocate for the creation of the Council of Trade Unions as a body capable of playing this role. Yet during his term, whether for personal reasons or because of the Government's wider agenda, Rodger largely failed to connect with union leaders and even 'dreaded' meetings with Knox.[19]

While the FOL agreed to a period of 'breathing space', union patience quickly wore thin as the impacts of devaluation flowed through in the increased cost-of-living. The 23 per cent increase in petrol prices only stirred further calls for immediate relief.[20] Devaluation had 'put back wages $12 to $14 [a week]', claimed Andersen. 'Then there's the question of what effect rising interest rates on mortgages will have'.[21] An anonymous union official told a reporter that unionists were watching 'a little bit stunned' as 'every other sector leader [is] saying what wonderful policies the new Labour Government is following'. The Government was 'ratting on their policy statements' and 'workers are being asked to pick up the tab'. The summit,

[16] *Christchurch Star*, 3 August 1984.
[17] As PSA President (1970 and 1973) and chairman of the CSU (1970-1974).
[18] *Auckland Star*, 6 September 1984.
[19] Bassett, *Working with David*, p.130.
[20] Boston, 'Fourth Labour', p.370.
[21] *Auckland Star*, 14 August 1984.

they added, would be used as a platform to 'validate the current policies, which are not acceptable to working people'. Fearing that the FOL would be crowded out by the many sectional interests at the summit, its leaders now called for immediate action to demonstrate some commitment to working people.[22] As the summit neared, the FOL laid out it demands: an accord, the right to bargain, relief for lower paid workers, the restoration of compulsory unionism, and a wage increase of between $14 and $20 a week.[23] Separately, the Clerical Workers, Hotel Workers and the Caretakers and Cleaners unions applied pressure on the Government to restore compulsory unionism immediately, an urgency justified by the estimated $300,000 a month loss in revenue due to a loss of members.[24]

While the FOL pushed for immediate action, some Labour MPs asked for patience: wait for the September summit and the November budget.[25] Roger Douglas, by contrast, preached a message of austerity. 'There will be some pain', he said, 'but we must ensure it is borne fairly'.[26] Ken Douglas raged at this response. 'That's exactly the whole point of this election', he said. 'It was to elect people who were going to change those rules because it's those rules that deny us a living wage'.[27] In the lead up to the Summit, the parties attempted to steer the debate. The FOL/CSU released its own report, entitled *Opening the Private Books*, which detailed rising profits, share prices, and dividends all the while wages were frozen.[28] It aimed to demonstrate the unequal distribution of the crisis.[29] 'Wage and salary earners struggle under severe conditions while company profits boom. Fortunes are made on the share market and dividend pay-outs rise'.[30] If pain was to be shared, then, workers were in no position to face more austerity. The Employers Federation

[22] *Auckland Star*, 18 August 1984.
[23] *Herald*, 21 August 1984.
[24] *Herald*, 23 August 1984; *Herald*, 23 April 1985.
[25] *Auckland Star*, 18 August 1984.
[26] *Auckland Star*, 8 August 1984.
[27] *Auckland Star*, 9 August 1984
[28] FOL/CSU, *Opening the private books: key information on the incomes of the different groups in New Zealand*, Wellington, 1984.
[29] Ibid.
[30] *Auckland Star*, 7 September 1984.

stressed the need for restoring 'growth' in the economy above all else. That just meant 'increasing profits', said Bill Andersen.[31]

The Economic Summit was attended by representatives from all sectors: trade unions, business and farming organisations, and community groups. Of the eighty-nine attending, twenty-six were trade unionists, including the full FOL Executive.[32] The FOL/CSU's 'Statement of Position' accepted some measure of restraint, but rejected tight monetary policy and restructuring, an approach that would relegate full employment to 'something to be achieved at some indefinite time in the future', increase economic and social inequities, contract the economy, and remove 'effective control by New Zealanders over their own economic destiny'.[33] Ken Douglas called for the resumption of wage bargaining as a matter of 'urgency', while Sonja Davies outlined the position that women workers faced, concentrated as they were in low paid industry and requiring the protections of minimum wage laws and awards. Rob Campbell called on ministers to reject the pressures they were facing 'by big business organisations, public service advisors, Treasury and the Reserve Bank to adopt a more market, less protectionist attitude towards economic management'.[34]

Delegates all agreed to a communiqué which stated five 'basic policy objectives': 'sustainable economic growth, full employment, price stability, external balance and an equitable distribution of income—while fully respecting social and cultural values and avoiding undue environmental costs'.[35] If all parties could agree that unemployment was a problem, they disagreed about how to address it. All agreed on the need to restore growth, too, but once again debated the priorities. 'Society cannot achieve social justice, full employment and its economic aspirations without growth', Roger Douglas told the attendees. Business and employer organisations

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[31] *Auckland Star*, 14 August 1984.
[32] *Herald*, 23 August 1984.
[33] FOL/CSU, 'Statement of Position: Economic Summit', 1984, 95-050-083, ATL, Wellington. Paul Dalziel, 'The Economic Summit: What People Were Thinking', in Brian Easton, ed., *The Making of Rogernomics*, Auckland, 1989, pp.55-56.
[34] 'FOL Paper to the Economic Summit, September 1984', 94-106-57/12, ATL, Wellington.
[35] Dalziel, 'The Economic Summit: What People Were Thinking', p.56.

largely agreed.[36] Another unresolved tension was over the question of wages and whether workers would be compensated for the impacts of devaluation. Some trade unionists were quick to dismiss the summit; a 'brilliant piece of theatre', said the PSA.[37] Reporting back from the Summit in the feminist magazine *Broadsheet,* the CSU's Maryan Street claimed that while the conference achieved 'some admirable things', women were patronised: 'we were still not included in the real economic debate of the conference. Real talk, that is, men's talk, consisted of words like deficit and debts and fiscal drag and regressive taxation and profits and investments and .... social inequities, women's working conditions, childcare, disadvantaged and unpaid workers were all peripheral issues'.[38] While the mood of consensus pervaded, many pointed out that the dominant message was austerity, a sequel to the Government's 'Opening the Books' exercise (Figure 29).[39]

Figure 28 Jim Knox and Ron Trotter shaking hands on the steps of Parliament during the September Economic Summit. It would be a short-lived truce. *PSA Journal*, October 1984.

[36] Ibid.
[37] *PSA Journal*, October 1984.
[38] *Broadsheet*, November 1984.
[39] *Herald*, 14 October 1984.

Figure 29 *New Zealand Times*, 9 September 1984 DCDL-0024974 ATL, Wellington

The FOL took a more positive view, at least publicly. 'Summit promotes unity and co-operation', read its November *Bulletin*.[40] Campbell recalled that while there was 'some suspicion', the view that the sectors could 'get together and sort things out was quite genuine'.[41] The image of Knox shaking hands with Ron Trotter, CEO of Fletcher Challenge and soon chair of the Business Roundtable would serve as 'the conference's most compelling image'.[42] Yet this stage-managed consensus would not return in any form again. Labour's economic policy in the years ahead, its unwillingness from the outset to engage in an incomes arrangement, the frustrations of many trade unionists, and the pressures from business for deregulation, made the commitments in the communiqué a near impossibility. Despite the brief show of cooperation, the FOL and Business Roundtable would only diverge further; Knox and Trotter would later clash over the high profile Kawerau dispute in 1986 which came to represent the unresolved tensions at the heart of the reform process.

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During these same months, the FOL faced internal challenges. For one thing, a number of affiliated unions expressed their disillusionment. The Electrical Workers Union, led by Tony Neary, voted to disaffiliate from the FOL just three days after the election, while three local branches of the Printing Trade Unions called for a vote on affiliation.[43] Its leadership argued that the FOL was doing damage to the Labour Party and reinforcing the perception that unions were vehicles for 'malcontents and the various sects of the far left'. 'Feeling against the FOL is at an all-time high among our rank and file', wrote one official. 'Our function is to achieve the best possible wages and working conditions. [Our members] don't want a revolution; just a fair share of the country's resources… [their ambition is] to have overseas holidays, as well as more consumer goods… the dreams of class war held by some FOL officials are a fantasy'.[44] If the Printers reflected a more conservative vision of trade unionism, others called for a more positive engagement with Labour.

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[40] FOL Bulletin, November 1984.
[41] Rob Campbell, interviewed by Ross Webb, 3 May 2021
[42] Grant, *Man for All Seasons*, p.234.
[43] Roth, 'Chronicle', *NZJIR*, .9, 3, 1984, p.221-224.
[44] C. Chiles to Ken Douglas, 19 July 1984, 95-050-14, ATL, Wellington.

The 50,000 strong Engineers Union led by Rex Jones hinted at disaffiliation, stating that the 'pugnacious' FOL leadership was failing to 'develop new policies and direction in conjunction with the new Labour Government'. Cornered by a reporter, a visibly upset Knox said, 'as far as I'm concerned, I've made it clear—don't stand over me, mate. [That] is a matter for Mr Jones and his union'.[45] The Engineers would not disaffiliate, but Jones would join the FOL Executive in 1985 in order to try and shape its direction. Knox deflected, reminding his critics what the FOL had just been through. 'Perhaps we were a little bit too progressive and militant', he added. 'But we had to be to front up to a Muldoon government and see that the trade union movement survived'.[46]

Knox's position remained largely uncontested, though several new figures within the union movement gained prominence, including Ken Douglas. As we have seen, the leaders of the major public sector bodies—Colin Hicks and Ron Burgess—were also increasingly prominent, as was the PSA's economist Peter Harris, a sign of the growing centrality of public sector unions. Meanwhile, the FOL's economist, Alf Kirk, left to work as an advisor in David Lange's office. Perhaps the most articulate and most vocal critic of the Government during these years was Rob Campbell. On the FOL Executive since May, Campbell became increasingly independent in his commentary, calling for efforts to 'frustrate' those opposed to 'democratic socialism'.[47] From the outset, Campbell made his two goals clear: a repudiation of the Treasury and Reserve Bank 'strategy for the economy' and the 'rapid implementation of key economic policies agreed between the Labour Party and the union movement before the election'.[48] He rejected the policies of Roger Douglas as 'socially dangerous'.[49]

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[45] Ibid., p.224.
[46] *Auckland Star*, 3 August 1984.
[47] Pacey, 'Trade Union Support' pp.11-12.
[48] *Herald*, 4 September 1984.
[49] *Herald*, 27 September 1984.

Figure 30 Rob Campbell at the FOL conference, date unknown. Ken Douglas Personal Files.

The end of the freeze

If the uneasy start between the FOL and Labour was cooled somewhat by messages of consensus at the Joint Council and the Summit, it would only deteriorate thereafter. Attention quickly moved back to wages. The Government, unions and employers did agree to a set of proposals for wage bargaining. Tripartite consultation would include a 'full government briefing on economic trends so that broad constraints on wage settlements could be identified', negotiations over specific action for the low paid, a mechanism to decide on relativities, and financial incentives to arrange composite or enterprise bargaining over national awards.[50] Legislation establishing this system passed in November. While the focus was on the creation of a new tripartite system for negotiating ahead of the wage round, what was lost on many was that the legislation also effectively ended the system of compulsory arbitration, and thus the Arbitration era. Compulsory arbitration was the 'lynchpin' of the system; without it, 'wage bargaining was opened up fully to market forces'.[51] National feared that this would only bolster militant unions. 'Will the boilermakers go to arbitration?', asked National MP John Falloon, 'Will Bill Andersen's unions do that?'.[52] In reality, the change favoured employers, especially as the balance of power tipped in their favour.

Agreement on a framework for negotiations was one thing; agreement about a wage guideline was quite another. The FOL demanded an immediate $15-a-week general wage increase, followed by regular rises linked to inflation.[53] The FOL was well aware of the anger coming from members, who had faced a lengthy freeze, recent price hikes following devaluation, and who expected that Labour would improve their standard of living. 'Our members cannot wait until next year for a wage rise', said Tony Daly of the National Union of Railwaymen. 'If the FOL seriously expect us to wait until then, they had better start setting up soup kitchens'. Soon after, the FOL 'served notice' to the Government: unless action was taken, it would

[50] *Auckland Star*, 13 September 1984.
[51] Nolan and Walsh, 'Labour's Leg-iron?', p.25.
[52] *NZPD*, 458, 8 November 1984, p.1392.
[53] *Herald*, 25 and 26 September 1984.

encourage unions to 'put their own demands to employers'.[54] Lange opposed any across the board increase and claimed that 'relief through taxation or social welfare' was the best means of helping low-income families.[55] 'I said all along there would be cash in the pockets of those who needed it by Christmas', Lange said, insisting that he was not breaking any pre-election pledge. 'I stood in front of workers [at Tokoroa and on the Wellington Wharves] and told them they could expect nothing in the short term because we would be moving to [support the] lower paid and non-paid—and they cheered'.[56]

Knox vowed to push ahead. Rex Jones and Rob Campbell, too, warned that a lack of any immediate action threatened any co-operation from unions and risked a tumultuous wage round. At the Joint Council meeting in early October, Knox and Ron Burgess met with Roger Douglas, Stan Rodger, and the new President of the Party, Margaret Wilson, among others.[57] Knox made it clear that without wage relief, the FOL would have to initiate a campaign of industrial action.[58] 'We have not backed away from the $15 claim'.[59] Alarmed at this, Lange arranged to meet with the FOL, CSU and the Employers Federation the next day to restore co-operation.[60] Tripartite consultation could begin before the Budget, Lange announced, and the FOL agreed to drop its claim for $15.[61] Neary called Knox a 'complete and utter sell out'. The Electrical Workers Union, he said, would bargain for a 20 per cent increase at the very least. 'We are not bound by any agreements and do not feel obliged to follow any guidelines'. It was not just the unaffiliated unions. The Drivers and Waterside Workers already declared that they, too, would push for wages well beyond any guideline.[62] Hotel Workers Union Secretary Rick Barker said that his members 'standard of living' had declined by 25 per cent since

[54] *Auckland Star*, 3 October 1984.
[55] *Herald*, 6 October 1984.
[56] Auckland *Star*, 8, 9, 10 October 1984.
[57] *Herald*, 10 October 1984.
[58] Minutes of Joint Council of Labour Meeting, 9 October 1984, 2000-150-32/08, ATL, Wellington.
[59] *Herald*, 10 October 1984.
[60] *Herald*, 11 October 1984.
[61] *Herald*, 14 October 1984.
[62] *Herald*, 16 and 19 October 1984.

1981.[63] Indeed, some wondered how the Government might respond when union claims collided with its commitment to austerity and a fall in real wages.

Negotiations commenced and quickly became, as they often were, a debate about the state of the economy. The Employers Federation argued that a 'low wage guideline' was 'essential, indeed unavoidable', while the Governments' position followed the Treasury advice: 'there is no option but to accept a reduction in living standards'.[64] The Government proposed 4 per cent; the FOL, 11.2. The parties moved to 4.5 and 9.6 respectively before talks ended in deadlock. After negotiations broke down, Knox wrote to all affiliated unions warning them to prepare for action and to 'not settle' for anything below 9.6 per cent.[65] At this, Lange threatened to impose wage controls; regulations 'were drafted and went before Cabinet later that morning should they be required', claimed Labour MP and Cabinet Minister Michael Bassett.[66] The FOL met with Lange, now often accompanied by Roger Douglas, several more times into late-1984.[67] At one meeting, Lange again warned, 'we [are] now at the point where the Government would choose whether we had bargaining or central regulation'.[68] Wage controls were not pursued, but political pressure was applied. Labour MPs made appeals and then threats to engineers operating pumps at oil depots who struck for 48 hours for an increase of 27.6 per cent, while Roger Douglas warned that workers 'demanding excessive wages' would put thousands out of work'.[69]

Negotiations to set a wage guideline coincided with the Government's first budget. It included Family Care, a means-tested benefit to low- and middle-income families, which boosted the incomes of a family with three children by $2,967 annually,

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[63] *Auckland Star*, 22 October 1984; *Herald*, 31 October 1984.
[64] Employer Federation, 'The 1984 Wage Guidelines'; 'Tripartite Consultation: State of the Economy', 1984, 94-106-57/13, ATL, Wellington.
[65] Knox, Letter to Affiliates following resolution of FOL National Executive', 23 November 1984 94-106-57/13, ATL, Wellington; *Herald*, 24 November 1984.
[66] *Herald*, 24 November 1984; Bassett, *Working with David*, p.130.
[67] 'Notes on a meeting with Prime Minister Lange in his office on Monday, November 27, 1984'; 'Report to FOL Executive', 30 November 1984, 94-106-57/14, ATL, Wellington.
[68] 'Report to FOL Executive', 30 November 1984, 94-106-57/13, ATL, Wellington.
[69] Roth, 'Chronicle', *NZJIR*, 10, 1, 1985, p.61.

equal to a wage increase of 18 per cent.[70] The budget also raised the rate of taxation (from 31.5 to 33 percent) and increased the cost of milk, petrol, electricity, alcohol, cigarettes, and prescriptions.[71] On that front, at least, the FOL protested. 'The impact of the measures will be to raise the cost of living for working people', Knox said.[72] That the Family Care package was not universal was also the source of criticism from the FOL.[73] Lange wrote directly to Knox. 'I absolutely reject the principle that this Scheme should be "targeted universally". It is monstrous to suggest that I should receive it… it's pretty dotty for my family to get the Family Benefit'.[74] The shortcoming of the Budget, Knox concluded, would have to be resolved at the bargaining table.[75]

The 1984-5 wage round settled at about seven per cent in what became the unofficial guideline, a fact Rodger called 'little short of miraculous'.[76] On December 6, the Metal Trades and Drivers Award settled at 6.5 per cent. While these trendsetting awards were relatively low, some workers—newly energised by grassroots organising in the years prior —took industrial action. Hotel and Hospital Workers called a nationwide stoppage; the United Food and Chemical Workers Union called for 24.3 per cent and the Northern Storepersons and Packers Union campaigned for $30 a week.[77] 'Inflation, high company profits and some dissatisfaction with the Government's economic policies are the reasons being given by union officials for trying to push past the wage-rise guideline', the *Herald* reported.[78] Writing to the Government in early 1985, Rowe expressed his concerns. 'The union movement is refusing to abide by the procedure agreed in the Tripartite wage consultation; by pursuing wage claims, greatly in excess of the Government's guidelines, are completely ignoring the spirit of the economic summit

[70] Pacey, p.11.
[71] McAloon, *Judgements*, p.203; Franks and McAloon, p.209.
[72] *Herald*, 9 November 1984.
[73] It did not apply to beneficiaries, the unemployed and those that worked in the aggregate less than 30 hours a week. *NZ Times*, 10 November 1984
[74] Lange to Knox, 20 November 1984, 95-050-14, ATL, Wellington.
[75] *Herald*, 9 November 1984; *NZ Times*, 10 November 1984.
[76] Boston, 'Fourth Labour', p.370; *Herald*, 14 January 1984.
[77] *Herald*, 7 December 1984.
[78] *Herald*, 3 February 1985.

conference'.[79] Responding to such pressure, Lange intervened, organising yet another meeting with the FOL. There, Ken Douglas reminded Lange that the guideline was never officially accepted by the FOL affiliates. There had been no attempt at a wage accord. Emerging from the meeting, Lange fronted the press and made his first public threat to the FOL. His Government, he announced, was 'not going to allow its economic strategy to be destroyed'.[80] For his part, Rodger no longer regarded the round as 'miraculous'. 'It went a little bit sour shortly after that'.[81]

Yet if this had the makings of a disaster for the new Government, it was no better for workers. Real weekly earnings fell 4.9 per cent in 1984, and 2.6 per cent in 1985.[82] The wage round left many bitter. Guy Truell of the recently formed Low Paid Action Alliance said the round demonstrated 'what a con the consensus summit is'. 'It's time the relatively advantaged started to carry a greater share of restraint like the consensus summit promised.'[83] Hazel James of Christchurch wrote to Lange in early 1985 complaining about the ways inflation ate up her husband's measly pay packet. 'There is something terribly wrong with your economic policies… Prices are rising weekly… every time I go to the supermarket, I need more and more money, or must put something back'.[84] Paddy Flanagan of the Woollen and Hosiery Workers Union called the wage round 'a disaster'. 'Workers will be screaming if there's another moderate settlement'.[85] 'The seven per cent is rubbish', added Wellington Hotel and Restaurant Workers Union secretary Peter Cullen, 'it gave our people nothing'.[86]

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[79] Rowe to Rodger, 24 January 1985; Rowe to Rodger, 5 February 1985, 2001-129-28/2, ATL, Wellington.
[80] *Herald*, 7 December 1984. *Herald*, 8 February 1984; *Herald*, 12 February 1985.
[81] *Listener*, 11 May 1985.
[82] Boston, 'Wages Policy', pp.157, 167.
[83] 'Low Paid Action Alliance Media Release', 18 January 1985, 94-106-58/01, ATL, Wellington; Telegram to Storeworkers Union, 23 January 1984. 94-106-58/01, ATL, Wellington.
[84] Hazel James to Lange, March 1985, 61/2/4, ANZ, Wellington.
[85] *Listener*, 11 May 1985.
[86] Ibid.

Figure 31 Hotel, Hospital, Restaurant and Related Trades Workers Union members marching in protest to the Hotel Association office on Oxford Terrace, Christchurch. 19 March 1985. *Christchurch Star*. CCL-DW-94751

It was perhaps easy for the Government and many in the press to accuse the FOL of reverting back to its narrow focus on wages. But many in the FOL did see its wider political ramifications. 'The key political point is not the wage rise', said Bill Andersen, 'but a fight against the whole economic policy imposed by [the] Finance Minister'.[87] The FOL's advice to its members explained that to accept a low offer would be 'in effect, underwriting an unacceptable economic policy'.[88] It was for this reason that a *Listener* profile examining the FOL/Labour relationship was entitled 'Wages versus Rogernomics'.[89] In it, economist Brian Easton claimed that a high wage round would be 'grim tidings for the Government's economic policy'.[90] Roger Douglas himself argued repeatedly that 'low wage settlements were vital to determining the success or failure of the Government's economic policies'.[91]

For those like Campbell and Rex Jones who wanted desperately to see a more proactive and positive role for the FOL, economic policy made it all but impossible.[92] As Campbell said, 'the prospect that by late this year the unions' attitude will have changed so much that we adopt a wage posture which is simply a meshing-in with existing Government strategy is impossible to envisage'.[93] Jones, meanwhile, wrote to his counterpart in Australia lamenting the lack of an Accord-style agreement. 'It would be fair to say we are being hampered by the lack of a prior agreement with the Labour Government (such as your Accord)'. 'While I am confident of reaching a correct position among the Unions involved, I see some difficulties in achieving this with the Government'.[94]

Industrial strife, negotiations breaking down, and the regular threat of regulations. If this resembled the Muldoon-era, there was a crucial difference. The FOL had no intention of removing Labour from office. The 'job of the trade union movement', Knox told the FOL Council in July, 'must be to ensure [that Labour] is kept in office

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[87] *Herald*, 24 November 1984.
[88] Knox to FOL Affiliates, 30 November 1984, 94-106-57/14, ATL, Wellington.
[89] *Listener*, 11 May 1985.
[90] Ibid.
[91] *Auckland Star*, 20 May 1985.
[92] *Auckland Star*, 7 December 1984.
[93] *Listener*, 11 May 1985.
[94] Hartford, 'A Trans-Tasman Community', p.106.

and returned to office again in 1987'.[95] The FOL walked a fine line, then, and amidst the wage round and threats of regulation in late 1984, its Executive reaffirmed its support for the Government and stressed 'the need for our relationship to be strengthened'. Despite concerns about economic policy, activity was directed 'against the employers who have been the main beneficiaries of the wage freeze'.[96] At the October Joint Council meeting, Ken Douglas emphasised the need to avoid public arguments with the Government 'because of the harm that could be done to public relations in the wider movement', while Bill Andersen warned critics of the Government not to 'destroy the whole Labour Government'; the real enemy was the 'economic structures to which the Government was subservient'.[97] Others warned the Government of the political fallout. Graeme Clarke of the Wellington Trades Council wrote to Lange and warned: 'if the present direction of this policy continues… it will create a sufficient non vote by workers in 1987, and some swing to the National Party, that your Government will be ousted'.[98] As the criticism mounted, Labour MPs increasingly retreated from the forums of consultation; the FOL complained of the lack of 'availability of Cabinet Ministers', and that Labour MPs had cut off contact with district councils.[99]

The FOL's political dilemma shaped its 1985 conference. 'There is little evidence to date', Knox said, of a 'genuinely negotiated reconstruction and recovery of the economy agreed in principle with us prior to the election and emphasised in the 1984 summit communiqué'.[100] Delegates agreed. 'Cabinet is asking us to cooperate with them in lowering the living standards of working people', said one. 'We would like to retain Labour', said another, 'But some of the economic things that they are doing are horrifying'. Others opposed a 'full frontal attack' on the Government. For Andersen, the Government provided unions at least the 'organisational capacity to fight the big business monopolies'. Dan Duggan claimed that Government still

[95] FOL National Council Minutes, 25 July 1984, 95-050-04, ATL, Wellington.
[96] National Executive to FOL Affiliates, undated, [late 1984], 94-106-57/15, ATL, Wellington.
[97] Joint Council Meeting, 9 October 1984, 2000-150-32/08, ATL, Wellington.
[98] Clark to Lange, 8 January 1985, 95-050-14, ATL, Wellington.
[99] Ken Douglas to Caucus Committee, Labour Party, 27 February 1985, 2000-150-32/08, ATL, Wellington.
[100] *Herald*, 8 May 1985; *Tribune*, 13 May 1985.

needed to be ‘given a chance’, and Joyce Hawe argued that criticism would lead to a ‘hopelessly divided’ labour movement.[101]

Figure 32 Tom Scott’s cartoon of Lange addressing the 1985 FOL conference. *Auckland Star*, 11 May 1985. Ref: A-312-4-014. ATL, Wellington.

[101] Ibid.

Delegates voted to press the Government for an immediate general wage order, a claim Lange rejected immediately when he fronted the conference to deliver his speech.[102] Lange, who received hisses and heckles as he spoke, called for continued restraint, asking delegates to look forward to 1987 when the 'results of your sacrifices begin to bear fruit'.[103] Responding to Lange's address, Knox claimed that while the FOL would continue to express the concerns of the rank-and-file, 'We want you there and we intend to keep you there'.[104]

Wages, Jobs, and the Economic Debate

As the wage round concluded, economic policy again took centre stage. When Party President Margaret Wilson called for 'an economic debate' ahead of the August 1985 Labour Conference (against the wishes of the Cabinet and Caucus, but with some support from Lange), the FOL/CSU saw another opening. It produced *Wages, Jobs, and the Economic Debate* which outlined a plan to 'rebuild the economy' as an alternative to what was now increasingly being called 'Rogernomics'. The approach so far, it warned, risked putting the country on a 'low-wage treadmill', putting jobs at risk, favouring the wealthy, making the country vulnerable to domination by multinationals and less able to maintain control over its own 'economic destiny'. The alternative plan to rebuild the economy involved lifting workers' living standards, a fairer tax system, a plan for jobs that did not rely on 'the market' to deliver, and a change in 'our values, not just our economy', so that 'individuals and groups in our community participate in our society in the fullest possible way'.[105] It contained much of the language and policy outlined in the alternative economic strategy but updated to suit a very different context.

As one journalist noted, the FOL sought 'nothing less than a reversal in economic policy, a dismantling of Rogernomics, and they have a good measure of support within the Labour Party'.[106] The FOL/CSU organised meetings across the country to encourage discussion and debate on the document and to prepare members for

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[102] *Auckland Star*, 8 May 1985.
[103] *Herald*, 9 May 1985.
[104] Ibid.
[105] FOL/CSU, *Wages, Jobs and the Economic Debate*, 1985, 94-106-58/01, ATL, Wellington.
[106] *Listener*, 11 May 1985.

the upcoming Labour regional conferences.[107] The FOL believed that strengthening the union voice within the Party and changing tack on economic policy would prevent 'the return of a National Government'.[108] Roger Douglas rejected the FOL/CSU plan as little more than a return to exactly 'the kind of tightly controlled economy which for years and years, has limited unions to concerns of relativity, wages and conditions'.[109]

But if the FOL and members of the Party sought a shift in economic policy, deregulation had unleashed momentum for further change; the Government received warnings not to backdown or deviate, but to extend deregulation. With its members already hard hit by the removal of subsidies and high interest rates, Federated Farmers called for only more 'discipline from the Government to control its own spending and to continue freeing up the economy'.[110] Indeed, the pace and direction of economic reform and deregulation, too, only shifted the parties further apart. The consensus of the Economic Summit was well and truly over. As Campbell recalled, with his farming constituency being 'ripped apart', Peter Elworthy of Federated Farmers had much bigger issues to deal with than whether or not he 'got on with Rob Campbell or Ken Douglas'.[111] Meanwhile, Labour received encouragement from abroad. An International Monetary Fund (IMF) delegation arrived in April 1985 and praised the government for its 'courageous and enlightened course', warned that the policies would 'bring short-term costs', and benefits would be slow to reveal themselves, 'so patience as well as firmness will be needed'.[112] The *Economist* called it 'intelligent free market policies in socialist clothing'.[113]

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[107] Ken Douglas to All Trades Councils and Trade Union Committees, 29 April 1985, 94-106-58/02, ATL, Wellington. *Auckland Star*, 22 March 1985.
[108] 'Economic Situation', undated, 94-106-58/01, ATL, Wellington.
[109] *Herald*, 23 March 1985.
[110] *Auckland Star*, 5 March 1985.
[111] Rob Campbell, interviewed by Ross Webb, 3 May 2021.
[112] Abigail Miles and Jonathan Weaver, 'Rural crises and adjustment in an agrarian country, New Zealand, 1975 to 1990', *Agricultural History Review*, 66, 2, 2018.
[113] Boston and Holland, *Fourth Labour*, p.264.

Into 1985, the FOL faced a number of major blows to any economic alternative; the Government increasingly exposed the economy to global market forces.[114] In March, Labour floated the dollar. Thereafter, 'international currency markets, not the Government, would set the value of the New Zealand dollar'.[115] 'We now have grave doubts', the FOL/CSU declared in response, 'that it is possible to operate a stable and agreed prices and incomes policy. There is no longer a balance of fairness in the way prices are set in New Zealand'.[116] Another contentious policy was the proposed introduction of a Goods and Services Tax (GST), which went against the FOL's long-standing opposition to indirect and regressive taxation.[117] Rob Campbell and Peter Harris largely led the union argument against GST and economic policy in general at Labour Party regional conferences; they suggested that if unsuccessful in combating the proposal, the union movement could turn its attention to how the revenue raised was spent, so that it focused on improvements in 'living standards for low and no-income earners', rather than reducing marginal tax rates at the top or deficit reduction. As it turned out, this was the compromise reached: 'the majority of delegates accepted the GST, so long as the government accompanied it with income tax cuts and social welfare measures that would improve the circumstances of middle- and low-income wage earners'.[118] The Goods and Services Tax Bill 1985 was introduced to Parliament on 22 August.

With the FOL/CSU's *Wages, Jobs, and the Economic Debate* in hand, Campbell toured the Labour Party regional conferences throughout the country, lobbying for a change in economic policy direction; Campbell aimed to challenge the 'popular myth… that the Finance Minister has "won" those debates', and called once again for an 'economic policy of democratic socialism'.[119] Reporting back to the FOL/CSU from the Otago Southland Conference, Campbell reported his progress and the difficulties encountered: 'the main thrust of the Ministers… is still to

[114] Franks and McAloon, p.208.
[115] McAloon, *Judgements*, p.203; Singleton, *Reserve Bank*, pp.106-122.
[116] *Herald*, 5 March 1985; *Auckland Star*, 5 March 1985.
[117] John Weaver, '"Deep in the Heart of Taxes", Fourth Labour, the GST, and Fiscal Reconstruction', *New Zealand Journal of History*, 49, 2, 2015, pp.23-59.
[118] Ibid., p.41.
[119] NZ *Times*, 5 May 1985. Campbell, 'NZ Labour Party, Ruatoria, March 1985', Ken Douglas Personal Collection.

emphasise how bad a mess the economy in is, and to call for loyalty to or confidence in Cabinet decisions'. 'The task of asking Party members to publicly and flatly vote down a policy held so dear by their Cabinet is too tough. We have done remarkably well in my view'. Campbell recommended to the FOL leadership that he and Harris would continue to push for 'the alternative policy approach, identify problems in the present and hold out for the possibility of a negotiated solution via the Joint Council of Labour'. The strategy needed, however, to be 'supplemented by other contributions into the matter of economic policy (i.e. not simply wages) from the top leadership [of the FOL/CSU]'.[120] Campbell's view that such a contribution was not forthcoming would contribute to his frustration with the FOL in years to come.

However, by mid-1985, the FOL could claim at least some victories. In the face of both employer and popular backlash, Rodger announced that the restoration of compulsory unionism would put an end to the 'dark days of union bashing'.[121] The Employers Federation lobbied the Government against it, even making a quickly rejected complaint to the ILO, while public opinion polls revealed that 70 per cent of New Zealanders favoured voluntary unionism.[122] Anticipating such resistance, the FOL launched a campaign, the 'Fight for Universal Unionism'. 'This time it's a fight with the Government on our side. But the Labour Government needs support'. [123] It took longer than expected, but compulsory unionism was reintroduced by mid-1985. It came with a compromise: after 18 months, union members could vote on whether or not to maintain it.[124] In early 1985, too, the FOL declared its 'total support' for 'progress towards a Nuclear Free Zone in the region of the south Pacific' and Labour's stance on nuclear issues.[125]

Back to bargaining

When the tripartite negotiations opened in Parliament for the next wage round at the end of May 1985, the Government would not call for a wage guideline. It made

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[120] Campbell, 'Otago Southland Regional Conference', Ken Douglas Personal Papers.
[121] *Auckland Star*, 10 September 1984.
[122] Rowe to Rodger, 27 August 1984, 2001-129-28/2, ATL, Wellington.
[123] 'The Fight for University Unionism', 94-106-57/12, ATL, Wellington.
[124] Roth, 'Chronicle', *NZJIR*, 10, 1985, p.126.
[125] Knox, 'Press Release', 30 January 1985. 94-106-58/01, ATL, Wellington.

it clear, however, that it would force restraint by controlling the money supply.[126] 'This Government has got a grip on the money supply', Roger Douglas warned as he introduced his June budget, 'and we will not let it go'. 'Growth is unlikely to be evenly spread. Some industries and regions will be growing rapidly…. Other industries will be in less expansive situations, particularly as monetary conditions tighten'.[127] Thus, bargaining would be driven by 'ability to pay' and 'productivity'. For those paying attention, this had profound implications. 'Such dependence on one economic lever is fraught with risks', said Knox, 'and relies on the cost of adjustment being borne by wage earners in particular'.[128]

When parties resubmitted their position papers in June, the FOL/CSU argued that they did not, in fact, want free-wage bargaining. 'We do not believe there is a place for the free-market philosophy in the wage-fixing arena', said Ken Douglas.[129] 'The price of free wage bargaining will be to smash the national award structure', Douglas later added, 'and to remove any visible protection for the great majority of workers'.[130] This was precisely the situation that Campbell and Kirk had warned about in *After the Freeze*. Instead, the FOL/CSU outlined a number a proposals that would potentially diffuse a bitter wage round, including an across the board cost-of-living increase. Otherwise, 'it will be extremely difficult to envisage a harmonious bargaining round'.[131] When the Government finally made it clear that no general wage order would be forthcoming, Knox warned that unions would be forced to 'battle it out'.[132] While calling for wage restraint, the Employers Federation, too, warned against the wisdom of using monetary control, a 'blunt' measure that risked a 'collapse into economic recession'.[133] Yet Roger Douglas insisted that the Government wanted to get 'the overall monetary environment right and leave it to businesses, unions and individuals to take it from there'.[134] Without

[126] *NZ Times*, 16 June 1985.
[127] *NZPD*, 463, 13 June 1985, p.4842.
[128] *Herald*, 14 June 1985.
[129] *Herald*, 18 June 1985.
[130] *Dominion*, 31 July 1985.
[131] FOL/CSU letter to Lange, 15 July 1985, T61/22/10/5, 1985, ANZ, Wellington.
[132] Roth, 'Chronicle', *NZJIR*, 10, 3., 1985, p.171.
[133] *Herald*, 2 July 1985.
[134] *Herald*, 2 July 1985.

restraint, 'jobs would be in trouble… There will be no easy money around to accommodate it'.[135]

That the FOL, which had spent much of the last decade fighting *for* free wage bargaining against wage controls, now opposed it puzzled or amused many observers.[136] Campbell, meanwhile, claimed that wage increases were 'the bottom line of [the FOL's] willingness to accommodate the other economic policy stances'. 'While I and many other unionists were keen to see a shift in the role of unions towards greater involvement, influence, and responsibility in economic management', he continued, 'we have been forced back into a much more traditional role… this was not a role we chose'.[137] When official statistics soon after revealed an 8 per cent drop in real incomes for wage and salary earners, the largest drop in real incomes since 1982, Campbell claimed that there was 'no sign of any of the burden-sharing which was discussed at the Economic Summit'.[138] The FOL/CSU argued that monetary tightening was the true culprit of unemployment. 'Protection of jobs depends on employment and investment strategy', said Knox, 'not further wage cuts'.[139]

The 1985-1986 wage round saw industrial action on an unprecedented scale. At first, the drivers, engineers, meat, and electrical workers drove the round. Lange threatened interventions in all four; Knox cancelled a trip to the ILO conference in Jakarta to take over a dispute at the AFFCO plant at Horotiu, while 39 workers were arrested after staging a 'sit-in' at the Sheraton Hotel in Auckland.[140] Clerical workers at Hutt Valley car plants called an indefinite strike, bringing the plants to a standstill; meat workers blocked the ports at Timaru, preventing the export of live sheep. Public sector workers were also becoming more militant. Teachers took part in widespread wildcat strikes in early 1986.[141]

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[135] *Herald*, 5 September 1985.
[136] *Herald*, 19 June 1985.
[137] *Herald*, 19 October 1985.
[138] *NZ Times*, 27 October 1985.
[139] *Herald*, 17 September 1985.
[140] Roth, 'Chronicle', *NZJIR*, 10, 3., 1985, p.178; 'Chronicle', *NZJIR*, 11, 1, 1986., p.51.
[141] Ibid., p.59.

Cabinet ministers routinely made public statements to influence the round: Lange again threatened Government regulations if unions used their power to 'hijack' the wage round. At the September Joint Council meeting, Rex Jones registered his 'objection' to the intervention of Cabinet Ministers in award negotiations 'through speeches to the media and employer organisations advocating wage restraint'.[142] A major feature of the round was the protracted nature of disputes.[143] Following a bitterly fought eight week dispute involving 30,000 freezing workers, Bruce Jesson concluded that what could have been the 'New Zealand equivalent of the British miners' strike', ended in victory. Freezing workers 'displayed an unexpected spirit of defiance'. There was, Jesson wrote, 'a core of militant unionism… that the free market has yet to subdue'.[144] If 1985 had already seen a new high in working days lost (756,432) this was exceeded massively in 1986 (1,329,054), the highest number of working days lost ever.[145] This put New Zealand in the position, albeit temporary, of being one of the most strike prone countries in the Western world.[146]

If there were growing cleavages within the FOL about strategy, as we will see, most thought the 1985-1986 wage round proved a success, though a temporary one. The FOL/CSU campaign, read the SUP's *Tribune*, inspired the 'widest level of industrial action and struggle in the history of the trade union movement'.[147] Despite his own increasing doubts about the FOL's approach, Campbell later recalled that unions 'did not do a bad job at defending living standards for their members'.[148] Most workers won significant improvements in their standard of living, the award system remained intact and wages the of many low-wage groups were enhanced significantly. Average wages and salaries rose by 13.3 per cent over 1985-1986.[149] When the PSA's Colin Hicks addressed the FOL conference in 1986, he responded to the criticisms of union militancy during the round. 'What did they

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[142] Minutes of Joint Council of Labour Meeting, 24 September 1985, 2000-150-32/08, ATL, Wellington.
[143] Boston, 'Wages Policy', p.171.
[144] *Metro*, July 1986.
[145] Markey, p.143.
[146] Boston, 'Wages Policy', pp.170-171.
[147] *Tribune*, 10 February 1986.
[148] Rob Campbell, interviewed by Mike Smith, 7 September 2016, OHInt-1208-10, ATL, Wellington.
[149] *Herald*, 5 April 1986.

expect?', Hicks said. 'Did the other side really believe that after all those years of carrying the can, of keeping our belts tightened, or shouldering the heaviest load of the economic burden…. did anyone really think that the round would be a restrained affair?' Workers 'fought hard to win deserved wage increases, especially for the low paid, and that's how it should be!'. Yet Hicks noted that it was 'aberrant'. 'It is not likely to be repeated'.[150] Indeed, for the FOL and its members, it was a short-term victory. It would, in fact, be the last of the major award rounds.

If the wage round saw some successes, it also alarmed the Government, employers, and officials in Treasury and the Reserve Bank. Bank officials now believed that monetary policy 'was being asked to bear too much of the burden of reducing inflation' and, alongside Treasury, pushed for reform of industrial relations.[151] Such reform was already on the agenda. Labour's late-1985 'Green Paper', *Industrial Relations: A Framework for Review*, laid out the existing system in detail and proposed areas for change and discussion. It also injected into the wage round a wider debate about the whole system. Trade unionists feared that it would pave the way for the 'smashing' of national awards in line with the Government's broader deregulation of the economy.[152] Yet the FOL leadership was also well aware that the Government was resisting pressures from Treasury to deregulate. It was a credit to Cabinet, Campbell said, but the FOL should not be complacent. Treasury will be 'quietly backing a National victory next time around'.[153] Indeed, National's position paper released soon after called for an American-style contract system, and the scrapping of awards.[154] National promised that flexible labour markets would increase living standards. 'Working people either embrace a new industrial relation model that promotes co-operation and… increased dividends', said opposition spokesperson on industrial relations, Bill Birch, 'or they stay with the same hackneyed system that erodes their standard of living'.[155]

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[150] FOL 1986 Annual Conference, MSX-2409, ATL, Wellington.
[151] Singleton, pp.114, 132.
[152] *Herald*, 7 January 1985; *NZ Times*, 22 December 1985.
[153] *Times*, 22 December 1985.
[154] *Dominion*, 11 January 1986.
[155] *NZ Times*, 6 April 1986.

There were already some troubling signs in the wage round: an increase in lockouts, suspensions, injunctions, and a variety of legal actions, along with threatened plant closures.[156] Recognising that disunity among the employers marked the wage round, the Employers Federation held an industrial relations conference in March 1986, made up of 420 employers. 'Our industrial relations system has had it!' was its key message.[157] The Business Roundtable now came to the forefront. Unlike the Employers Federation, it was a vigorous advocate of a monetarist 'disinflationary' macroeconomic strategy; it rejected 'Keynesian fine-tuning' and lobbied against any 'slackening' in the reform process.[158] If the Business Roundtable and Employers Federation had been largely pleased with the thrust of the economic reforms to date, they now joined forces in calling for labour market deregulation. By then, their views converged with those of Treasury and the National Party. 'The root' of the problems facing the economy, Rowe now argued, were the 'union monopoly of the labour market', itself a product of compulsory unionism and 'perpetual and exclusive bargaining rights'. The Employers Federation's break with the system, beginning in the late 1970s, and accelerating during the freeze, was now complete. '[Until] the labour market is freed up there is no reason to expect wage bargaining to produce anything but inflationary and job destroying settlements'.[159]

That all of these groups—the 'National Party-Treasury-Employers Federation axis', as Campbell called it—now spoke the same language of 'union monopoly' and 'labour market flexibility' was a chilling harbinger of what was to come. It proved, Campbell said, that there was a 'lunatic fringe beyond Rogernomics'.[160] As those pressures built, the FOL focused its publicity on the 'protection of the national award system'. To its great relief, Labour remained largely opposed to labour market deregulation, but the FOL warned: the 'policies of dismantling National Awards, de-unionising workplaces, and downward movement of wages are [now]

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[156] *Tribune*, 10 February 1986; *PSA Journal*, Oct-Nov 1986.
[157] Employers Federation, 'Our Industrial Relations System Has Had It', [February-March 1986]; *Herald*, 3 March 1986.
[158] Roper, 'Business Political Activism', pp.17-18.
[159] *NZ Times*, 13 October 1985.
[160] *NZ Times*, 22 December 1985.

official National Party policy'.[161] The Joint Council of Labour distributed a document on 'labour market flexibility' in early 1986 and noted there was a process of 'public conditioning' under way by business, the National Party as well as 'academic, planning groups and business circles'.[162] As they joined in their calls for labour market deregulation, the Employers Federation and Business Roundtable would also join forces to combat unions in the following wage round, as we will see.[163]

Internal challenges and new directions

In early 1986, as the FOL looked forward to its annual conference, it faced a number of crucial internal challenges and debates about strategy. First came a significant internal challenge from Māori trade unionists. While the FOL had increasingly recognised the plight of Māori workers, this was limited. The FOL's focus on Māori members often related simply to economic disparities, unemployment for Māori youth, rather than broader struggles for land, language, and recognition of the Treaty of Waitangi. The FOL's Maori and Pacific Advisory Committee had made some progress, explained Tom Murray, but had 'teething problems in getting the Trade Union Movement to accept its role'. In March 1986, Māori trade unionists organised te Hui a Ngā Kaimahi, the national Māori trade union conference, in Rotorua to 'discuss whether the trade union movement is relevant to the Maori community'. In calling the hui, Murray added, 'our people are no longer prepared to accept the bottom of the scrapheap. We are prepared to adopt a more aggressive stance'.[164] One organiser, Albie Tahana, said: 'I think the trade unions have been remiss [like] all sectors of Pakeha society in addressing Maori needs'. While the FOL was a working-class movement, Tahana added, it had 'tended to see itself as white working class, and Maori people have been seen as members, not Maori members'.[165]

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[161] FOL, 'Broadsheet: Tripartite Wage Talks 1985', undated [October 1985].
[162] Joint Council of Labour, 'Labour Market Flexibility', undated. [February-March 1986].
[163] *NZ Times*, 13 October 1985.
[164] Tom Murray, 'Te Hui A Nga Kaimahi o Aotearoa', Statement – NZFOL Maori Trade Union Committee, [March 1986].
[165] *Herald*, 19 February 1986.

The FOL/CSU official position on the hui largely proved this point. It stressed the need for unity above all. 'Whilst we come from many races, we have the same class interest' and warned that divisions of race and nation were the 'two blades of the employers scissors used to cut up and divide the working class'. But it did recognise a need for change: to 'develop such unity the Trade Union Movement needs to understand the variety of aspects that make up the major issues of Maori concern'.[166] At the hui, 'delegates spoke about the fact that the Trade Union Movement concentrated only on 'bread and butter issues (and not much butter) without taking into account the broader needs of Maoris for land, language, housing, cultural integrity and justice'.[167] And while the hui rejected calls for a separate Maori trade union movement, to the relief of FOL/CSU leaders, it did demand more Māori representation in trade union decision making, representation on the FOL/CSU executive, promotion of Māori language and provisions for Maori self-determination within unions. Knox accepted the 'challenge that has been thrown out to us by way of the recommendations'.[168] The FOL/CSU would take some of the demands of the hui into negotiations in the following wage round, while the question of representation continued in the debates about the creation of the CTU.

Indeed, in the lead up to the 1986 conference, the FOL was occupied by a crucial debate: whether to merge with the CSU to form a new organisation. As we have seen, the closer relationship between the FOL, CSU, and PSA began in Muldoon's second and third terms. In the months leading up to the 1986 conference, debate raged, reflecting longstanding rifts within the FOL about how to respond to economic and political change. The Seaman's Union, the Waterside Federation and Allied Liquor Trades Union all rejected the proposal. 'We will take some convincing', said Dave Morgan of the Seaman's Union, 'that the dissolution of the FOL is in the interest of New Zealand workers'. The PSA's Colin Hicks saw it as fundamental to responding to changes in Government. 'It is very important for unions to get their act together…. If National were to return to power, then the ride

[166] 'Statement of the FOL and CSU to Te Hui a Kaimahi o Aotearoa', undated [March 1986].
[167] *Paper Clip*, July 1986.
[168] Roth, 'Chronicle', *NZJIR*, 11, 2.,1986, p.141. For much more detail on te Hui a Nga Kaimahi, see: Locke, 'From Human Rights to Maori Sovereignty'; *Workers*, pp.129-131.

for the union movement may be a bumpy one'.[169] Campbell, too, also began being more forthright in his advocacy of the CTU, a 'modern, industrially strong, central organisation of all workers', public and private, to give the Business Roundtable and the alliance calling for labour market deregulation 'a run for its money'.[170] Advocates now saw the creation of the CTU as a crucial corollary to another essential response to fend off the mounting pressures: the need for an accord with the Government.

If the 1985-1986 wage round had seen some successes, many now recognised that battling it out in the wage round was not a long-term solution to the economic changes that deregulation had unleashed. The success of the round soon gave way to fears about what may be coming. 'The changing patterns of corporate power [are] weighing the balance against labour', Campbell argued, and the FOL had to take positive steps to avoid the political and economic marginalisation that was already in train. For Campbell, an incomes agreement to replace the next wage round in 1986-1987 was urgent. 'Free wage bargaining, particularly in the new marketplace, will end up being precisely the kind of labour market flexibility the opponents of unions want'. Campbell made it clear that he was not making the case for wage controls. 'But it is the case for some negotiated incomes policy which meshes the market pressures on some skills with the needs of low income families, and maintenance of the general purchasing power of wage workers with some restraint on the excesses of those at the top of the tree'.[171] By then, too, Stan Rodger admitted that 'the country would be better served if we had [an accord]' but resigned himself to the fact it was now too late. Such an agreement had to be 'hammered out' in opposition.[172] Rodger was also sceptical about whether Campbell was really speaking for the rest of the FOL when he called for a workable accord.[173]

Campbell himself admitted as much, and increasingly directed some of his frustrations towards the union movement as well. His colleagues bristled at such

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[169] *Herald*, 4 January 1986.
[170] *NZ Times*, 24 February 1986.
[171] *NZ Times*, 16 February 1986.
[172] *The Press*, 7 April 1986.
[173] *Auckland Star*, 15 April 1986.

criticisms. Pat Kelly called Campbell's suggestion that the union leadership was not up to the challenge a 'gross exaggeration'. 'If he thinks [that unions lack effective organisation] then he should get out and let someone else on'.[174] In response, Campbell became only more forthright. If change were not made voluntarily, he explained, then it would be forced. Economic reforms 'unleashed a set of forces both economically and politically which are capable, if not controlled, of sweeping a good deal further than many of those involved fully understand. If points of compromise are not found, those forces will succeed'.[175]

There was by now an emerging division within the FOL around the connected questions of an accord, the CTU, and the relationship with Labour. The divisions were not always straight forward. Knox, for example, supported the creation of the CTU and union support for Labour, but was sceptical about an accord replacing wage bargaining; Kelly opposed the CTU, supported Labour, and favoured bargaining. Others still, such as Con O'Leary and Dave Morgan, opposed both an accord and the CTU; they argued for a more militant response to the Government. Some others agreed with Campbell—among them, Rex Jones, Bill Andersen, and Ken Douglas. With enough support from the FOL Executive, Campbell put forward his recommendation before the 1986 FOL conference for such an incomes agreement. It would be a hard sell.

The FOL's 1986 conference marked a major turning point. There, Knox focused his opening address on one key theme, the economy, and expressed his sympathy for farmers and farm workers, workers in rural towns 'losing their livelihoods'. 'Our rural towns are dying on the sacrificial altar of the free market'. 'To Maori people with an affinity for the land, the market says to them, "leave or starve". The corporate sector meanwhile had 'done everything but create jobs'.[176] 'The market has demanded that our workers, our unemployed, our beneficiaries, our Maori people, our rural communities and our working farmers suffer a drop in living standards', Knox continued. 'It has demanded that New Zealand's largest

[174] *Auckland Star*, 16 April 1986.
[175] *NZT*, 20 April 1986.
[176] FOL 1986 Conference Minutes, MSX-2409, ATL, Wellington.

companies—the monopolies—should continue to make record profits'. In perhaps his most quoted words, Knox concluded:

> this mindless purism; this ideological straitjacket; this market madness; it is tearing our country apart. And so I say to you our Labour Government: give us an economic plan; give us planning based on social and economic consensus; give us the economic policy on which you were elected.

Lange's speeches before the FOL conference were now becoming routine and increasingly defensive. He stressed the crisis inherited in 1984, the need for patience until the benefits of the reforms became apparent, called for continued restraint and reminded delegates about the dangers of a National Government. 'The Labour Party and the trade union movement will always have their differences… [Yet this is a] Government that, if far from perfect in your eyes, is not like its opponent rabidly anti-union, and never will be'. While he rejected once again the need for labour market deregulation, he did outline what he saw as a dilemma: the existence of the national award system alongside second-tier bargaining. 'Putting it quite crudely, trade unions cannot clamour for the protection of the national awards on the one hand, and actively work to undermine them on the other. That contradiction needs to be resolved'. Lange then threatened: 'If the trade union movement cannot come up with some credible alternative then the Government will need to resolve the dilemma'.[177]

The FOL Executive outlined a dire situation as it saw it before submitting Campbell's resolution for an accord. Employers were becoming more organised. A coalition for labour market deregulation was gaining momentum. On top of this, the international climate had changed, and economic conditions were expected to deteriorate over 1986-1987. The Executive resolution read: 'this Conference endorses the National Executive developing appropriate initiatives to endeavour to reach an agreement with the Labour Party and Labour Government that is commensurate with the stated position of the FOL and CSU'.[178] The basis for such an incomes agreement would be guarantees around the preservation of the national award system, enhancement of the social wage, the protection of jobs and living

[177] FOL 1986 Conferences, MSX-2409, ATL, Wellington.
[178] Ibid.

standards, and reform of the tax system in the interests of wage-earners, in return for a moderate wage round.

Delegates debated the call for an incomes agreement for three hours. Andersen saw it as essential to avoiding a National election victory. Unions were not strong enough to stand up to a 'Thatcher or Reagan type government'. Ken Douglas argued that unions needed to 'start with the reality of the free market forces at play… individual unions could not influence the economic rationalisation under way'. While Pat Kelly was not opposed to an accord, he had misgivings; he was not against any negotiations with 'our Labour Government', but not at the cost of wage bargaining. Kelly pointed out that Cleaners had won a 30 per cent wage increase, 'and they got it in the *traditional* way'. 'Anything we've got', added Sam Jennings of the Waterside Workers, 'came from slogging and having a go at the employer'.[179] Victoria Keesing of the Clerical Workers Union and Women's Advisory Council added that any accord needed to pursue the question of 'equal value/equal pay' to 'improve the status and wages of women-dominated, low-paid occupations'.[180] Some delegates expressed concern that the wage round might not proceed as normal, or that the FOL leadership might make deals without input from affiliates. Knox then assured delegates that the Executive would not 'be doing any deals as regards an Accord and would not restrict workers' rights to struggle'.[181]

Delegates thus voted on a compromise, yet one that undermined the rationale behind an incomes agreement and the trade-off it implied: the acceptance of a moderated wage round, or even the foregoing of the wage round entirely. The conference agreed, then, that the FOL Executive would 'report back for possible adoption of any agreement approved to a special Conference'.[182] If delegates voted unanimously for this resolution following the compromise, this did not mean a convergence of views. Rather, delegates left the conference with their own very different ideas about how such an agreement might proceed. It was 'an uneasy

[179] *Herald*, 9 May 1986.
[180] FOL 1986 Conferences; the various position were outlined in: *Socialist Action*, 23 May 1986.
[181] Ibid.
[182] Ibid.

compromise', Campbell recalled, and sent a signal to the Government that the FOL was 'falling apart'.[183]

The debate about the CTU broke down along similar lines but the result was far from ambiguous. Leading the opposition, Dave Morgan believed the CTU would mean the dissolution of a working-class movement. 'Bluntly, it means the demise of the FOL… We will remain loyal to the FOL until it shuts down. At that point we will have loyalty to no other movement than the working-class movement'.[184] Henry Stubbs of the Tramways Union called it a 'middle-class plot' to neutralise working class trade unions.[185] Yet it was not simply a matter of blue-collar versus white collar. Roger Middlemass of the Meat Workers, for example, supported the move, as did Bill Andersen of the newly formed Northern Distribution Workers Union. The SUP called it a necessary requirement on the 'road to socialism', while the Socialist Action League saw it as evidence of a rightward shift towards a 'bureaucratically centralised' organisation that would reach an 'economic agreement with the Government in the lead up to the 1987 election.[186] For the latter, a 'right wing bloc' was emerging, composed of Rob Campbell, Bill Anderson, Rex Jones, Ken Douglas; the 'self-styled "modernists" advocating "professional unionism"'. As the resolution to establish the CTU passed its vote with 318 for and 99 opposed, four unions walked out in protest.[187] 'The watersiders are walking out', Knox announced. 'That's unfortunate'.[188] But not all unions who opposed the CTU walked out. Most accepted the majority decision. And some—including the Clerical Workers Union and Hotel and Hospital Workers Union—sought to use the opportunity created by the creation of the CTU to strengthen representation for women, Māori, and Pacific Island members within the new organisation.

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[183] Rob Campbell, interviewed by Ross Webb, 6 September 2021.
[184] *Herald*, 9 May 1986.
[185] *Herald*, 16 May 1986.
[186] *Tribune*, 19 May 1986; *Socialist Action*, 23 May 1986.
[187] These were: the Seamen's Union, Waterside Workers Federation, the Cooks and Stewards' Union and the National Union of Railwaymen. A number of the unions that walked out would later form their own organisation: the Federation of Maritime and Transport and General Workers Organisation.
[188] *Socialist Action*, 23 May 1986.

Conclusion

Delegates left the 1986 conference having voted on several crucial issues. While disagreement between delegates and affiliates were common enough, the divisions at the 1986 conference exposed more fundamental differences about the direction of the union movement, differences provoked by the rapid pace of reform undertaken by a Labour Government. As we have seen, the FOL lobbied for a return to something resembling the 1984 election manifesto, consensus, and an accord, while many affiliated unions campaigned and took industrial action on an unprecedented scale to make up for a decline in living standards since 1981. The FOL's hope, shared by many of its allies within the Labour Party, was that the economic reform agenda could be reversed or at least blunted. While this did not happen, the FOL and its affiliates could look back over 1984-1986 with some measure of success. Compulsory unionism was restored, wage bargaining had produced some results by 1985-1986, the minimum wage increased, and some of the FOL's progressive goals had been achieved, nuclear free policy above all.

Yet by 1986, it became clear that no change in economic policy was forthcoming, and the ramifications of the reforms were becoming patently clear. At the same time, as the attitudes of the various business and employers organisations and the Treasury and Reserve Bank hardened, the debate about how to respond increasingly revealed emerging divisions within the FOL, divisions which came to a head in at the FOL May 1986 conference. The debates at that Conference—over a response to the Labour Government, the merits of an incomes accord, and the creation of the CTU—would come to define the final year of the FOL as it attempted to gain some foothold in a deregulating economy. The FOL would hold just one more conference in May 1987, followed by the inaugural CTU conference in October 1987. If the busy and bewildering period between July 1984 and May 1986 posed perhaps the most significant challenges that the FOL and its affiliates had ever faced, worse was yet to come. In the last year of its existence, the FOL faced even more significant pressures. It is to those final years—and the final chapter in the story told here—that we now turn.

CHAPTER SEVEN
'Living in vastly different times'
Final Years, 1986-1987

As it entered its uncertain final years, the FOL's objectives remained in large part the same: the maintenance of living standards and the protection of the national award system. To its traditional concerns, however, the FOL added new goals. On the one hand, it sought an incomes accord with Labour. On the other, it had to respond to calls from its members, particularly from women and from Māori members, for a more expansive vision of what unions should fight for. Entering another wage round, all parties agreed to some extent that the 1985-1986 round would and could not be repeated, that the Government would not change course in economic policy, and that the economic environment had changed irrevocably. Yet all held contrasting visions about how to proceed within a deregulated economy. After May 1986, the FOL leadership's proposed accord with the Government met with little sign of success, the 1986-1987 wage round was marked by major setbacks, and the coalition between National, Treasury, and a host of business and employer organisations and sector groups, coalesced around the demand for reforms to extend into the labour market. These demands from what some increasingly called the 'New Right' coalition would only gain more momentum after 1986.

The year we conclude, 1987, marked a turning point for a number of reasons. First, it saw the end of the FOL and the creation of the Council of Trade Unions (CTU). It was the end of an era in New Zealand trade unionism. While some believed the transition was necessary for any kind of accord with Government, or even a coherent response to economic change, and could not come fast enough, others worried that a militant working-class organisation was being surrendered to what would merely be a professional lobby group, diluted by public servants and the middle-class, disconnected from the grassroots, unwilling to fight for its members, and captured by the Labour Government. Second, Labour introduced its much anticipated industrial relations reform, which, while resisting calls for deregulation, pleased few. Third, 1987 was election year. That Labour was the preferred party for the FOL was obvious enough. What was less clear was how it would support its election campaign after its economic reforms had caused such disillusionment among its members and affiliates. It was a dilemma always tempered by fears of the alternative. For many, too, the election opened up yet another opportunity for a change in economic policy direction. Yet, as the CTU met for its inaugural conference in October 1987, a sharemarket crash would set the re-elected and already bitterly divided Labour Government down a path of only more radical economic reform.

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By the middle 1980s, the transnational effort by governments to overcome stagflation and restore economic growth had forged a new political economy. Supply-side policies, deregulation, and retrenchment dominated economic policymaking. Inflation did decrease, but at the cost of employment, the manufacturing base of many western nations, and the bargaining and redistributive powers of organised labour. In some countries, such as the US and UK, deregulation, tight monetary policy, and aggressive strike-breaking left organised labour 'bludgeoned onto the defensive'.[1] Even among those states that sought alternatives

[1] Eley, *Forging Democracy*, p.391.

to Anglo-American neoliberalism, many eventually succumbed in some form.[2] 'The realisation that in an age of globalisation it was impossible for any particular country to follow its own course without regard for the broader international economic environment took a distinctive form in each country but was increasingly recognised'.[3] Some in New Zealand still held out hope that Australia's Accord provided an alternative model. Even so, those unions that tried to operate outside the discipline of the Accord found themselves subjected to state repression. Labor accepted 'dealing forcefully with such militancy as necessary for self-preservation, the alternative, from their point of view, being a wage free-for-all that would drive inflation up and their government out of office'.[4]

In the context of economic crisis and the emergent neoliberal hegemony, social democratic parties began to modify both their electoral and economic policy stance. Many embraced the major tenets of market reforms; many also marginalised or simply assumed the support of previous constituencies. Yet these shifts in social democratic parties were longer in the making and complex. It was a tension inherent at the very beginning of social democracy. But it was the economic and inflationary crisis of this era that ultimately ruptured the economic foundations and policy base of social democracy.[5] Over the following decades, virtually all social democratic parties would preside over 'some degree of market deregulation, commercialisation, and privatisation of the public sector, and at least the piecemeal implementation of welfare-state retrenchment'.[6] The Fourth Labour Government was part of this refashioning of social democratic Government, frequently emphasising 'that their unorthodox means were directed towards traditional Labour ends'.[7]

In 1986, for example, Lange outlined a vision of a 'New Welfare State', one which saw a renewed acceptance of market forces, of growth and inequality, and state interventions only where necessary. All social democrats, Lange said, must now

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[2] Frieden, *Global Capitalism*, p.405.
[3] Bongiorno, 'Labor, Labour and Australia's 1980s', p.12.
[4] Ibid. p.13.
[5] Ashley Lavelle, 'The Ties that Unwind?'
[6] Schulman, *Neoliberal Labour Governments and the Union Response*, p.1.
[7] Franks and McAloon, p.217.

accept that the 'use of competition or the market mechanism was necessary to create the conditions for economic growth'; 'economic inequality', meanwhile, was 'the engine which drives the economy'. Lange outlined his view of postwar Labour relations, based around 'ineffective bargaining units in an uncompetitive market'. It was, he claimed, the desire to create a 'competitive economy' and 'effective bargaining' units that had caused 'some distancing between government and trade union support'. As many members of the Government would in the decades afterwards, Lange provided a largely self-serving interpretation of New Zealand before 1984 as sclerotic and unwilling to change. The Labour Party was just one part of the problem, and its long decline after the 'triumphs of the 1930s' reflected that fact. The cause? 'The parliamentary party was dominated by a conservative trade union connection'.[8] Certainly, not all saw themselves as 'modernising' social democrats. Others, like Roger Douglas, represented an emerging group, now popularly called the 'New Right', that believed the reforms needed to go further and faster.

The promised economic results of the reforms were also far from clear. If New Zealand's economy had stagnated as the result of several jolting external shocks in the 1970s, what economist Brian Easton would call the 'ten-year stagnation' after 1985 was largely self-inflicted.[9] Deregulation, corporatisation, the removal of tariffs, tight monetary policies, and high interest rates continued to flow into unemployment, especially in regional and rural areas. Māori workers were hit particularly hard. The ever-receding 'medium term' economic success made many wonder if the sacrifice was for nothing.[10] Yet Labour was encouraged to stay the course. An OECD report for 1986-1987 found that the drop in output and employment, a result of the 'tightening of monetary and fiscal policy undertaken to reduce inflationary pressures', were simply 'transition costs'; the benefits would 'materialise only gradually'. Unemployment would likely 'edge up, reflecting the weakness of the recovery', and 'little immediate improvement is expected in the

[8] David Lange, 'The New Welfare State', The John P. Mackintosh Memorial Lecture, 9 June 1986.
[9] Easton, cited in Rosenberg, 'Labour's Share', p.98.
[10] Robert Chapman, 'A Political Culture Under Pressure: The Struggle to Preserve a Progressive Tax Base for Welfare and the Positive State', *Political Science*, Vol.44, no.1, 1992, pp.1-27.

fiscal and external deficits'. While disinflation produced great costs, the longer run 'structural reforms' would improve economic performance overall. Labour should, then, 'be encouraged to pursue their present course'. International reports did not shy from suggesting where next for reform: the national award system.[11]

Renewed attempt at accord / back to bargaining

Delegates at the 1986 conference agreed that the FOL Executive should attempt to reach an incomes accord with the Government. At the same time, delegates had made a significant attempt to push for issues of wider significance, including action to deal with unemployment and regional decline. The FOL leadership also faced pressure to address the unfulfilled promises of the Working Women's Charter and the more recent challenges posed by Te Hui a Ngā Kaimahi. All of this coalesced around the FOL/CSU 'Ten Point Plan'. Alongside the protection of the award system and the maintenance of living standards, it called for progress on the minimum wage and pay equity, improvement in the 'social wage', opposition to 'user-pays' in social services, efforts to 'deal with the needs of women workers', particularly the need for 'readily available, high quality and affordable childcare', action against sexual harassment, and the introduction of 'special clauses for Maori workers in all awards', including 'special tangi leave and leave for community purposes'. More broadly, it called for 'a re-examination of conditions of employment' to 'check and correct any cultural biases that are inherent in existing employment relationships'.[12] The FOL/CSU called for the institutionalisation of union input in economic policy and local management decision, 'input into protecting workers' incomes and jobs in rural areas', increases in the state housing stock, the protection of living standards for beneficiaries, and increased protections for part-time workers.[13]

This ambitious set of proposals would, the FOL leadership hoped, serve as the basis for an incomes agreement, for tripartite wage negotiations, and for an educative campaign. Ambitious as it was, it also served as a symbol of a central contradiction

[11] OECD Economic Surveys, New Zealand, 1986/1987, p.7.
[12] 'Opening Statement by Union Parties', 8 May 1986, 61/2/4, ANZ, Wellington.
[13] FOL 1987 Conferences, MSX-2410, ATL, Wellington.

of the era: an expansion in the vision of what unions could achieve alongside a defensive struggle in an age of limits, austerity, and anti-labour politics. To complicate matters, the FOL emerged from the conference with a number of conflicting ambitions and goals. For one thing, it voted that the leadership should pursue an incomes accord; this implied a level of restraint and trade-off, even a forgoing of the regular wage round. Yet delegates also resisted relinquishing the right to bargain with employers and stressed the need for delegates to vote on any agreement reached. Henry Stubbs of the Tramways Union, for example, gave a different reading of the endorsement of an accord. 'I don't believe there is a consensus within the union movement that there should be an economic agreement with the Government. [Delegates] who spoke in that debate, argued that they could not trust the Labour Government'. It would be the members that will 'dictate the terms of the wage round', Stubbs said, 'not the leadership of the trade union movement'.[14] Debate raged in the months after the conference and exposed increasingly contrasting views within the FOL about the efficacy and nature of such an agreement. These debates also exposed the emerging fault lines within the FOL that would define its final years.

Those internal debates were exacerbated in the months after the 1986 conference. When the Government announced its radical restructuring of the state sector in the same month, for example, Knox said it put into doubt whether the FOL could reach an agreement with the Government. 'It's amazing to me, that when we try to do something that we feel is in the interest of the economy of this country and to work with the Government to achieve this, we find that something else is brought down by the Government, without first discussing it with us'. Campbell, meanwhile, believed that state sector reform only 'heightened the need for an economic agreement rather than meaning we should walk away from it'. In short, Campbell believed that the FOL had to move from opposition to mitigation, to 'switch its concentration to dealing with the effects of the adjustments the Government was promoting… and the future series of changes which clearly flowed on from those

[14] Transcript of interview, 14 July 1986, 'Employers Federation - Rob Campbell', National Parliamentary Research Unit, ANZ, Wellington.

already taken… the union movement was entitled to be centre stage in those changes'. Campbell called Knox's suggestion of walking away from such an agreement 'absurd', a rare moment of public disagreement in the FOL Executive.[15]

The FOL's ambitious agenda also stood in stark contrast to the expectations of employers and the Government, both of whom sought wage restraint and had little interest in negotiating much else. Rowe registered his opposition to any legislation that provided minimum standards for wages, hours of work, holidays, equal pay, maternity leave, and health and safety, all of which 'inevitably reduces profits and may endanger the enterprise'.[16] The Employers Federation maintained that the last wage round was 'disastrous for government economic policy'; a 'wage pause' while a new system was devised was urgent.[17] The Government maintained its stance that wage restraint would be sought 'without resort to controls, an accord or a guideline' and that the Government would 'stress its commitment to keep its current monetary and fiscal policies' in order to 'allow wage bargaining to become more responsive to economic conditions'. In the tug of war over the protection or destruction of the national award system, the Government also maintained that this was for submissions on the 'Green Paper', and not for negotiation in the award round.[18] The FOL registered a number of objections to the Government's position. It gave almost no projections about the state of the economy, which removed any sense of a reasonable wage guideline, and, while suggesting reforms were a matter for the 'Green Paper' submission process, it continually called for 'labour market flexibility', language that only raised fears among trade unionists about the direction of that reform. The Government ignored the FOL's 'Ten Point Plan'.[19]

For the Employers, the FOL's attempt at an accord was both 'unacceptable' if it proceeded, but also somewhat reassuring. It was a sign that the FOL 'did not want to repeat the 1985-1986 wage round'. 'That in itself is a positive thing', added Steve

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[15] Morning Report, 21 May 1986, Ngā Taonga Sound Collection, 56483.
[16] *Herald*, 9 June 1986.
[17] Employers Federation, 'Media Release', 30 May 1986, 61/2/4, ANZ, Wellington
[18] Cabinet Policy Committee, 23 May 1986, 61/2/4, ANZ, Wellington.
[19] 'Tripartite Wage Conference', undated, 61/2/4, ANZ, Wellington.

Marshall, the Employers Federation's Director of Advocacy.[20] The Business Roundtable came out forcefully against any accord which, it said, 'typically increase the power of some leaders of the union movement, bypassing the democratic system [and] in the process taking hostage other important aspects of economic policy'.[21] For the Government, too, signs that some within the FOL—such as Campbell and Rex Jones—suggested a 'managed, moderate round' were positive, but they questioned 'whether they would be able to carry the FOL Executive with them'.[22] Nevertheless, discussions with Government about an incomes agreement did commence, much to the consternation of the Employers Federation.[23] When the media suggested there was an 'understanding' between the FOL and the Government, Rodger quickly reassured the Employers Federation that no such agreement was on the cards.[24] From that point, the FOL leadership and the Government agreed that 'such discussions be held in private'.[25]

But that approach created its own problems. Those in the FOL leadership that supported an accord were in a bind: if they saw an agreement with Government as essential, attempts to achieve one led to criticism from members of a perceived 'top-down' approach. Writing to the SUP's *Tribune*, one union member wrote that the 'weakness in the Campbell/Andersen/Douglas position is a tendency to rely over-much on top-level negotiations at the expense of rank-and-file activity. If this is a reflection of the trends involved in the CTU then the dangers involved are great'.[26] Bill Andersen insisted that the push for an agreement was in fact an 'instrument of class struggle' and a 'fight for real democracy'. Wage increases on their own would be 'clawed-back by monopoly pricing systems, government policies on higher state service charges and by the running down of welfare and medical services'. The point of reaching an accord would be a 'broad-based programme' to 'consolidate the benefit of wage increases by attending to these other economic factors'. That

[20] William Leuchars to Rodger, 9 May 1986. 61/2/4, ANZ, Wellington.
[21] *NZ Times*, 18 May 1986.
[22] 'Notes on a meeting at Beehive, Friday 23 May', 61/2/4, ANZ, Wellington.
[23] *Auckland Star*, 16 June 1986.
[24] Rodger to Employer Federation, 3 July 1986, 61/2/4, ANZ, Wellington
[25] FOL National Council Minutes, 30-31 July 1986, 95-050-04, ATL, Wellington.
[26] *Tribune*, 30 June 1986.

had also been the aim of the alternative economic strategy. The broader aim, then, was to 'overcome the differences between the FOL/CSU, the Labour Party, and the Labour Government on the question of economic policy'.[27] Douglas and Andersen's views reflected a longstanding SUP strategy: unite the SUP, organised labour, and Labour into a 'popular front' to prevent unions from getting isolated.[28]

Some found this argument utterly unconvincing. 'The real battle has got to be to raise the consciousness of the workers, to identify where the attacks are coming from', Con O'Leary of the National Union of Railwaymen wrote.[29] Jim Butterworth of the Engineers' Union claimed that tripartite talks were not an 'easy sell to the workshop floor because there are some legitimate fears expressed by workers that the forums [were] far removed from the day-to-day struggles in the workshops'.[30] As the debates continued, Campbell increasingly lost patience. An incomes agreement was, he said, 'simply a logical extension of our strategies to improve our members positions [but] has annoyed quite a few people and both employers and some unions seem diffident to say the least'.[31] Whatever the debate, an accord was going nowhere. Talks about an incomes accord dissipated, a reflection of the break down in tripartite negotiations. The final round of those negotiations on 25 August ended without an agreement; the wage round would commence without a guideline or an incomes agreement.[32]

Just days before the final breakdown of talks, the FOL suffered an unexpected blow. On 20 August 1986, Rob Campbell resigned from the Executive, effective immediately.[33] In a letter to Distribution Workers Union delegates, Campbell outlined his reasons, and placed a good deal of blame on the FOL leadership, which had failed to adapt the union movement to 'the new political and economic

[27] Tribune, 14 July 1986.
[28] Graeme Clarke, interviewed by Ross Webb, 9 April 2021; Rob Campbell, interview with Ross Webb, 3 May 2021
[29] *Socialist Action*, 25 July 1986.
[30] *Herald*, 1 July 1986.
[31] *NZ Times*, 15 June 1986.
[32] *Herald*, 26 August 1986. Roth, 'Chronicle', *NZJIR*, 11, 3, 1986, p.203.
[33] Campbell to Douglas, 20 August 1986. Ken Douglas Personal Collection.

environment'.[34] That letter, marked 'Confidential', was leaked to the press. Publicly, Campbell again emphasised that his decision to resign was over issues of 'policy, tactics and presentation'. 'The best interests of the sort of modern outward looking union organisation which workers deserve are in my view being harmed by the present leadership style'.[35] Alongside his frustration about the lack of progress on an accord, Campbell was also increasingly receiving criticism from many in the trade union movement, both for his support for an incomes accord and the CTU, but also for his appointment as a director of the BNZ by the Government in 1985. While some regarded him as its future leader, others welcomed Campbell's departure. Campbell was seen as the major architect of both the CTU and an attempt at an accord, what Con O'Leary called the 'two-headed wedge towards class collaboration'.[36] Many questioned the reason for the resignation. According to the Labour Party's Trade Union liaison officer, Mike Smith, Campbell had expected to become Secretary, with Ken Douglas taking up the Presidency. 'That had been Campbell's understanding and expectation', but Douglas, ever loyal to Knox, reneged. 'I can still remember the look on his face, part hurt, mostly anger, when he was told—he clearly felt a promise had been broken'.[37]

Campbell's highly publicised resignation was only one of many major blows during these months. As the wage round commenced without agreement, the chorus of opposition to both the FOL and the national award system was growing louder. Federated Farmers, for example, called for nil wage increases in the primary sector. 'The national award system is creating unemployment because of the inability of the meat industry and agricultural servicing sectors to pay these wage levels'.[38] Like other sector groups, its call for wider reforms to take on the 'restrictive labour market, welfare handouts and an excessively pampered public service workforce' became only more sustained.[39] Chairman of the Forestry Corporation Establishment Board, Alan Gibbs, added: 'I am totally convinced that if there was

[34] Campbell to All DWF Affiliates, 20 August 1986. Ken Douglas Personal Collection.
[35] 'Press Release', 25 August 1986. Ken Douglas Personal Collection.
[36] *Socialist Action,* 25 July 1986.
[37] Mike Smith, '*Man for All Seasons* – Review', *Standard,* 7 November 2010.
[38] Canterbury Trade Unions Research Group. 94-106-58/08, ATL, Wellington.
[39] Roper, 'Business Political Activism', pp.5-6.

no trade unionism, the standard of living of almost everyone would be higher, because there is too much friction or static introduced into the economic process by the mechanism of trade unionism'.[40] The message from Government and officials did not help: the Reserve Bank, Treasury and the Government called for low wage settlements and flexibility.[41] Treasury advised that a high wage round would 'prolong the adjustment path and will risk more substantial output and employment losses'.[42] In his early August budget speech, Roger Douglas warned that 'if good sense does not prevail, unemployment will increase, and the economic upturn will be delayed'.[43]

As it planned its strategy in the coming wage round, the FOL called the campaign for flexibility 'simply an attack on the concept of a living wage and the standard of living'.[44] The FOL agreed on a $24-a-week rise for all workers as the bottom line of the campaign. But in a sign of increasing caution, the Engineers Union had not yet determined a position on the usually trendsetting Metal Trades Award, which covered 38,000 workers. Its assistant national secretary Chris Eichbaum said: 'The form and amount is not yet determined, but it is fair to say that the claim will likely be consistent… with the FOL/CSU wage strategy'.[45] The FOL still held out some hope of, and lobbied for, a wage accord. When Lange confirmed there was still no prospect of an incomes agreement, the Employers Federation's Steve Marshall said that 'each industry will fight its own battles according to its own circumstances'.[46] Facing the combined impacts of the economic downturn, plant closures, unemployment, and growing employer militancy, unions entered the wage round cautious. Expectations had clearly been lowered. As Ken Douglas warned, unions that hoped to follow the trend-setting awards 'are in for a rude shock'.[47] Indeed, the Drivers agreed to a six per cent increase in October, below the prevailing inflation

[40] Canterbury Trade Unions Research Group. 94-106-58/08, ATL, Wellington.
[41] *Herald*, 30 July 1986.
[42] *Herald*, 24 August 1986.
[43] *NZPD*, 473, 31 July 1986, p.3305.
[44] FOL Conference 1987.
[45] *Herald*, 8 September 1986.
[46] Roth, 'Chronicle', *NZJIR*, 11, 3, 1986, p.205.
[47] *Auckland Star*, 12 August 1986.

rate of 11 per cent. It was the smallest increase negotiated by a major award since 1969 and implied 'an acceptance by the union of a big cut in real wages'.[48]

With a sense of near inevitability, employers imposed lockouts down the length of the country. Management at the Ford Plant at Wiri in South Auckland locked out workers until they agreed to more discipline.[49] When the contractor for the Kinleith paper mill extension at Tokoroa also locked out workers, the Auckland Employers Association said: 'I think you will see more'.[50] Stores and Packers Union secretary Mike Jackson agreed. 'It's a new line from the employers that they are attempting to force on the movement… those demands will only increase'.[51] Indeed, companies took a more aggressive bargaining approach. If National had feared voluntary arbitration would favour militant unions, it was now militant employers that were taking full advantage. In what was perceived as a major blow to the award system, the Auckland Employers Association announced its refusal to negotiate with the Boilermakers Union.[52] Marshall also threatened that employers, particularly those in regions, might boycott negotiations. 'If the unions want awards, they cannot have them without employers on the other side of the table to talk to'.[53] With fears about the approaches being borrowed from overseas, especially the emerging 'union avoidance' industry in the United States, the Engineers Union proposed that the FOL keep an eye on any 'professional group, consulting firm or other organisations which is in business solely for the purpose of "de-unionising" or "union busting"'.[54]

A major dispute at Kawerau served as a microcosm for these broader conflicts. For one thing, the leader of the Business Roundtable, Ron Trotter, was the chair of Fletcher Challenge, the owners of the Kawerau plant. By 1986, Trotter made no secret of what he saw as the most pressing problem facing the New Zealand economy: 'the monopoly power of the trade union movement'. In a *Business Times*

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[48] Boston, 'Wages Policy', pp.155-156.
[49] Roth, 'Chronicle', *NZJIR*, 11, 3, 1986, p.207.
[50] Ibid.
[51] Morning Report, 8 September 1986, Ngā Taonga Sound & Vision Audio Archive, 56560.
[52] *Herald*, 31 July 1986.
[53] *Herald*, 5 November 1986.
[54] FOL Conference Minutes 1986.

profile, Fran O'Sullivan described Trotter as 'the country's number one union buster'.[55] The dispute at Kawerau had its origins in July, following union opposition to a recent appointment which broke agreed conventions on union input. The company used the resultant walkout by workers to impose a lockout. It would not open again until workers accepted a new, non-negotiable efficiency agreement for production. By September 10, after several months of negotiations, further lockouts, and suspensions, the FOL took over, eventually urging workers to accept a compromise. Workers voted to return to work, but many were left bitter at what they saw as the FOL's 'complete and utter capitulation'.[56] Lange claimed that the dispute only reinforced the Government's agenda to reform industrial relations. 'It could not have come at a better time, if it had to happen', Lange said.[57] When Knox accused the Government of taking the side of the employer, Rodger responded, 'we have taken the side of New Zealand… it is in the best interest of New Zealand to have that plant operating'.[58]

By late 1986, with the award round causing immense strain, the FOL appealed to the Government. If there was an economic contraction, it argued, it was because of the 'impasse in the Award round', a result of declining wages and consumer spending. By supressing wages, the Business Roundtable and the Employers Federation were 'spreading the so-called rural crisis to the whole of the country', contributing to 'an increase in unemployment, factory closure and retrenchment'.[59] The Government ignored this appeal. By the end of the round, however, the award system remained intact, but with many holes in it and with a very uncertain future. And while many took some comfort in this, inflation figures in early 1987 revealed that the average wage rise of 6.5 to 7 per cent fell well short of the inflation rate of 8.9 per cent in the last quarter to January 1987 and the annual rate of 18 per cent.[60]

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[55] *Business Times*, 21 September,1986,
[56] Kieran Sinclair, 'Practises of the Past: Politics and Industrial Relations in New Zealand, 1984-1990', MA Thesis, University of Auckland, 2019, pp.29,44
[57] *Sunday Star Times*, 7 September 1986; *Herald*, 13 September 1986.
[58] Morning Report, 8 September 1986, Nga Taonga Sound & Vision Audio Archive, 56560.
[59] FOL, '1986/87 Award Round', 95-050-14, 1981-1987, ATL, Wellington
[60] Roth, 'Chronicle', *NZJIR*, 12, 1, 1986, p.55.

Why was the 1986-1987 wage round so difficult, the 'most difficult facing union officials and activists in living memory', as Ken Douglas called it? For some, it came down simply to FOL strategy and inability to secure an accord. The Government, Employers Federation and Business Roundtable rejection of a 'managed' round doomed it from the outset. For Ken Douglas, it was the 'much greater organised aggression by big corporates'.[61] Still others believed there was not enough of a fight. As Con O'Leary argued, 'if the Tories… abandoned the economy to so-called "market forces", we would be on the streets now, in massive protest. But that is not happening'.[62] Knox later claimed that unions were 'somewhat complacent' after the success of the previous year, a complacency that existed despite 'warnings from a number of people within the union movement of growing employer militancy'. The FOL noted that while there were strong calls for support around its 'Ten Point Plan', there was 'little widespread action', and no government interest in engaging with the demands.[63] Knox noted, too, that calls for FOL assistance in disputes had increased markedly, straining the FOL's limited resources.[64]

Rodger, meanwhile, claimed he was proud of the Government's non-interventionist stance and of the nickname he earned from trade unionists: 'Sideline Stan'. It was, he said, an appropriate role for a Minister of Labour, and his critics failed to see it as 'a fundamental form of deregulation'.[65] But Rodger's vision that non-intervention meant that parties would 'get on with their work and engage in constructive negotiations' was a far cry from the realities of the award round.[66] The Government's non-interventionism had left unions defenceless, according to Ken Douglas; it had left 'it in the hands of the strongest player at the table'.[67] 'The Government is delivering the union movement up to the worst excesses of corporate power with no protection for the rest of the country'.[68] It had 'taken the attitude

[61] Ibid; *Herald*, 3 January 1987.
[62] *Socialist Action*, 25 July 1986.
[63] *Tribune*, 25 May 1987.
[64] FOL 1987 Conferences Minutes, MSX-2410, ATL, Wellington.
[65] *The Industrial Relations Report*, 13 March 1987.
[66] *NZPD*, 483, 24 September 1987.
[67] *Listener*, 14 February 1987.
[68] *PSA Journal*, 22 October-18 November 1986.

'[that] the whole country can burn. They are adopting a King Canute mentality about the economic tide'.[69] Indeed, the FOL regularly aimed to dispel the popular idea that the reforms were a retreat from unhelpful state intervention. Rather, it represented a 'new form of state intervention… designed to protect and strengthen the monopolies in their activities and their grip of the economy overall'.[70] That effort required 'a psychological warfare' aimed at undermining 'awareness of unity, collective action and the need for organisation'.[71] This was an important and cutting insight, one that presaged later critiques of neoliberalism more broadly: it was not simply a matter of state retreat and a more efficient use of resources, as proclaimed by adherents, but rather it was about reshaping power within a society, disciplining organised labour, and favouring business and employer interest.

The Government confirmed its non-interventionist role in late 1986 when it introduced legislation to repeal the Economic Stabilization Act, the post-war Act that Muldoon had used regularly to intervene in industrial disputes and regulate wages (and which Lange had threatened to use on a number of occasions over 1984-1986).[72] In the same year, Roger Douglas commenced a process of reforming the Reserve Bank, to 'Muldoon-proof' monetary policy and make price stability the main priority, a process which would culminate in Reserve Bank independence and inflation targeting by 1989.[73] While the Government had already 'abandoned Keynesian counter-cyclical intervention', the Reserve Bank Act was the clearest sign yet of its single minded commitment to monetarism.[74]

The Employers Federation expressed their satisfaction with the course of events. While never quiet in commenting on wage rounds or denouncing unions, it now operated a more organised and coherent campaign to discredit the FOL, coordinate disputes, to push for legislative change in the process, and work the Business Roundtable. The employers now controlled the narrative: no matter the details or

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[69] *Auckland Star*, 2 January 1987.
[70] Ibid.
[71] FOL 1986 Conferences.
[72] The Act was repealed in July 1987. *NZPD*, 476, 3 December 1986, p.5836.
[73] Singleton, *Reserve Bank*, p.138.
[74] Simon Sheppard, *Broken Circle: The Decline and Fall of the Fourth Labour Government*, Wellington, 1999, p.205.

the specifics of case, every dispute was swept up in the irresistible narrative that the labour market needed deregulating and union intransigence disciplining. Once that step was taken, the long-awaited economic recovery would inevitably follow. Letters to the country's newspapers regularly reinforced the message. In just one of countless examples, one letter writer claimed they were 'sick to death of the unions holding the country to ransom…. The sooner this Government deregulates labour as it is has deregulated everything else the better for everyone'.[75] There was, Ken Douglas said, an 'intense ideological campaign' to make the FOL look 'hopeless, archaic, inefficient, negative'.[76]

Being pilloried in the press was somewhat predictable and longstanding, but a new genre of writing emerged. With titles like 'Change Daze' and 'Union Blues', this genre reported on the fall of 'working-class warriors' during the now assumed eclipse of the traditional working-class and trade union culture. A February 1987 *Listener* profile of Ken Douglas described him as looking 'weary, almost as beaten up by events as the organisation he represents'.[77] 'The FOL has been shoved swiftly out of the political mainstream', the author, Tony Reid wrote. 'Old coalitions have broken up and old political labels have fallen off or been re-designed; hotly argued alternatives lie at that end of the political spectrum; the left is suddenly perceived to be left behind'.[78] If, in 1983, Ken Douglas had claimed that there was 'no power greater than that of organised labour', by early 1987 he revised his answer: 'Now? No… I would have to say there is no power greater than that of speculative investment'. 'The Pressures have been so great', Douglas added, 'long-held perceptions have changed so quickly. Quite suddenly, the FOL is living in vastly different times'.[79] Douglas would reject the article's focus on despondency, both in the *Tribune* and in a letter to Reid.[80] 'I am not despondent', Douglas wrote

[75] *Auckland Star*, 26 November 1986.
[76] *Listener*, 14 February 1987.
[77] See for example: Tom Hyde, 'Union Blues', *Metro*, September 1989.
[78] *Listener*, 14 February 1987.
[79] *Listener*, February 14, 1987.
[80] *Tribune*, 16 March 1987.

to Reid. 'I have total confidence in the trade union movement… not just to survive in this period, but to be strengthened by it'.[81]

Relations with Labour

Labour's refusal to heed the FOL's appeals was just one sign of the fact that the relationship had collapsed, reaching its nadir over 1986-1987. Joint Council meetings were increasingly proving futile. FOL proposals to deal with issues such as regional decline or the state of the meat industry were met with immediate rejection.[82] Increasingly, Lange, Rodger, Roger Douglas, and Palmer refused to attend, and the FOL found only sympathetic but largely uninfluential members of the Party on the other side of the table. At the October 1986 meeting, the FOL recorded its 'concern that no Ministers from the Parliamentary Party were able to be present'.[83] Trade unionists who were members of the Labour Party continued to lobby from within with an ever increasingly hopelessness. Pat Kelly, for one, attended the Labour Party conference in September, though he suggested that getting remits passed would be 'an exercise in futility' because of 'Treasury dominated thinking in Cabinet'. Indeed, while Labour had been responsive to remits sent to annual policy conferences in the past, remits were increasingly ignored; they were, after all, 'almost uniformly' opposed to the Government's economic policy direction.[84] 'It's very hard to feel confident', Kelly said, 'when you get a Prime Minister saying the Government is not bound by conference'. [85] Lange now threatened widespread changes to industrial relations to 'save the union movement from itself'.[86]

The FOL remained an active opponent of the Government's reforms agenda. Following the June 1986 announcement of a radical overhaul of the state sector, the FOL, CSU, and Bank Officers Union formed a loose coalition called the 'Union Campaign for Public Services', which aimed to 'act in defence of state enterprises

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[81] Douglas to Reid, 5 March 1981.
[82] Ken Douglas to Lange, 'Meat Industry', 4 November 1986, 95-050-14, ATL, Wellington.
[83] Minutes of the Joint Council of Labour, 22 October 1986. 95-050-14, ATL, Wellington.
[84] Herman Schwartz, 'Can Orthodox Stabilization and Adjustment Work? Lessons from New Zealand, 1984-90', *International Organization*, Spring, 1991, 45, 2 (Spring, 1991), p.251.
[85] *Herald*, 29 August 1986
[86] *Herald*, 3 September 1986.

and community services'.[87] Meanwhile, a group led by Jim Anderton that called itself the 'Broad Left', met in the Hotel Workers headquarters prior to the Labour Party conference, and involved members of the FOL. There, PSA economist Peter Harris called for economic policy driven by the Party and its membership; the reforms, he said, had 'no political mandate'.[88] Members agreed to form the Economic Policy Network, a movement that opposed Rogernomics, fearing the economic policy direction would result in an increasingly unequal society, regional decline, loss of economic sovereignty, external dependence, and a 'market culture'. It called for closer negotiations and incomes policy to bargain over the 'whole social wage', including housing and social welfare.[89] As with the debate about the CTU and an accord, Anderton's growing split with Labour created yet another dividing line within the FOL: between those who believed Labour could be changed from within, and those that thought it was now irredeemable.

The FOL's attention also increasingly turned to the fallout from economic restructuring. In early 1987, an FOL/CSU deputation met with Cabinet ministers to express concerns about unemployment, particularly in the regions, and called for a recommitment to full employment and an active labour market policy, rather than hoping they would materialise on their own.[90] Market approaches were 'undermining the long-term viability of regional economies' and the 'social cost of this trend has to be considered alongside the economic cost of active, regional development policies'.[91] Regional imbalance posed a threat to the integrity of the national award system, the FOL stressed, but also posed a political problem. 'It is one thing to have safe Labour seats in the cities—it is rural and provincial New Zealand that changes governments'.[92] Instead of endorsing Labour for the 1987 election, the FOL put forward a 'Four-Point Plan' as part of rebuilding political support in the lead up to the election. It included support for jobs and industrial development; maintenance of living standards in the face of high inflation; equal

[87] *Tribune*, 3 June 1986.
[88] *Herald*, 29 August 1986.
[89] *Herald*, 23 October 1986.
[90] Roth, 'Chronicle', *NZJIR*, 12, 1, 1986, p.56; *Auckland Star*, 26 February 1987.
[91] 'FOL Four Point Programme', 3 March 1987, 94-106-58/11, ATL, Wellington.
[92] *Herald*, 7 May 1987.

treatment for cities and regions; and the implementation of anti-nuclear legislation.[93] While the FOL insisted that the four points were designed to develop 'positive policies', it was received by the Government as a grandstanding ultimatum.[94] The FOL, Lange said, was 'becoming less credible by the day', while Rodger claimed that the FOL needed to avoid 'publicity stunts' and work through the 'formal channels'.[95]

Labour Relations Act 1987

Late in the previous year, the Government released its much anticipated *White Paper*, 'Government Policy Statement on Labour Relations'. In what was presented as a victory for the FOL, the question of 'contestability'—that is, the right of unions to compete for members—was watered down. Registered unions retained 'blanket coverage', but workers were given the right to decide by ballot which union they wished to belong. The national award system was retained, though the Government aimed to curb second-tier bargaining. If workers wanted to negotiate second-tier agreements, they would need to opt out of the national award. As Lange had warned the 1986 FOL conference, unions could not have it both ways. Significantly, the reform also proposed that unions would require a minimum of 1000 members. The aim was to create 'larger, more effective' bargaining units.[96] The proposal were, in short, largely a setback for the 'New Right', and a rare if incomplete victory for the union movement, a victory in the sense that the worst had not happened. For all of Lange's bluster and threats against the FOL, the Government had not dismantled the national award system. National used the storm around the wage round and the debate about reform to release its own industrial relation policy. Announced by its new leader Jim Bolger and labour spokesperson Bill Birch, its cornerstones were the dismantling of the award system, the abolition of compulsory unionism, and the

[93] 'FOL Four Point Programme', 3 March 1987, 94-106-58/11, ATL, Wellington. *Herald*, 19 February 1987.
[94] 'NZ FOL Four Point'.
[95] *Auckland Star*, 19 February 1987.
[96] Department of Labour, 'New Zealand Government Policy Statement on Labour Relations', Wellington, 1986.

introduction of enterprise bargaining.[97] It looked, Knox said, 'remarkably like the Employers Federation position'.[98]

The long process of consultation commenced. Of the 188 submissions on the Bill, the most widely publicised were those from the FOL, Employers Federation and Business Roundtable.[99] The Employers Federation 'had entertained great hopes for a significant and beneficial reform of the industrial relations system', their submission read, but was 'disappointed and angered by the outcome'. The Bill favoured unions, 'is hostile to the interests of employers', and perpetuated the 'worst features of the current system'.[100] The Business Roundtable, meanwhile, described the system as 'totally inconsistent with other policies which the Government is pursuing to raise standards of living, international competitiveness and employment growth'.[101] At select committee in March, Knox protested the severance of second-tier bargaining from national awards and claimed that this assumed an equal relationship between workers and employers. 'Unions enter the ring with a massive handicap… and a true balancing of the scales would take this into account'.[102] Unions submissions were not designed necessarily to oppose the legislation, but to ensure it was not weakened by vigorous employer and business opposition.

Parliament sat under urgency for 37 hours before passing the Labour Relations Act in mid-May. The Act retained much of the original 'White Paper' policy proposals.[103] Birch protested that it did not deliver flexibility. 'This is what is required by way of reform. The reform must lead to greater flexibility; to set aside what is a rigid trade union monopoly…on negotiating national awards'.[104] Speaking before the ILO convention in Geneva, Rowe claimed that there was a 'glaring

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[97] *Herald*, 24 September 1986.
[98] FOL 1987 Conferences Minutes.
[99] Boston, 'Wages Policy and Industrial Relations Reform', p.176,
[100] Employers Federation, 'Submission on Labour Relations Bill', 4 March 1986, Labour Relations: Submissions 47-70, 28, 7, ANZ, Wellington.
[101] Business Roundtable, 'Submission to Labour Select Committee', 4 March 1987, Labour Relations: Submissions 136-150, 29, 11, ANZ, Wellington.
[102] *Herald*, 19 March 1987.
[103] *Herald*, 16 May 1987.
[104] *Herald*, 14 May 1987.

inconsistency' between the Government's economic and labour market policies. 'The Government's rejection of genuine labour market reform is remarkable given its enthusiasm for change in other areas', a remark that led Rodger to call Rowe a 'disgrace to New Zealand on the international scene'.[105] The Business Roundtable also launched a more sustained attack on the Bill, and called for deregulation, part of a broader call for cutting the fiscal deficit.[106] The Employers Federation saw it as a union victory. 'We weren't so much shut out; we were just ignored'. The Business Roundtable was quickly isolated, as was its 'natural bureaucratic ally, the Treasury'.[107] Yet Rodger himself would also describe unions as 'not really… players' in the development of the legislation.[108] How then, had this happened? Some have suggested that Department of Labour officials, with the help of Alf Kirk, played a central role, and—in Lange's own words— 'overcame [the view of the] Treasury'.[109]

Scholars debate the meanings and the impacts of the Act. Most interpret it as a rare victory against Rogernomics, the Business Roundtable and the Treasury.[110] For others, it was a 'middle course between deregulation and a return to the old order'.[111] Yet if it was one of the few victories against Rogernomics, it was short-lived and limited by the broader deregulation of the economy. According to Ken Douglas, Roger Douglas was astute enough to know that he did not have to pursue labour market deregulation; it would come in time. 'If you did all the other things, [it would] develop a momentum for change'.[112] While the national award system was not dismantled, to retain protections for 'weaker groups of workers', the reforms did aim to 'create a new flexibility in the bargaining environment with a move from the restrictions of national awards to industry or enterprise

[105] *Auckland Star*, 8 June 1987.
[106] *Herald*, 24 June 1987.
[107] Pat Walsh, 'A Family Fight? Industrial Relations Reform under the Fourth Labour Government', in Easton, ed., *Making of Rogernomics*, p.160.
[108] Goldfinch, *Remaking Economic Policy*, pp.98-99.
[109] Lange, *My* Life, p.229; Jesson *Fragments*, p.95. Walsh, 'A Family Fight?', p.161.
[110] Markey, p.174; Roper, *Prosperity*, p.184.
[111] Franks and McAloon, p.210.
[112] Transcript of interview between Michael Bassett and Ken Douglas, 26 November 2001. Ken Douglas personal collection.

agreements'.[113] Pat Walsh, too, noted that while deregulation was defeated, the Act did offer opportunities for deregulation and flexibility that could be 'aggressively taken by employers' as the balance of power shifted in their favour.[114] Indeed, a detailed study of the first award round following the Act revealed precisely that scenario.[115] Added to this, the failure of the Government to extend deregulation into the labour market only fuelled the Employers Federation and Business Roundtable campaign for deregulation.

The creation of the CTU and the final FOL Conference

While the Government was reforming union organisation 'from above', unions were also restructuring themselves. In March 1987, the FOL commenced negotiations with the CSU and PSA about the formation of the new union body, agreed at the 1986 FOL conference. Trade unionists gathered to undertake the task of drawing up the CTU's policy and constitution. The steering committee comprised of Jim Knox, Sonja Davies, Ken Douglas, CSU Chairperson Colin Hicks, CSU Secretary Colin Clark and president of the large and non-affiliated Bank Officers Union, Angela Foulkes.[116] In one of the first major debates, the conference voted to hold bi-annual conferences rather than annual, confirmation to those opposed that the CTU would be less accountable to its members. Coachworkers Union representatives Jim Fogarty and Graeme Clarke raised concerns about the position of Councils which would be left 'underfunded and toothless'.[117] Another central debate was over representation. In a staggeringly tight vote of 265,463 for to 265,187 against, the conference voted in favour of women and Māori committees having full voting rights in the national and regional structures.[118] Hotel Workers Federation and the Clerical Workers' Association led the joint campaign, both large private sector bodies with large female and Māori membership bases.[119] With the

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[113] Roper, *Prosperity*, p.184; Margaret Wilson, 'The Politics of Workplace Reform: 40 Years of Change', p.51.
[114] Walsh, 'A Family Fight?', p.168.
[115] Raymond Harbridge and Stuart McCaw, 'The first wage round under the Labour Relations Act 1987: changing relative power', *NZJIR*, 14,.2, 1989, pp.149-167.
[116] *Evening Post*, 25 March 1987.
[117] *Coachworkers Union Journal*, June 1987.
[118] *Dominion*, 26 March 1987; Nolan and Ryan, 'Gender Revolution', p.95.
[119] Ibid.

vote so close, Northern Clerical Workers union secretary Syd Jackson challenged unionists to confront sexism and institutional racism, while Hotel Workers Federation Auckland organiser Salafai Fiu condemned the oversight of Pacific Island women; the conference agreed that a Pacific Island workers' structure would be investigated in time for the first CTU conference in November. Yet a number of trade unionists—including the Wellington Drivers Union Secretary Jackson Smith—argued against what they saw as 'separatism', arguing that the 'real issues were not sexism or racism', but the need for 'workers to unite in support of a living wage and to fight unemployment'.[120]

Just two months later, the FOL held its final May conference. There, Knox conceded that unions had been slow in responding 'to the modern environment'. Knox also deflected the criticisms of the FOL for the perceived move towards top-down lobbying in economic policy. It could never simply be 'a matter of going to government with some good ideas which they may take up or reject at their option. Rather, it is first a matter of rank and file members being drawn into the economic debate so that they play an active role in forming those aims' and 'building sufficient unity around those aims so that they cannot be ignored by the government of the day'.[121] Yet in the lead up to the conference, several unions now called for centralised negotiations rather than the regular round, fearing a repeat of the previous year's wage round.[122] In a message that presaged the new approach of would become the CTU, the FOL leadership agreed that this was now all but unattainable; the FOL had largely been outmanoeuvred in the last round and Ken Douglas made the case that each union base their approach on 'the specific features of their industries'. 'A centralised wage push will not be attainable and, as a consequence, should not be attempted', read the FOL Executive resolution on the wage round. Rather, Douglas argued, the FOL should focus on the FOL's 'Four-Point Plan'. The year ahead, he said, would require a focus on jobs. 'This year it is not just a fight for wages. That struggle must be linked with jobs, and the

[120] Ibid.
[121] FOL 1987 Conferences Minutes.
[122] *Herald*, 29 April 1987.

development of regions and industry. Unions must lead the struggle for jobs'. [123] Douglas would take this message with him when the CTU was formed in late 1987 and he became its first President.

Even in an election year, Lange's speech was more defensive than a call for support. 'It is time to front up. I am not here to gloss-over our differences, and I will not put the scarers on to you about the alternative to the Government'. Lange rejected calls for a centralised agreement, which he perceived as a call for a re-regulation of the economy. 'The Government does not accept that the economy can be managed by any comprehensive system of controls.... If we do not free it up there will be nothing here worth arguing about'. Unless unions changed and reformed themselves to become 'self-reliant', Lange warned, 'we shall end up like some developed countries where less than 20 per cent of the workforce belongs to a union'. Knox told delegates that while the union movement 'could not back away' from expressing its concerns about 'unemployment and the distribution of wealth', Labour needed to be re-elected: 'That is a reality irrespective of the fact that it is motivated, at least in part, by an assessment of the consequences of not doing so'. [124] The FOL maintained, however, that its campaign would remain squarely focused on the 'Four Point Plan'.[125] This was the final FOL conference, but the organisation would remain in place until its dissolution when the CTU was finally formed.

The 1987 Election, the CTU, and the Crash

By 1987, Labour's Party membership had collapsed to 15,000, down from 100,000 in 1983.[126] When the election campaign commenced, Labour aimed to rebuild that membership and, as part of that, to mobilise union affiliates. National focused on that division; their advertisement appealed to the 'working people of New Zealand', who had 'nurtured Labour down the years' and now found themselves 'shocked and confused by the actions of *their* Government'.[127] Labour Party Affiliates Council Secretary, Mike Smith wrote to affiliated unions with a final push to campaign. The

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[123] *Tribune*, 25 May 1987.
[124] FOL 1987 Conferences Minutes*; Herald*, 7 May 1987; *Herald*, 7 June 1987.
[125] FOL 1987 Conferences Minutes, p.9.
[126] Jesson, *Fragments*, p.120.
[127] 'Party Political Broadcast, 25 June 1987, Ngā Taonga F93237.

‘strategy of the National Party is becoming clear’, Smith wrote. ‘Their first task is to create a mood of despondency and disaffection. Their very clear target… is the former Labour voter. Many of these people will be members of your union’. It was ‘extremely important’, Smith continued, ‘that every opportunity is taken now to get the message across to your members about the reality of a National return to power, in stop-work and other meeting and via the media’. ‘It is vital for the future, indeed the survival in New Zealand of the trade union movement, that all of Labour’s supporters turn out to the polls’.[128] Yet efforts to court union support would come perhaps too late.

Reports from the local trades councils were not encouraging and gave a sense of the challenges faced at a local level. At the FOL National Council meeting in July, a month before the election, delegates from trades councils painted a grim picture. A report from Nelson noted that if the Labour Government ‘did not give more support to the area’, especially following the closure of the Griffins biscuit factory, the trades council might put up an independent candidate. The report from the Bay of Plenty noted that ‘many forestry workers have lost their jobs, and this has contributed to differences in opinion’. From Wellington, Pat Kelly said the low wage workers were ‘suffering greatly’ and many may not vote, though he warned that ‘if the Government is not returned, the union movement will be history’. The Otago Trades Council said that little action had been taken on the FOL’s ‘Four Point Plan’ election programme: ‘[The] feeling coming through [is] that Trades Council structures are irrelevant and that the CTU will take over—union officials and resolutions but nothing actually done’. Tom Murray of the Māori Trade Union Committee told delegates that ‘there is an attitude in the regions about the lack of support from the candidates for what is happening… Can see this leading to division in the Labour Party in the future’. Added to this, Murray expressed concern about the growing number of unemployed. ‘A basic question is how are such people going to survive?’[129]

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[128] Mike Smith, ‘Affiliates Newsletter’, undated [Late May 1987], 95-050-14, 1981-1987, ATL, Wellington.
[129] FOL National Council Minutes, 29 July 1987, 95-050-04, ATL, Wellington.

Despite the disillusionment both among members and trade unionists, polls suggested that this would be the first Labour Government since 1938 to be returned to office for a second term. 'New Zealanders, even in the hardest hit provincial areas', suggested one journalist in June 1987, 'may be preparing to give the Labour government a more favourable endorsement than any other government has received since 1951'.[130] The Party, then, could afford to shed some support from its traditional base. Added to this, the Party received 3.7 million in campaign funding from the newly concentrated financial sector, allowing it to launch 'an American-style, capital-intensive, media-oriented electoral campaign'.[131] Labour's television advertisements, set in corporate boardrooms, emphasised the inherited crisis in 1984, the importance of 'economic growth', and that the fruits of economic reform were near at hand.

Even so, Labour did aim to shore up traditional support. In June 1987, Lange, Palmer and Rodger attended a Joint Council of Labour meeting after a long absence.[132] In appealing to the union movement, Labour listed among its achievements the Labour Relations Act 1987, which would 'allow bargaining options which reflect the process of economic change'. Labour also promised to 'put in place a comprehensive active labour market policy', citing the example of such policies in Sweden to address unemployment.[133] Added to this, Lange claimed that a second term would be dedicated to improvements in education, health and social services—a reflection of Lange's own growing concerns about the direction of Roger Douglas. Labour also ran a number of trade union candidates in the election, including Sonja Davies, who stood down as FOL vice-President in order to run.

As the election approached, the FOL became decidedly more positive about the Government's achievements, and more foreboding about a National victory.

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[130] Cited in McKinnon, *Treasury*, p.331.
[131] Herman Schwartz, 'Can Orthodox Stabilization and Adjustment Work? Lessons from New Zealand, 1984-90', *International Organization*, 45, 2, Spring 1991, p.251.
[132] Minutes, 16 June 1987, Joint Council of Labour, 1979-1987, 97-114-36-05.
[133] 'Labour's Achievements and Plans for: Industrial Relations', undated, 95-050-14, 1981-1987, ATL, Wellington.

Addressing workers across the country, Ken Douglas said that the message from the National Party was clear: '[They're] going to wipe you out'.[134] Peter Willis of the Distribution Workers Federation said that some unions needed reminding of the positive developments. 'Look what you have now: wage rounds, Family Care, compulsory unionism. If they are not substantially better off, then they are no worse off. I say to them that you cannot move mountains in three years'. Willis told trade unionists and workers to 'listen to what the PM is saying… Education, health and social services—they have to be returned to their former splendour'.[135] In June, the Distribution Workers Federation, the Hotel Workers Federation, Labourers Union, Clerical Workers' Association and Engineers' Union, representing 200,000 workers between them, met to plan their election campaign efforts. 'The role of the trade union movement will be crucial… We know how many workers are disillusioned with Labour. While they won't vote National, they might not vote at all and that's where we have a role to play', said the DWF secretary Paul Kimble. But, he added, 'we expect some major changes from the Government, particularly on job creation and regional development'.[136]

Others gave only qualified support. The National Union of Railwaymen, which had spent $70,000 on the 'Save the Rail' campaign as part of the 1984 election campaign against deregulation under Muldoon only to see it accelerate under Labour, were particularly aggrieved.[137] The cover of the NUR magazine, for example, featured a cartoon of Lange and Bolger as Tweedle Dee and Tweddle Dum.[138] Len Smith of the Labourers wrote to the Labour Party saying that his union could not support Labour. He outlined four major concerns: 'falling living standards, unemployment, redundancies and closures, and high interest rates on home mortgages'. 'We are not convinced [Labour's policies] are working in our members interest and the hurt is too great for them… We fully support the FOL's four points'.[139] The Coachworkers would not endorse the Party, but rather just those

[134] *Evening Post*, 12 August 1987.
[135] *Herald*, 5 August 1987.
[136] *Auckland Star*, 1 June 1987.
[137] *Auckland Star*, 5 August 1987.
[138] Ibid.
[139] Smith to LP General Secretary, 7 April 1987, 95-050-13, ATL, Wellington.

Labour MPs that supported the unions position on the motor industry: 'Rather than helping the big foreign companies that own the New Zealand industry, Labour MP's must help us by supporting our alternative plan if they are to get our support'.[140]

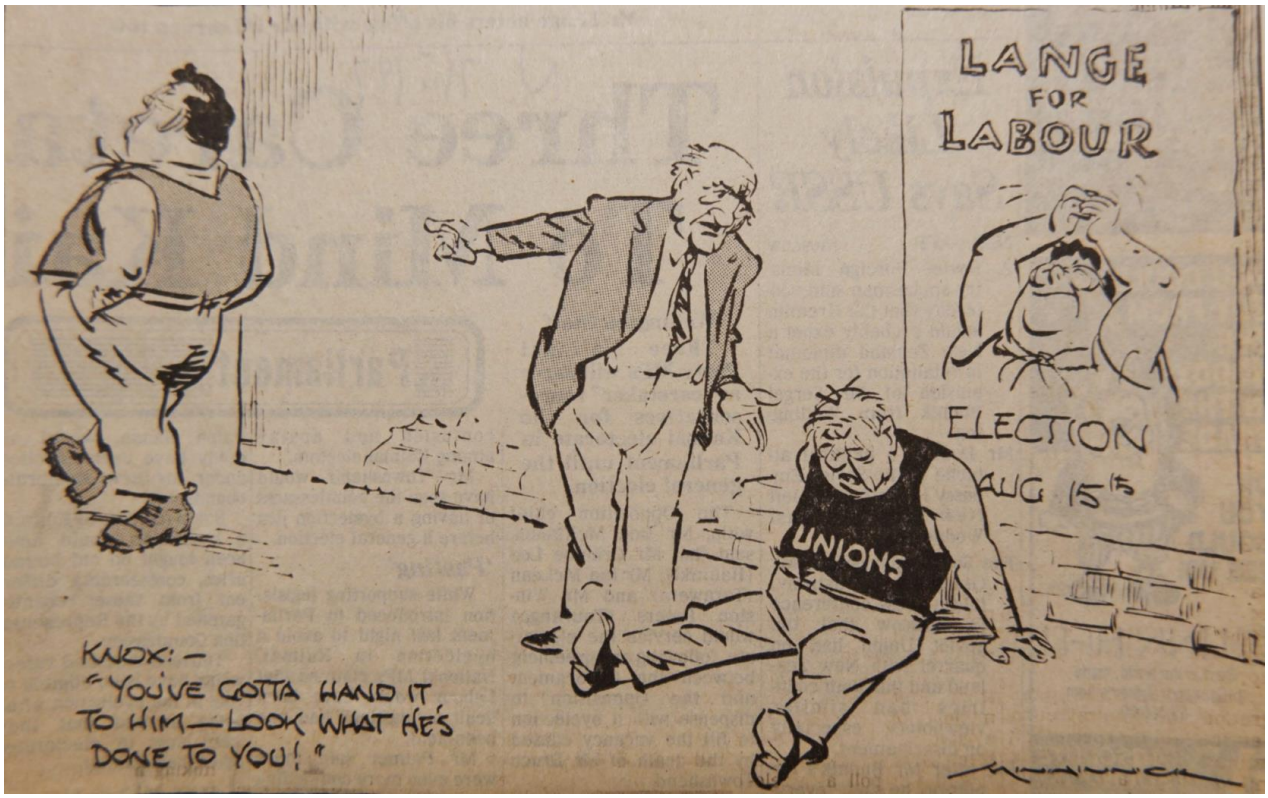

Figure 33 *Herald*, 7 May 1987

Labour won the August 1987 election and increased their share of the vote and seats in Parliament. The results, however, reflected deeper tensions. If some trade unionists, and Lange himself, looked forward to a second term dedicated to social policy, Roger Douglas and his supporters believed they had a mandate to continue

[140] *Coachworkers Union Journal*, June 1987.

economic reforms apace.[141] That division was clearly on display on election night. In his victory address, Lange spoke of the need to 'seal those gains in health and education and social welfare progress that are the hallmarks of a Labour government and a labour movement'. Meanwhile, in a televised interview, Douglas said the election was a mandate for further reforms.[142] These internal divisions would define Labour's second term and contribute to the Government's disintegration.[143] They were also reflected in the results: Labour lost members of the urban working-class, its 'traditional electoral heartland'. But it gained a new support base: 'the wealthier parts of Auckland, Wellington and Christchurch' and it 'came within a mere few hundred votes of winning several of National's blue-ribbon urban seats'.[144] Scholars later found that many working-class voters, more likely to face unemployment, simply abstained, while 'Labour's policies were particularly attractive to those working in the financial service industries, especially the professionals so employed'.[145]

But more immediately, trade unionists could take some comfort. Five unionists won safe Labour seats (Ross Robertson, Elizabeth Tennet, Larry Sutherland, Graham Kelly, and Sonja Davies). They would, according to Ken Douglas, 'help to restore some realism in the Government's policies and some of the balance lost in recent years'.[146] Meanwhile, Engineers Union leader and member of the FOL Executive Rex Jones emerged as the frontrunner and eventual winner in the contest for the new Labour Party Presidency and ran on an anti-Rogernomics campaign. The economic reforms since 1984 were, Jones said, 'unforgivable'. Those on the left of the union movement, however, were suspicious of Jones and wanted to see the return of Jim Anderton to the position.[147]

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[141] Chapman, 'A Political Culture Under Pressure', pp.1-27.
[142] Ibid, p.2; Singleton, *Reserve Bank*, p.118.
[143] A story detailed in Jesson, *Fragments*, and Sheppard, *Broken Circle*.
[144] Jonathan Boston and Keith Jackson, 'The New Zealand General Election of 1987',
[145] R.J. Johnston, 'Voting Shifts in New Zealand between 1984 and 1987: Analyses of Estimated Constituency Flow-of-the-Vote Matrices', *Political Science*, 41, 1, 1989, pp.1-17.
[146] *Auckland Star*, 17 August 1987.
[147] *Herald*, 6 October 1987.

In the months after the election, the CTU, which would represent an affiliated membership of 530,000, looked forward to its first conference. Officials vied for positions. Knox announced his decision to retire. Ken Douglas became President, and the CSU's Ron Burgess would serve as Secretary. The contest for the position of vice-President between the more activist Women's Advisory Committee Convenor Therese O'Connell and the more conservative Bank Officers' Union President Angela Foulkes became a symbol of the 'movement's internal tensions over its own future direction'.[148] Foulkes won, a sign of the CTU's conservative direction.

Like the FOL, the new CTU would assume responsibility for developing general union policies and provide overall leadership to the union movement. Media coverage of the conference focused on the more professional appearance and tone. As Jim Marr wrote, Ken Douglas' address to delegates was 'lightyears away from the hard-line rhetoric which had become the hallmark of [the FOL] in recent years'.[149] The new CTU leadership emphasised the need to 'present themselves as mature economic partners' working with the government to 'modify its direction' and 'to incorporate them'. Eventually, the new CTU would adopt and lobby for what it called a 'third way' between unbridled free markets and 'Muldoonite centralism'; it would also attempt to work with employers to achieve 'modern internationally competitive production systems'.[150] But if the CTU represented an attempt as strengthening union organisation, there was no doubt that by the time it held its first conference, the powerful position of the peak union body in New Zealand political and economic life, and the position of organised labour in general, was much diminished.

When the CTU reconvened for its second day of conference on 20 October, the news was dominated by another story: a sharemarket crash. Ken Douglas told delegates that capitalism had stolen the limelight of what he thought was an historic occasion for labour. It was, Douglas later wrote, just one example that 'the crisis of

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[148] *Auckland Star*, 1 September 1987.
[149] *Auckland Star*, 13 December 1987.
[150] Bramble and Heal, 'Trade Unions', pp.135-136.

the free market is intensifying'.[151] 'Black Monday' on Wall Street wiped huge values off national stock indexes. Many countries where recent market reforms had fuelled speculative bubbles were hit hard, including Australia, Spain, and the United States. New Zealand was hit the hardest: the share market fell a 'colossal' 60 per cent.[152] By November, the crash quickly spilled over into the 'real economy': commercial property crashed, banks found themselves with many bad debts, interest rates remained high, intensifying the squeeze on the productive and exporting sectors of the economy, and a 'vicious circle of falling demand set in'.[153] If speculative growth had buoyed the struggling and deregulating economy, it 'rapidly spiralled into a five year recession'. Unemployment would rise from 6.3 per cent in June 1987 to 11.7 per cent into early 1988.[154] This did not chasten Roger Douglas, but only served to embolden him; he now argued that further reform, including pursuing a flat tax and extensive privatisation, was required to bolster business confidence. The internal rifts within Labour between Lange and Douglas blew open; the Government's second term was defined by sweeping privatisation, division, and disintegration, a final and unsuccessful attempt at a wage accord, and then a major election defeat in 1990. That defeat paved the way for labour market deregulation.

At the CTU inaugural conference in 1987, commentators focusing on the style and tone failed to grasp a more fundamental change. Rather than focus on redistribution and maintenance of real wages, the new CTU outlined a new programme: jobs and cooperation with Labour in the pursuit of economic growth.[155] That emphasis was repeated again when Ken Douglas spoke at the Labour Party Conference the following month. The CTU, Douglas said, would focus on 'being heard' and contributing 'to the future of New Zealand'. 'We cannot accept a future that casts trade unions [as] scrambling for a few dollars each award round or for a few dollars for the victims of plant closures and layoffs, thereby constrained to try and defend

[151] Ken Douglas to David Carrad, 20 November 1987, 95-050-13, ATL, Wellington.
[152] Reid-Henry, p.218.
[153] McAloon, *Judgements*, pp.204-205.
[154] Carlyon and Morrow, *Changing Times*, p.307; Franks, *Print and Politics*, p.266.
[155] Locke, *Workers*, p.147.

living standards for a smaller and smaller unionised workforce. Our priority must be jobs'. That required a more effective relationship with Labour to influence 'an active labour market strategy'.[156] Of course, the focus on jobs was not a new development. Since the late 1970s, the FOL had campaigned for the restoration of full employment. In its position statement at the 1984 Economic Summit, the commitment to full employment was high on its agenda. Yet what was different by 1987 was the acceptance by the leadership of the argument that there was a trade-off between wages and employment. That argument had gained increasing currency in economic debate in the previous decades. As CTU President, Ken Douglas now rejected what he saw as the FOL's 'very narrow mandate' of maintaining 'the real value of wages for those that were lucky enough to have a job'.[157] The defence of living standards, defined in these terms, was thus no longer an organising goal of New Zealand's peak union body.

[156] *Tribune*, 18 November 1987.
[157] Ken Douglas interviewed by Michael Bassett, 26 November 2001. Ken Douglas personal collection.

Conclusion

At its final May conference 1987, the FOL reflected on its founding almost precisely fifty years earlier. Then, in 1937, the FOL's major concerns were the plight of the unemployed, retrenchment, and wage cuts during the Great Depression, the rise of fascism abroad, and the question of how to operate under New Zealand's first Labour Government. Its answer was a strong state sector, industrial unity, support for labour organising domestically and internationally, socialisation, and raising workers' living standards. The FOL's first decade was fundamentally shaped by the Great Depression and the Second World War, the twin-crises that set the stage for a long period of stability, prosperity, a general consensus around Keynesian economic management, a class compromise between labour and capital, and an international order and prosperity that maintained that consensus and compromise long into the postwar period. The FOL was incorporated into political and economic life as a conservative partner of the state and a key player in centralised wage-fixing. That incorporation was never fully institutionalised but often relied on the relationships between a few powerful men, and on the ability of the FOL to maintain industrial stability. The FOL represented workers at the Arbitration Court, in discussion with government and employers, and it worked to maintain some internal labour movement discipline. During the heyday of the arbitration system and of the postwar political and economic settlement, the FOL was committed to raising living standards for the male breadwinner, maintaining a relationship with the government of the day, and restraining industrial militancy. A second major turning point in its history came with the breakdown of that consensus, compromise, and prosperity. From the 1968 'nil' wage order to the 1975 election, the FOL saw its power increase and its affiliates take industrial action in unprecedented numbers as economic conditions deteriorated.

The years between 1975 and 1987 marked a third significant phase in the FOL's history. The catalytic events were the international economic crisis, social and generational change, and the economic policies of both Robert Muldoon's National Government and the Fourth Labour Government. In the years immediately after 1975, the FOL mounted a significant challenge to the Government's policies, successfully opposing wage controls and mobilising its membership in a substantial way. Its new leadership after 1979 was just one symbol of the FOL's increasing activist and militant stance. Yet as it became clear to many that the economic crisis and political hostility was no short-term trend, the FOL also increasingly sought to advance an alternative economic strategy, and increasingly sought political change. Restructuring, unemployment, legislative attacks and then an extended wage and price freeze sapped the movement's energies and placed it on the defensive, hastening its desire above all for a change of Government. By 1984, the FOL was in a vulnerable position. Bruised and beaten by the Muldoon Government, it saw the election of Labour as crucial to its very survival. Yet the FOL's final three years after 1984 marked perhaps the most intense period of pressure on the body in its history. Its end came at a time when its status and legitimacy in the eyes of much of the political and policy elite was in terminal decline, and as the balance of power moved decisively towards employers, a result of rising unemployment, tight monetary policies, the retreat of the state from intervention, and a newly militant and organised employer and business movement.

As it reflected on the world in 1987 at its final conference, the FOL faced very different pressures to that of its predecessors in 1937. A rapidly changing economic landscape and a new economic orthodoxy that had as a central tenet the marginalisation of organised labour. If the 1937 conference had endorsed the need for a strong state, and a defence of public enterprise, in 1987, the FOL leadership was witnessing 'the potential for a major dismantling of generations of investment in building and nurturing important resource assets of the State'. The solution, in 1937 and now in 1987, was, above all, unity. But also, a new approach. The new CTU leadership argued that it had to find a new way. In this, they chose to shift the focus from maintaining living standards to a programme of jobs in partnership with

the Labour Government. There was, however, another historical reading of those parallel developments of 1937 and 1987. Both were the result of reforming Labour governments, the First and the Fourth, the creation of a broadly defined Keynesian economic settlement after 1935 and the unwinding of that settlement after 1984. Both reform agendas required the discipline of the union movement, and that need for discipline saw the creation of the FOL and the CTU, respectively. The FOL was a creation of New Zealand's early iteration of the Keynesian settlement, the CTU a response to—perhaps also a creation of—the end of that settlement. But both organisations were responding to a changing society and economy, and a changing vision of how a peak union body should operate.

The acceptance by the new CTU leadership that the traditional goals of defending living standards through wage bargaining and a more militant stance were no longer viable was, in many ways, surprising. It came from the same leadership who had announced as their very purpose the democratisation of the FOL, had taken a more militant and oppositional stance towards Governments, and adopted a more expansive view of the role unions could play in political and economic life. It was a leadership that argued that the defence of living standards and wage bargaining were a fundamental right. Unionists who held onto that vision were understandably indignant. But these shifts also speak to a more fundamental tension at the heart of peak union organisation, the tensions between partnership and confrontation, between maintaining a position of influence within political and economic life, the acceptance and confidence by governments and the public, while also fiercely advocating for the rights and living standards of workers.

Criticism of the decision to wind down the FOL were not simply based on the view that it was a 'middle-class takeover', but also reflected a view that it represented an acceptance of the new political economy. For proponents, the alternative—the status quo—was certain marginalisation. That realisation came in Muldoon's final term but was accelerated after 1984 with the deregulation of the economy. Similarly, critics saw the CTU as attempting to suck the energy out of rank and file and local democracy; proponents believed a centralization and 'professionalisation' was

necessary for any incomes agreement, and, therefore, survival and some foothold in a newly deregulated economy. At the same time, the CTU was a response to a changing society and workforce. Its creation reflected, too, one of the central contradictions of the era: that is, a more expansive vision of trade unions in terms of representing members, and yet a narrowing of its power and influence in an age of austerity. These debates would continue to play out in the years ahead as the New Zealand union movement entered a new and intensely difficult phase in its history, but it was one fundamentally shaped by the years between 1975 and 1987.

During those twelve years, the FOL confronted a series of fundamental questions about strategy, about its response to wage controls; the economic crisis; the political, policy-elite, press and public hostility; about its relationship with Labour, and about its response to neoliberal reforms. Rather than providing a totalizing argument about the FOL's role and response, this study has demonstrated how it responded to these questions at different points in its history as it faced each consecutive issue, contest, setback and shock. There was no one cause of the FOL's marginalisation and its failure to achieve many of its goals. Each victory mobilised and invigorated the FOL; each setback and defeat weakened it. Ultimately, the combined impacts of economic crisis, political hostility, and economic reform together proved overwhelming. The central question for many contemporaries and for commentators ever since—and one that this study has in large part intentionally avoided—remains what could and should have been done to avoid or stem the precipitate decline in organised labour's fortunes during these years?

As we have seen, there are contrasting views about why the FOL took the course that it did; the views of contemporaries often neatly mirror those of scholars and commentators since. Yet an interpretation that is broadly shared is that of loss and failure, of failed leadership and missed opportunity. Indeed, such failure is often pinned on individuals: Muldoon's authoritarianism and personal rule of the economy, Knox's obstinance and anachronistic 'class war' attitudes, Rodger's unwillingness to contemplate consensus building with the FOL from the outset, Roger Douglas' doctrinaire attitude toward economic policy, and, particularly after

1987, Ken Douglas' adoption of a new approach. As suggested, Knox has become something of a punching bag in a number of political memoirs; Ken Douglas has assumed a similar role for those on the left, for reasons explained more below. Others point out the problem of timing, the scale of the economic crisis, and the broader and inexorable global economic forces. The tensions between these interpretations are discussed more below.

First, it is true that the FOL had very obvious shortcomings. It was, for example, slow to respond to social change, particularly the changing workforce. As Joyce Hawe recalled, 'Equal pay should have been fought for more vigorously, paid parental leave was another one… male domination was becoming quite excessive'.[1] The FOL often placed little importance, too, on its public image and on courting public opinion. It perhaps took its seemingly powerful but ultimately rather fragile position in political and economic life for granted.

In its response to political and economic change, the main focus of this thesis, two dominant interpretations stand out. For some, it is a story of the failure to adapt to change quickly enough and to secure some kind of an incomes agreement; for others, a failure to lead a more robust and militant opposition to both employers and government attacks. For the latter, the period was characterised by two contrasting trends: a period of militant opposition to Muldoon and an acquiescence to Labour after 1984. The FOL should have taken on the Labour Government, Graeme Clarke argued, with the same 'organisation and combativeness' that characterised the late 1970s and early 1980s campaigns against Muldoon's wage controls. Instead, it 'allowed' Labour 'to head down the neoliberal path', which 'paved the way' for labour market deregulation thereafter.[2] Rob Campbell supported the FOL's more oppositional and independent turn after 1979 as 'necessary at the time', though he thought that calls for the same approach during Muldoon's third term and particularly after 1984 were largely quixotic. 'Unions would never actually be strong enough to carry them through because eventually that had to be translated

[1] Joyce Hawe, interviewed by Shaun Ryan, 14-16 September 1999, OHInt-0478/16, ATL, Wellington.
[2] Graeme Clarke, interviewed by Ross Webb, 9 April 2021.

into a political program'.[3] An earlier attempt to build an economic programme with Labour would have borne more fruitful results, Campbell argued. 'We should have been doing more to influence Labour's economic policy then'. Living through that period and playing an active role was 'fascinating and important', Campbell reflected. 'But we did lose'. For Campbell, it was a moment in which New Zealand could have built a 'genuinely socially progressive economy', while taking off some of the 'silly shackles' of postwar economic management and retaining 'protections and advancements for working class people'. 'It didn't happen. And I think both sides were at fault. I regret that'.[4]

But if those stand as the major interpretations of the era, we must not reduce them to caricature. Those who advocated a militant approach did not deny that the FOL operated within the context of severe obstacles. For Clarke, one of those constraints was maintaining a sense of unity among a diverse membership with different views. '[The FOL] was a combination of a variety of unions, and it had to maintain its own unity, which means you've got to be sensitive to the views of people who have a different opinion to the majority. If you are too strong one way and some decamp, which happened from time to time, then you weaken yourself'. Another was the political and economic context. The FOL 'had to be cognizant of the restraints within which it operated, and adopt a way forward that appeared to it, to be in the best interest of trade unions generally…If you ignore [those constraints], you're likely to come unstuck'.[5] Nor did the advocates of an accord and of the CTU suggest a wholesale 'acceptance' of the new political economy. Rather, they saw their approach as the only alternative in an economy changed irrevocably, a means of building a coalition against an economic policy based on the dogged determination to tackle inflation through tight monetary policy, deregulation, and privatisation. Similarly, those who suggest that the FOL did in the end fail did not believe that this undermined its important contribution and role. While the problems within the FOL were 'many and varied', Joyce Hawe said, it remained an 'effective

[3] Rob Campbell, interviewed by Ross Webb, 3 May 2021
[4] Rob Campbell, interviewed by Ross Webb, 6 September 2021.
[5] Graeme Clarke, interviewed by Ross Webb, 9 April 2021.

organisation'.[6] Graeme Clarke, too, claimed that the FOL had a lot of 'mana' among organised workers and trade unionists. The FOL's very symbol—the forearm holding a hammer—held 'mana'. 'No one could tell you what the CTU logo was, or even cared'. The FOL, Clarke added, did a 'pretty fair job' and 'gave a heave towards progressive causes'.[7]

This study has not sought to solve these issues, nor answer the question of 'what should have been done?'. Instead, it has demonstrated that while the FOL may not have been successful in challenging or changing the direction of economic policy direction, such assessments do not give full weight to the obstacles and dilemmas it faced. This thesis has demonstrated that the FOL's response was at once more complex and contested than previously presented, and that it must be understood in the context of developments *as they unfolded*. The focus here has been on the often profoundly difficult choices the FOL faced, the intense political hostility it encountered. The scale and power of the business and employer, policy-elite and the public opposition to the FOL, too, should also not be underestimated. By 1986-1987, the FOL was left with few allies, and a powerful coalition that was determined to see a sharp reduction in its power. Moreover, to suggest that the FOL failed or was incapable of generating a coherent response to the multiple crises of the era is to place perhaps an unfair burden on the organisation at a time when organised labour around the world faced perhaps its most challenging decades.

If union revival and decline stand as one of the central contradictions of the era, another is the clash of agency and structure. The rapid transformations that characterised these decades were driven both by the seeming juggernaut of greater and global forces and yet also the decisions, interactions and sometimes the miscalculations of often a small group of individuals. It is a history that sits at the intersection of both a monotonous sense of inevitability and a dizzying array of contingencies and possibilities. By examining the FOL's response as it confronted each wave, rather than assuming it had a readymade plan for the broader crises of

[6] Joyce Hawe, interviewed by Shaun Ryan, 14-16 September 1999, OHInt-0478/16, ATL, Wellington.
[7] Graeme Clarke, interviewed by Ross Webb, 9 April 2021.

the era, this study has demonstrated that it did in fact respond to the challenges of the day, even if not always successfully. It has demonstrated that affiliates did mount major campaigns, and, at times, won, even if they were short term and often defensive battles in retrospect; that FOL leaders did challenge the ideology at the heart of economic policy, both during the Muldoon years and after 1984, and it sought to develop an alternative economic strategy at a moment when economic orthodoxies were in flux.

What is clear, above all, is that FOL leaders did not see things quite as clearly as we might now, nor did they have every option open to them. The magnitude of the economic crisis and the forces unleashed by economic reform simply could not have been anticipated, even among those who had been given some insights into Labour's economic policy thinking before July 1984. The question of 'what could have been done?' remains an impossible and possibly unhelpful question for historians. Yet it also gets at one of the inescapable tasks of an historian; that is, to try and understand change and continuity, the tensions between structure and agency, to examine the openings for change, the narrowing horizons, and the room for individuals and organizations to maneuver at different points in time. That task can only be achieved through an understanding of context, of an investigation into the primary sources and a consideration of the decisions made at key points in the past. Historians, in the end, should render judgement. The roads not taken have serious implications; we still live with them, even if the debates and politics of the era seem distant. Yet even accounting for counterfactuals, there remain no easy answers to the crisis of the 1970s and 1980s. What is clear is that they were pivotal decades, and that the impacts of the prevailing solutions to the economic crisis remain with us today. This thesis has demonstrated that the decline of the FOL and of organised labour in New Zealand political and economic life was the result of a myriad forces, a confluence of developments, both intellectual and institutional, political and cultural, personal and structural. Above all, this study has argued for the importance of understanding the story of the FOL, politics, and economic crisis between 1975 and 1987 in the making of New Zealand's modern political economy. This study thus serves as a prologue to another story, one still unfolding.

Epilogue

Over the following decade, the CTU strategy had three main prongs: a renewed attempt to reach an incomes agreement with Labour, an accommodation with employers to prevent job losses, and internal union restructuring to help bolster the strength of unions in response to both the changes introduced by the Labour Relations Act 1987 and the growing momentum for labour market deregulation.[8] As we have seen, the CTU pursued an economic strategy that it promoted as a 'third way', 'an alternative' to both Muldoon's 'negative intervention' and Labour's 'free market experiment', and a shift in direction of 'union policy away from the sole preoccupation with the redistribution issues of maintaining real wages, towards a new central policy platform emphasising jobs and employment creation'. This was, critics suggested, an acceptance of the new political economy, especially its implicit assumption that changes were irreversible and required an accommodation. Yet it was also a rejection of the New Right's narrow focus on tight monetary policy and cutting Government spending; combined, the CTU argued, this had only deepened stagnation, and provided no plan for economic recovery and reconstruction.[9]

Meanwhile, the tensions within Labour, put aside as it entered the 1987 election, exploded thereafter. As Roger Douglas became only more intent on taking reforms further, Lange tried to slow the pace.[10] Labour's 1988 Budget flattened tax scales and introduced sweeping privatisation, though labour market deregulation remained 'off-limits'.[11] Increasingly, Lange saw the CTU as a potential ally in advancing a feasible alternative to 'unbridled monetarism'. By late-1988, at the same time as Roger Douglas' resignation, Labour announced it was willing to engage with the CTU in some kind of incomes accord, a 'Compact'. It quickly became clear that the Compact would be a highly limited agreement. Macro-economic policy was 'not up for negotiation'.[12] Cabinet remained divided over what a Compact might look like, negotiations progressed slowly, and CTU affiliates

[8] Locke, *Workers*, pp.144-147, 172-175; Jesson, pp.121-122. Franks, 'Employment Contracts Act', p.203.
[9] Harvey, 'The Unions and the Government', p.65.
[10] Franks and McAloon, p.217.
[11] McKinnon, *Treasury*, p.345.
[12] Harvey, pp.67-69.

increasingly questioned the 'deals behind closed doors' approach. Ken Douglas argued that the Compact was necessary, a means by which the union movement could make a contribution 'in the national interest', 'work within the system', to move beyond 'political slogans' and recognise the 'hard issues' and 'difficult decisions' that the union movement faced. Others on the left saw it as a pact with a 'proven anti-worker Government' which 'ties unionists into its Business Roundtable agenda'.[13] There was, in one sense, nothing new about this dividing line. But as the CTU and Labour negotiated the Compact, divisions within the union movement only widened. After 1988, nine affiliated unions left the Party.[14] In May 1989, some of those who formed around Jim Anderton's Economic Policy Network broke off from Labour to form New Labour, yet another dividing line within the union movement.[15] The SUP, too, split over support for Labour and the dismantling of the Soviet Union in 1991; Andersen and others formed the Socialist Party of Aotearoa, while Ken Douglas stayed with the SUP.[16]

The CTU-Labour 'Agreement for Growth' was signed in April 1990, six weeks before the election made it redundant. Across the board wage increases would be limited to 2 per cent (anything higher had to be based on productivity increases). In return, the Reserve Bank, whose Governor Don Brash was party to the agreement, would ease monetary policy, which was bearing down hard on employment, and lower interest rates. Indeed, the negotiations over the 'Compact' and the 'Agreement for Growth' occurred in conjunction with another fundamental change in economic policy. In late-1989, the Government passed the Reserve Bank Act, and soon after signed an agreement with the Reserve Bank Governor that the bank formulate monetary policy to ensure price stability, and an inflation target of 0-2 per cent. The Agreement for Growth also ensured CTU consultation about spending cuts to reduce the Governments' internal deficit. In 1990, the economy deteriorated further, unemployment rose again, and the CTU argued that an alternative to the Agreement was Reserve Bank monetary tightening and increasing interest rates;

[13] Cited in Harvey, p.59.
[14] Pacey, p.13.
[15] Sheppard, *Broken Circle*.
[16] Locke, *Workers*, p.174.

without a wage accord this might lead to further unemployment and economic decline, and only more pressure for labour market deregulation.[17] The CTU believed that the Bank's narrow focus on inflation targeting was damaging. Yet as long as it remained in place, unions did need to moderate wage claims.[18] It was all, however, a last-ditch effort. A fragmented and bitterly divided Labour Party lost the 1990 election.

In 1990, the National Government came to power and quickly outlined its plans to introduce a sweeping deregulation of the labour market. The CTU maintained its position of attempting to maintain a positive relationship with the new Government, but with little or nothing to show for it. The Employment Contracts Act 1991 formed just one part of the Government's 'Economic and Social Initiative', a programme designed to lower wages. The Act went much further than most expected; it was a radical deregulation of the labour market. All state protections for unions were removed. The 'Economic and Social Initiative' also contained a sharp attack on the welfare state, with cuts of between 10-25 per cent, and eligibility greatly restricted. The cumulative effect, according to CTU economist Peter Harris, was to drive the economy into a sharper contraction.[19] Following a narrow vote against a proposed general strike, the CTU decided to lead a 'day of action', but to leave industrial action to a local level, and not call a general strike. This was perhaps the easiest option for the CTU, the path of least resistance. April did see 350,000 workers participate in some form of action, despite no CTU-led general strike.[20]

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[17] Harvey, p.76.
[18] *The Dominion*, 31 October 1990.
[19] Franks, *Print and Politics*, p.276.
[20] Sarah Heal, 'The Struggle For and Against the Employment Contracts Act 1987-1991', MA thesis, University of Otago, 1994, p.121

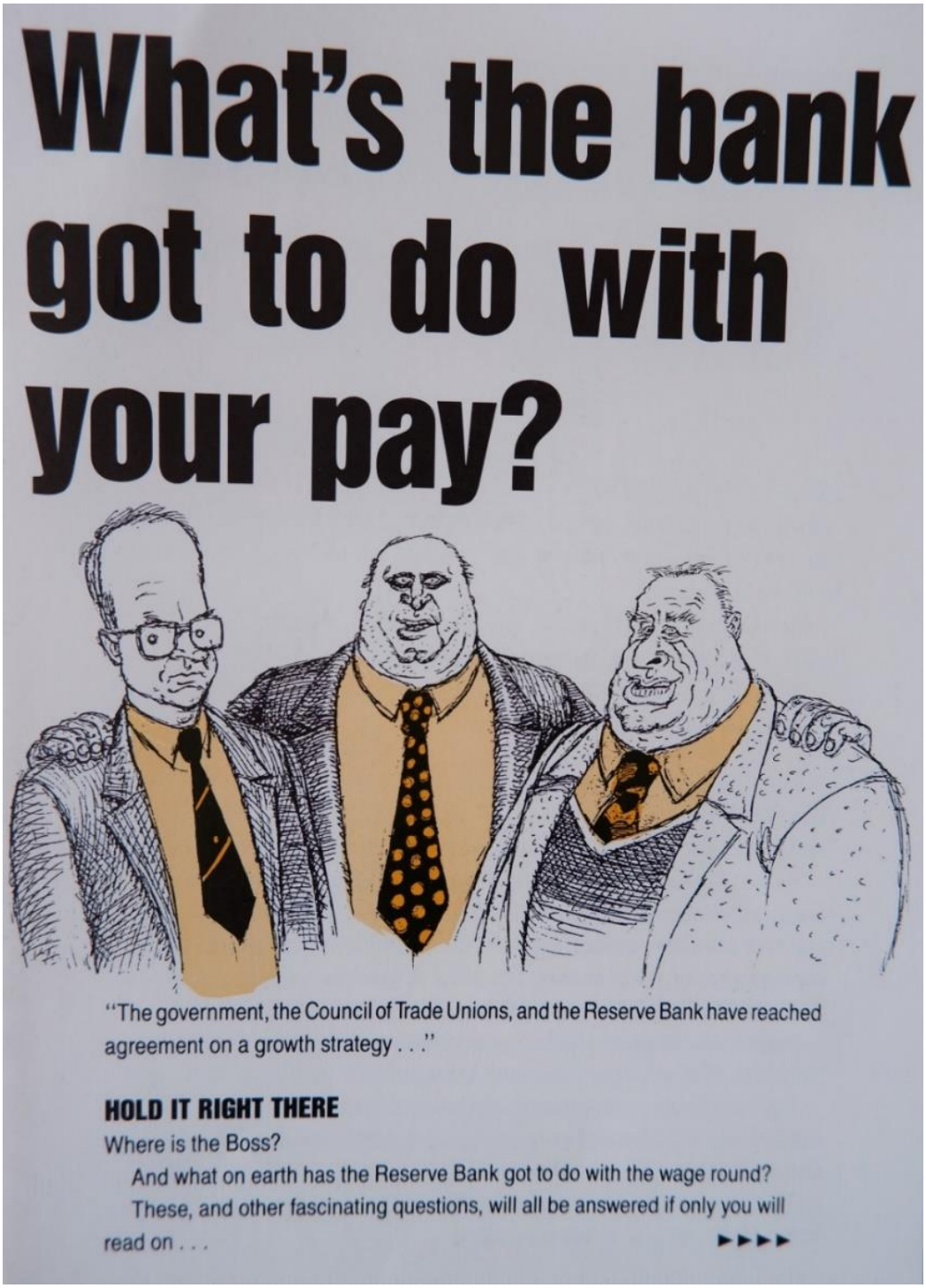

Figure 34. A 1989 pamphlet produced by the CTU to explain the Agreement for Growth to members. Featured on the cover are Reserve Bank Governor Don Brash, Prime Minister Michael Moore and CTU President Ken Douglas. Ken Douglas personal files

The debate over the CTU's decision not to mount a general strike mirrored to some extent the dividing line over the response to neoliberal reforms after 1984, but with a sharper edge. Some have even suggested that that decision not to call a general strike led to its successful passage, the implication being that mass opposition would have stopped it.[21] The CTU's response has, for many, come to represent the apotheosis or culmination of its disregard for membership democracy and its bureaucratic conservatism. For others, calls for that kind of action were merely posturing, and would have been futile. Unions simply did not have the strength.[22] It has to some extent shaped understandings of the preceding period. Grace Millar argues that the ECA has become a 'prism' for trade unionists memories, 'everything before leads up to it and everything since flows from it'.[23] Indeed, defeats like the ECA have a way of recasting past successes and failures; the history of the period 1975-1987 have to at times been analysed in the shadow of 1991. To add to the symbolic weight of 1991, Skinner and Knox died within a month of each other late in the year, marking a 'changing of the guards' in the union leadership.[24]

Into the 1990s, the CTU operated within a profoundly hostile climate and a new (or a return to the old pre-1930s) political and economic settlement, defined by inflation targeting and an independent central bank, fiscal austerity, and globalisation.[25] If the 1970s and 1980s had been difficult, the acceleration of a 'hyper-globalisation' and transformations in information technologies in the 1990s put labour movements internationally on the defensive. The CTU's attempt to work within these parameters while attempting to provide a greater 'balance' in economic management found expression in its 'Growth Strategy'. That strategy emphasised wage restraint and an acceptance of lower living standards as 'an inevitable penalty of an open economy competing poorly'.[26] In short, it called for a vision of unions

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[21] Ibid.
[22] Peter Harris, 'The "General Strike" of 1991', Notes for a Presentation at a workshop at the 1997 CTU Conference.
[23] Grace Millar, '"We would have been in a lot worse state in 91'": The Employment Contracts Act as a Prism for Trade Unionist's Memories', New Zealand Historical Association Conference, 2-4 December 2015.
[24] Bruce Jesson, 'The Changing of the Guard', *Metro*, April 1992.
[25] McKinnon, *Treasury*, p.427.
[26] Grant, p.324.

aiding in growth and productivity *first*, before fighting for fair and equitable distribution. The CTU's major message in the 1990s was 'jobs, equality and stability'. It saw itself as providing a 'voice for workers in a global economy'.[27] Whatever the strategy, the CTU also faced a major internal and organisational crisis. By 1994, its membership collapsed to 380,000, and again to 210,000 by 2000.[28] Meanwhile, the CTU commenced a restructuring as it faced dwindling resources. It 'dissolved regional structures with the aim of creating a leaner, more supple organisation'.[29]

As the CTU leadership faced these mounting pressures, workers across the country faced up against employers who refused to negotiate contracts and attacked pay and conditions. Awards were replaced by individual employment agreements, and where bargaining was retained it was enterprise based, rather than industry wide. Union density would halve to 21 per cent of wage and salary earners.[30] Anger about the CTU's approach to the ECA and its 'Growth Strategy' would coalesce in the Trade Union Federation (TUF) formed in 1993; its leaders believed that the CTU was 'so compromised that they are unlikely to be able to marshal workers' forces to effectively mount' a movement against 'the employers organisations and the new-right ideological hegemony'.[31] Some unions, particularly those representing lower paid service sector workers, meanwhile, sought new strategies and borrowed from the 'organising model' overseas. The CTU, meanwhile, worked with the opposition Labour Party, particularly Helen Clark and Michael Cullen, who were opposed to the extremism of Rogernomics, and sought to moderate policy; they laid the basis for what would become the 'Third Way'.

The restoration of growth and the reduction of unemployment after 1994 was taken as vindications of the reforms. Had the long-promised fruits of reform finally

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[27] *Evening Post*, 3 November 1999.
[28] Grant, p.319.
[29] Grant, p.326.
[30] Robin May and Pat Walsh, 'Union Organising in New Zealand', *International Journal of Employment Studies* 10, 2, 2002, pp.159.
[31] Maxine Gay and Malcolm MacLean, 'Six Years Hard Labor: Workers and Unions under the Employment Contracts Act', *California Western International Law Journal* 28, 1, 1997, pp.45-64.

arrived? Had inflation, 'the bugbear of the 1970s and 1980s', been overcome'?[32] Low inflation and steady growth, a 'Great Moderation' after the 'Great Inflation' of the 1970s, prevailed. Yet in New Zealand and elsewhere it was not at all clear what the contribution that the assault on workers' rights and the severe retrenchment of the welfare state had, even as the 'justification for those policies was that they were essential to economic recovery'.[33] That growth was taken as welcome proof of success. But as scholars show, it could just as easily be explained by, in New Zealand, an export boom, and, internationally, by a sharp drop in oil prices after the late-1970s high.[34] Moreover, far from solving or depoliticising issues of distribution through growth, this was itself a 'new distributional settlement', one in which wealth and incomes were distributed in a grossly unfair way.[35] Unemployment, while lowering, did not dip below 6 per cent for the remainder of the decade. For many, living standards declined, wages stagnated, and inequality rose. Living standards for some were maintained by taking on more personal debt; for others, asset inflation fuelled wealth but underpinned the makings of a new crisis: housing affordability.[36]

The CTU was given some reprieve following the election of the centre-left Labour-Alliance coalition Government in 1999. That Government, which sought to correct the 'worst excesses' of neoliberalism, saw the CTU as just one of many 'social partners'. The Employment Relations Act 2001 instituted the duty to bargain in 'good faith' and re-established union access to jobs sites. Business leaders and employers protested vociferously in what became known as the 'winter of discontent' in 2000. Yet if Labour's reforms signalled an attempt to provide some balance in a system that overwhelmingly favoured employers, it also signalled a bipartisan consensus that unions would not return to their 1980s strength; the lynchpins of neoliberal reforms of the 1980s and 1990s would remain in place. While union density did improve somewhat, increasing by 10.7 per cent between

[32] Singleton, *Central Banking*, p.288.
[33] McAloon, *Judgements*, p.215.
[34] Ibid; Red-Henry, 233.
[35] Red-Henry, *Empire of Democracy*, 233.
[36] Judith Stein, 'Politics and Policies in the 1970s and Early Twenty-first Century: The Linked Recessions', in Fink *et al.*, p.141-160.

1999 and 2002, a more gradual shift was taking place that would become increasingly central to the political debate: the rise of precarious work and the onset of a staggering wealth and income inequality.[37] The CTU's strategy changed somewhat. For one thing, it maintained its focus on economic growth. In 2002, Ken Douglas's successor as President, Ross Wilson, claimed that economic growth remained the overriding goal. 'Improvements in workers' standard of living depends on that more than anything else'.[38] Yet the CTU, also like its peak counterparts in the UK and US, also renewed a focus on organising.[39]

In 2008, the CTU once again faced both an economic crisis and the election of a conservative government. The Global Financial Crisis of 2008-2010 coincided with the election of a new National Government under Prime Minister John Key and Minister of Finance Bill English. While rejecting the radicalism of the neoliberal reforms of the 1990s, National chipped away at the provisions of the Employment Relations Act. The CTU, under the new leadership of Helen Kelly from 2007, took an activist turn and led campaigns to challenge the erosion of bargaining rights and health and safety; it called for greater protections for precarious and low paid workers. It was fighting a series of overwhelming challenges rooted in the wage stagnation, work insecurity, and deregulation that had its origins in the 1970s and 1980s.[40] Indeed, economic and political ruptures after 2008, and the growing awareness of wealth and income inequality, reopened urgent questions about the historical roots of present-day inequality and wage stagnation. Historians increasingly stressed that the origins of our political economy can be found in the economic crisis of the 1970s and 1980s and the neoliberal response to that crisis, the twin developments 'that defines our present'.[41]

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[37] Roper, *Prosperity For All?*, p.231.
[38] *NZ Management*, 29 May 2002. A parallel to some peak union responses across the West. In the US, for example, the AFL-CIO emphasised the need to put "progressive competitiveness" back on the agenda: 'We want to increase productivity', said the AFL-CIO president in 1996. 'We want to help American business compete in the world'. Panitch and Gindin, *The Making of Global Capitalism*, P.271.
[39] May and Walsh, p.165.
[40] Rebecca Macfie, *Helen Kelly: Her Life*, Wellington, 2021.
[41] Eich and Tooze, 'The Great Inflation', pp.183-196.

While writing this study, political and economic life has transformed yet again. The global Covid-19 pandemic unleashed a shock to the world economy, provoked a period of unprecedented economic mobilisation, and another challenge to economic orthodoxy. The 'shadow' of the 1970s and 1980s still defines debate, not least in the fear mongering about a renewed inflation, or the return of worker power. The Labour Government has announced its plans to restore some balance in the labour market by introducing Fair Pay Agreements, while at the same time assuaging critics that it is no return to the award system. As the economy recovers from the shocks of the pandemic, the fruits are not distributed fairly. Like much of the west, New Zealand has experienced a 'K-Shaped' economic recovery: stagnation for some, massive increases in wealth for others, particularly asset holders. In assessing why this is the case, many internationally have once again pointed to the imbalances created in the 1980s, and to the absence today of a powerful countervailing force.[42]

The Federation of Labour had many flaws. It did not have all the answers to the economic crisis of the 1970s and 1980s. It could overstate its power. It was also at times blind or actively resistant to changes happening around it, or to the demands of previously underrepresented groups within the workforce. At its best, however, it served as a powerful champion for New Zealand workers, as a powerful countervailing force. It understood, with immense moral clarity, the pain that the economic crisis and austerity inflicted on workers, and it provided a powerful critique of, and at times a serious challenge to, the direction of economic policy. The goals of the FOL—for a defence of living standards, for a fair distribution of income, for the burden of the economic crisis not to fall on those least able to afford it, and for an economic policy that serves the interest of working people—stand not as anachronistic slogans, but as unfulfilled promises that remain as relevant as ever as we enter a new phase in our history. The many vexing questions that the FOL confronted in the 1970s and 1980s remain with us in new forms, even if the current context demands very different answers.

[42] Adam Tooze, 'Has Covid ended the neoliberal era?', *The Guardian*, 2 September 2021.

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