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Multi-employer bargaining in New Zealand within the rise and fall of labour market neoliberalism

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Abstract

New Zealand was once at the vanguard of international adoption of neoliberalism in labour market policy. However, international institutions have weakened or even reversed their commitment to these ideals over time. In addition, economic theory has moved towards a model that takes account of monopsony and power. Fair pay agreements, briefly introduced and the abolished in 2023, were considered a crucial legislative change, but they cannot be the full solution to the problem of low worker power in New Zealand. Instead, consideration needs to be given to broader factors behind the continuing loss of employee influence. Finally, the concrete effects of neoliberalism are likely much more persistent than the ideas themselves.

Keywords: multi-employer bargaining, neoliberalism, monopsony, labour economics, OECD, IMF, fair pay agreements.

Introduction

'I'm bitterly disappointed that something that had such positive potential has been taken away. I feel cheated'. So lamented an early childhood teacher after the repeal of the legislation that, the previous year, had established the potential for Fair Pay Agreements (FPAs) (Muru-Lunning, 2023). Had she been 'cheated' of something that was inevitably coming? Or was the concept of FPAs swimming againt the tide of economic thought, in the halls of academe and the offices of international economic institutions?

This article considers the fate of FPAs in the context of the progression of employment relations policy in New Zealand, and of international thinking by economic theorists and institutional practitioners labour markets. It commences with a discussion of relevant policy development in New Zealand, including the development and repeal of the FPA legislation. It, then, locates this within the broader context of ideas: the rise and decline of neoliberal thought in major international institutions; and the rethinking of labour market analysis within economic theory itself. A central aspect of this rethinking is the emergence of ideas about 'monopsony' in labour markets, and this article spends some time on that issue. The article then returns to New Zealand, to consider the relevance of those most recent developments in theory, and in the economy itself, for the future of FPAs, before concluding.

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The NZ experience with labour market deregulation and reregulation

If one country epitomises the way that changing understandings of the labour market have manifested in public policy, it is New Zealand. Through the immediate post-war era, New Zealand's award system intervened in labour market interactions in a way that brazenly offended free market notions. New Zealand, then, became the country that probably embraced neo-liberal reforms most radically and enthusiastically during the 1980s. A new Labour Government, steered by Finance Minister, Roger Douglas, and informed by their advisers' *Economic Management* briefing (Treasury, 1984), embarked on a widespread and rapid programme of privatisation and deregulation of product markets (Menz, 2005).

The labour market was mostly deregulated in 1991, by the successor National Party government of Jim Bolger, through the Employment Contracts Act (ECA). Introduced in 1991 after half a decade of neoliberal reforms to product markets, this Act dismantled the award system overnight, and enacted the closest thing to a pure maket model of the labour market in any industrialised country. State recognition of trade unions ceased, single-employer wage determination supplanted the previous award system, collective bargaining coverage plummeted and gave way to individual contracting, and multi-employer collective bargaining became almost non-existent (Rasmussen et al., 2022).

However, the forecasts of resultant prosperity did not materialise. Many workers received a standard individual contract that did away with many long-held entitlements, such as overtime and penalty rates, and often involved a pay cut as well. Such contracts were usually presented on a 'take it or leave it' basis (Oxenbridge, 1999). Premiums for working unsocial hours were cut and disappeared from the retail and hospitality sectors. A study of supermarket workers, for example, found that earnings (including overtime) fell almost 12 per cent in real terms between 1991 and 1997 (Conway, 1999). By the end of the 1990s, New Zealand had higher inequality (Easton, 1996), along with poor full-time labour participation, real wages, and productivity, especially by comparison with Australia, which had adopted a different approach (Morrison, 2001; Dalziel & Peetz, 2008). Across the Tasman, the Australian Labor government, under Prime Minister Bob Hawke and Treasurer Paul Keating, had embarked on a much less ambitious program of 'constrained neoliberalism', restricted to what could be permitted under an Accord with the trade union movement, itself designed to deal with stagflation (Peetz & Bailey, 2011).

The ECA was eventually abolished in 2000, replaced by the new Employment Relations Act (ERA), under Helen Clark's Labour government, which created mechanisms for recognising collective agreements and privileging 'good faith' behaviour, but did not return to the pre-1990 treatment of unions or reinstate awards. A successor National government in 2008 maintained most of this legislation, while weakening provisions mostly affecting minimum wages and unfair dismissals, and the treatment of film industry workers (Rasmussen et al., 2022). While the collapses in unionism and collective bargaining under the ECA were arrested, they did not turn around. Union density fell from 50 per cent in 1990 to 25 per cent in 1996 and 22 per cent in 2000 (Charlwood & Haynes 2008; Ryall & Blumenfeld, 2018). By 2017 it had fallen even further, but less dramatically, to 17 per cent (Ryall & Blumenfeld, 2018). Collective bargaining coverage was only 18 to 19 per cent

by the latter part of that decade (OECD, 2024). The revived legal recognition of collective agreements at the start of the century had not reversed the losses that occurred in the decade of the ECA. Indeed, at a much weaker pace, those losses continued, as they had in the majority of other countries in the Organisation for Economic Co-operation and Development (OECD) (Rasmussen et al., 2022; Visser, 2023).

In shifting away from awards to bargaining in the 1990s, New Zealand, like Australia, had moved closer to the models prevailing through most OECD countries, which relied to varying degrees on bargained rather than state-regulated wages. Yet both countries (New Zealand through the 1990s, and Australia since then) had become unlike other OECD countries in treating multi-employer bargaining more stringently at law than single-employer bargaining. While it is true that, internationally, there had been a growing emphasis in *practice* on decentralised bargaining since the early 1980s, as with other aspects of the neoliberal reform agenda, the expected productivity boom did not eventuate (Quiggin, 2013). Hence, the growing reconsideration of multi-employer bargaining – even, as we shall see, by the OECD.

By 2018, the global politics of multi-employer bargaining had changed. So, too, had the policy *zeitgeist*. A new Labour government, elected in 2017, expressed interest in a form of multi-employer bargaining termed 'Fair Pay Agreements' (FPAs). After an inquiry headed by none other than former National Prime Minister, Jim Bolger, and numerous consultations, legislation was introduced to allow them. Fair Pay Agreements would enable the parties to agree upon (and, if agreement were not reached, arbitration to be made for) minimum standards across an industry or occupation. They could only be negotiated where at least 1000 employees wanted one, or where a 'public interest' had been demonstrated, and endorsed by a majority of affected employees and employers, otherwise the Employment Relations Authority could arbitrate an outcome. Some mandatory matters would be included in FPAs, such as pay rates and hours. Some items to be discussed by the parties but were not required content included redundancy provisions, leave, health and safety, and some matters would be purely optional content. While maintaining the framework of the Clark Labour government's ERA, the adoption of FPAs indicated a shift considerably further from the free-market model than had been represented by the ERA's own departure from the ECA. Indeed, it was seen as "one of the biggest changes to NZ employment legislation in modern times" (Employment Hero, 2023).

However, the move to FPAs was stillborn. The process of negotiating, drafting and passing enabling legislation took time and progress during Labor's first term was described as "frustratingly slow" (Muru-Lanning, 2023). Before the first FPAs could be finalised, a new National government was elected. One of its first actions was to repeal the FPA legislation. While it may have been politically too difficult for the new government to repeal most elements of the ERA, this was one aspect that was too new to have developed a constituency of reliant, regular users in either business or labour, therefore, FPAs could be safely abolished without the fear of political consequences.

Yet, with this last move, New Zealand was moving in the opposite direction to that ofthe rethinking of economic policy, as it affected labour markets, was travelling. We explore what happened in the OECD, other 'neoliberal' international institutions and, indeed, in the fortunes of neoliberal policy thinking and more abstract economic theory that underpinned thinking in those bodies in the

sections that follow. We then return to consider the implications for where New Zealand goes from here.

The meaning, rise and decline of international neoliberalism

Neoliberalism refers to a set of *public policies* that give priority to private markets over workers or citizens. These include privatisation of public services or assets, deregulation of product or labour markets and the running of public sector agencies along 'corporate' lines with objectives expressed in financial or competitive terms and, in labour markets, the removal of provisions for minimum wages, unfair dismissal and other state interventions. Neoliberalism is a project in which, as Connell (2010) points out, market relations aim to penetrate every sphere of life and become its dominant rationality. *Neo-classical economics* refers to a body of economic *theory* that provides a rationale for free market solutions to economic problems, based on a supply- and demand- driven model of the economy, and often seen as being in opposition to Keynesian economic theories. The implications of neo-classical economics support similar policies to those mentioned above. So, put simply, 'neoliberal' refers to a policy approach, and 'neoclassical' refers to a body of economic theory that underpins it. It can be argued that not all neoliberal policies are underpinned by neoclassical thinking, as some neoliberal policies go beyond 'market liberalism' into policies that are not necessarily 'market liberal' (Peetz & Bailey, 2011). The focus here is on the 'market liberal' form of neoliberalism, for which neoclassical economics can be said to provide a coherent theoretical foundation.

The intellectual origins of neoliberalism can be traced to the Mont Pèlerin Society established in 1947 by a group including Friedrich August von Hayek and Milton Friedman (Fischer & Plehwe, 2017). This think tank "became the ideological heart of neoliberalism for many countries" (Murray, 2017, p.60). First practice was closer to the early 1970s: the legacy of Chile's violent coup in September 1973 was due to national policy driven by a group of economists (the 'Chicago Boys', mostly from the University of Chicago), guided by Friedman (Connell & Dados, 2014; Friedman & Friedman, 1998). The OPEC oil embargo led to 'stagflation' (simultaneous high inflation and unemployment) that undermined the credibility of Keynesian economics and saw the rise to prominence of 'monetarism'. Then, in the early 1980s, the governments of Margaret Thatcher (in the UK) and Ronald Reagan (USA) were seen as the leading lights of neoliberalism in the developed world, lauded in some circles for successful confrontations with key trade unions, such as the mining and printing unions in the UK, and the air traffic controllers in the US. These governments, and the economic theories their models emulated, came to influence public policy in most industrialised nations and even across much of the global South (Connell, 2010).

Neoliberal ideas came to dominate policy thinking in governments around the world, and especially amongst bureaucratic advisers in Australia (Argy, 2003; Pusey, 2003). It also dominated thinking in international institutions charged with managing economic issues. While ascendant, it could never avoid denunciation; probably the strongest criticisms were reserved for the International Monetary Fund (IMF), which was accused of imposing free market solutions on countries requiring economic support (Levitt, 1992), and the related World Bank, from which emanated the phrase "there are virtually no limits on what can be privatized" (Shirley, 1992, p.s24).

Other international economic institutions, such as the OECD, also became proponents of free market ideas.

The peak of neoliberalism as an international idea was in the 1990s. Even as the monetary theories behind ‘monetarism’ lost salience, the core idea of free-market theorising continued to dominate economic thinking. Its simplicity and mathematical elegance facilitated academic publications and the self-justifying idea for economists that theirs was a hard ‘science’ with coherent dicta (Quiggin, 2010).

Since then, however, market liberalism has had declining salience in framing economic policies, and in shaping our understanding of labour markets. This decline has been assisted by changes in theoretical understandings of labour markets, and reflected in changes in the approaches of institutions to labour market policy.

It was also influenced by real world events. The global financial crisis destroyed the complacency from the ‘Great Moderation’ (Bernanke, 2004), a long period uninterrupted by recession. The financial markets – close to a ‘perfect market’ with access to ‘perfect information’ — and component institutions, such as ‘ratings agencies’, had not only failed to predict the crisis, but were largely responsible for it (Schwab, 2011). Over a decade later, the Covid-19 pandemic saw governments actively intervene in markets in ways that had hardly been seen before. “A virtual state-decreed closure of the market” (Berry, 2020, p.46), led to a relatively shallow recession, much less severe than predicted at the beginning of lockdowns (Verwey & Monks, 2021). Meanwhile, within-country inequality had grown in most industrialised and developing nations (Chancel, 2022).

By 2020, as measured by the Gini coefficient, inequality in Chile, the ‘poster child’ of neoliberalism, was the greatest in the OECD (Thomson et al., 2021; OECD, 2014). Central economic agencies showed an inability to accurately forecast wages growth and, indeed, a persistent tendency to over-estimate it (e.g. Blanchflower & Machin, 2014). The extent of inequality, the growth of new forms of economic organisation and the failures of the public sector to even approach public expectations all sparked new analyses that seriously critiqued neoliberal capitalism and its justifications (Mazzucato, 2018; Piketty, 2014; Varoufakis, 2024).

Theoretical developments

From the late 1970s, the neo-classical interpretation of the labour market had dominated economic thinking. It was at its heart a simple supply and demand model. The labour market would establish an equilibrium wage at which all labour would be fully employed and employers would be able to obtain all the labour they wanted. Wage rates were “determined by the market and “announced” to individual market participants” (Ehrenberg & Smith, 2012, p.44).

The model assumed perfect information (i.e. everyone knew everything relevant), so workers could readily take up opportunities that better matched their personal preferences. Labour supply was a function of workers choosing mixes of work and leisure that maximised their utility. In the short

run, unemployment could be caused by cyclical, frictional or structural factors, but over the long run, it was a reflection, not of the operation of the market (frictional unemployment aside), but of "non-market influences" (Ehrenberg & Smith, 2012, p.47) or distortions. These usually arose from government intervention that, through minimum wage laws, pushed wages above market-clearing levels, leading to an excess of labour supply and a shortfall in labour demand. Alternatively, trade unions, by creating monopolies of labour, could push wages above market-clearing levels with similar effects or force sub-optimal production functions on firms.

There have long been additions to the neoclassical model. For example, human capital theory was developed to explain earnings differentials, with premiums attached to education, experience and age (Becker, 1964; and as cited in Goldin, 2014). Highly educated workers received higher pay because their education gave them higher productivity. Young workers' poorer wage and employment outcomes reflected their lower human capital. While some adjustments would be made to how the market might operate in particular circumstances, at the heart of it was still a model that embodied perfect information, perfect competition and perfect mobility.

Some issues could not be persuasively dealt with. Prominent amongst them was discrimination in pay and employment. It is widely known that wages for female workers have long been lower than wages for males doing equivalent work. This could not be satisfactorily explained in the neoclassical model of the labour market, in which it was instead posited that firms pay a 'premium' for the right to discriminate against (pay less to) workers of a particular gender or race ("discrimination by firms…is measured by how much profits…they forfeit to avoid hiring…members of a group that is disliked"; Becker, 1993, p.389). This description is unable to explain how such firms then stay in business. The neoclassical model would predict that employers are willing to reduce profits in order to discriminate by choosing a less efficient production function, and while this may be the case for some employers, it does not explain the persistence over continents and centuries of discriminatory wage practices. If non-discriminatory wage practices were more profitable, they would have disappeared quickly as it would take only a small number of firms running non-discriminatory wage policies to lead to discriminatory firms being driven out of business.

Challenges to the neoclassical model emerged on two fronts. Outside orthodox economic theory, labour market segmentation theory (e.g. Brosnan et al., 1995) sought to show how firms, within bounds, choose wages for various parts of the workforce. Due to segmentation of labour markets (e.g. segments for women, non-English speaking migrants, young workers), employees with similar productivities would be paid different wages. This model incorporated power into its framework. It did not just provide a more plausible story on discrimination in the labour market, it also provided different interpretations of other aspects of the labour market. For instance, high pay for highly educated workers reflected employers using education as a signalling device, enabling them to cheaply identify the workers who were more *likely* to be more productive.

It was the emergence of theorising about 'monopsony', however, that most challenged the neoclassical view of the link from wages to employment. The major work examining monopsony in labour markets was Card and Krueger's (1997) book *Myth and Measurement*, which used both American empirical evidence, including a two-state 'natural experiment' on minimum wage increases, and the theory of monopsony. Books and articles by Alan Manning (2003; 2004; 2021)

and numerous studies have built the literature (e.g. Cummings, 2022; CMA, 2024). Recent empirical evidence also does not support the idea that reducing minimum wages and conditions would boost employment (Bishop, 2018), nor suggest that minimum wage increases in Britain have damaged employment there (Metcalf, 2008) or that minimum wage increases would hamper economic performance (Winkler, 2019).

Technically, 'monopsony' means one buyer, just as 'monopoly' means one seller. In most 'monopsonistic' models of labour markets, there is more than one buyer of labour, but the number of buyers is limited for practical purposes. So 'monopsony' theories are really referring to monopsonistic competition. The most important idea of monopsony is that employers choose, within constraints, the wage they pay their workers. It may sound obvious, but it is very different to the perfect competition model of the labour market, in which the wage is set by the market and the individual employer has no effective say. In the conventional monopsony model, firms can exercise choice because there is not perfect competition and perfect knowledge in the labour market. Instead, there are a limited number of purchasers of labour.

Monopsony in labour markets is enhanced by imperfect competition ('oligopoly' or 'monopolistic competition') in product markets. If only a small number of firms sell goods to buyers, potential workers are more likely to be only able to choose from a small number of employers. If retailing is increasingly dominated by a small number of supermarkets, then individual suppliers to those supermarkets have less power, and so do the workers employed by those suppliers. Concentration of product markets has demonstrably increased since the 1980s (Autor et al., 2017; Data Team, 2016; Van Reenen & Patterson, 2017), with very high concentration in areas, such as grocery retailing (Commerce Commission New Zealand, 2022). This concentration inevitably leads to greater tendencies to monopsony in labour markets (Autor et al., 2017; Jarosch et al.2019) and manifests, amongst other ways, in a decline in job-switching by employees (Deutscher, 2019).

In monopsonistic labour markets, firms exercise a choice as to which wage they pay. Those choices bring varying levels of vacancies, labour turnover, absenteeism and job quality, between which the employer effectively chooses according to their own strategy. An employer that wants high quality products with low defect rates might pay higher wages, one that wants to compete on low labour costs may pay lower wages, and so on. There are upper and lower limits (outside of which a firm will indeed cease to operate) but there are a range of viable choices within those bounds. The monopsony model does not totally discount the influences of supply and demand: in many circumstances, for example, a reduction in labour supply will lead to an increase in wages. However, there are also circumstances in which this does not happen — such as in agriculture and hospitality during the Covid-19 pandemic (Taylor, 2021), — and the monopsony model can help explain this. The predictive performance of central bank and government models in the labour market is improved when the recent trend of declining job mobility in a tightening labour market is incoporated — a sign of increasing monopsony (Black & Chow, 2022; see also Deutscher, 2019).

Choices made by employers about where to pitch their wages are influenced by factors specific to their organisation as well as broader factors that are common to multiple organisations. Critical amongst the latter are wage norms. A wage norm is a view common to a group of employers regarding the appropriate wage to pay workers. It is slightly analogous, but not identical, to the equilibrium wage in neoclassical models of the labour market. Its similarity lies in the notion that

it is a prevailing wage paid by many employers. It is not, however, just a function of supply and demand for labour curves, but also influenced by shared beliefs amongst employers about what is right, appropriate or necessary. A big difference to the neoclassical understanding of labour markets is that firms can readily diverge from the wage norm (provided they do not diverge too far), however, it is not necessary that the wage norm is the same as the wage rate at which 'market clearing' would occur. The wage norm can be at a level that allows for unemployment or one that allows for labour 'shortages' (more precisely, unfilled vacancies). Whether the wage norm aligns with a wage rate that is 'consistent' with full employment is almost entirely coincidental. A full employment equilibrium need never arise.

Wage norms may be influenced by several factors

- Reference points set by institutions, such as industrial tribunals' setting of awards or public sector pay outcomes
- Pressure from other institutions, such as employer organisations or government agencies
- Operation of product markets
- Employer actions within labour markets
- Wage stickiness macroeconomic circumstances
- Collective organisation amongst employees and their ability to engage in collective bargaining and action
- Reference points set by institutions, such as industrial tribunals' setting of awards or public sector pay outcomes
- Pressure from other institutions, such as employer organisations or government agencies.

So, the loss of penal rates in New Zealand retail and hospitality under the ECA was driven by a norm shaped by employer organisations (Peetz et al., 1993).

Wage norms are a function of power and collective bargaining exists as a counter to monopsony — to employers' tendency to offer wages lower than marginal productivity. Collective bargaining is a way by which workers coalesce into a collective of labour to bargain with a collective of capital called a corporation, an attempt to force employers to offer higher wages.

The greater are monopsony tendencies, the greater is the ability of non-market forces to shape wage outcomes. Financialisation has meant that, even if monopsony concentration had, itself, remained constant, employers would have increasingly chosen to keep wages low. The decline of collective bargaining has meant that, even if monopsony concentration had, itself, remained constant, employers would have increasingly been able to exercise choices to keep wages low.

Developments in international institutions

The hegemony of neoliberalism extended into international institutions, with the OECD being part of the "much discussed neo-liberal shift in dominant political economic orthodoxy within international financial institutions" (Clift & Tomlinson, 2011, p.481). For a long time, the OECD endorsed and used the rhetoric of decentralised, flexible labour markets. Like several other international institutions, it could be relied upon to support market-based solutions to most

problems. For example, the OECD *Jobs Study* (1994) recommended policies to increase wage flexibility, including moves to reduce non-wage labour costs and decentralise wage bargaining.

However, like most international organisations, the OECD was not a monolith. Different parts had different world views, and these differences had to be resolved in some way. In the OECD, the main conflict of relevance was between the relatively purist neoliberal view of what is presently called the Economic Branch and allies, and the more critical perspectives (albeit still heavily influenced by neoliberal thinking), such as those held in the Employment, Labour and Social Affairs (ELSA) Directorate. The former was responsible for the regular *Economic Outlook* and the irregular, but frequent, Economic Surveys of most member countries whereas ELSA was responsible for the annual *Employment Outlook* as well as various special reports on topics encompassed within its wide ambit. In any international organisation, the more senior employees, the more they do two things: one is maintain the organisational 'line', which might involve economic purity; the other is account for, and respond, to real or expected political forces. The OECD had to adjust to the changing real world of political and economic developments in which it was located. After all, by 2004, it knew that its demand for wage flexibility was "one of the policy areas where member governments have shown the greatest reluctance to implement the reforms proposed and disagreements among researchers have been most pronounced" (OECD, 2004, p.127), and even then the OECD was describing the evidence for its own *Jobs Strategy*'s demands as "plausible" but "fragile" (OECD, 2004, p.165).

One of the early signs of major changes came with the global financial crisis. In 2009, the OECD (2009) concluded that it could find no evidence that structural reform policies to promote flexibility had made labour markets "less sensitive to severe economic downturns than was the case in the past", and recommended governments improve income support and unemployment insurance benefit systems, which it had previously said would decrease flexibility. This was, indeed, a break from its previous line that had opposed employment protection legislation. Yet this was not its first split from the orthodoxy. In the previous year, the OECD (2008) had published its *Growing Unequal* report, in which it warned of rising inequality and its consequences.

By 2018, after long support for decentralisation in wage fixing, the OECD shifted to supporting multi-employer ('sectoral') bargaining as a means of facilitating structural adjustment to external shocks. This was evident in the publication of that year's *Employment Outlook*, which was unusually good at identifying many of the nuances in the relationship between coordination, collective bargaining and performance. It found that "co-ordinated collective bargaining systems are associated with higher employment, lower unemployment, a better integration of vulnerable groups and less wage inequality than fully decentralised systems" (OECD, 2018, p.110).

It was not that the OECD had come to emphasise the importance of monopsony or power, but that it had shifted to a much more refined approach, one recognising that, empirically, co-ordinated or sectoral bargaining on average produces better outcomes than fully decentralised bargaining. Multi-employer bargaining provides opportunities for internal co-ordination by the parties when having to respond to external shocks. The shift was empirically, not theoretically, driven. Nonetheless, it showed a less simplistic understanding in the OECD as to how labour markets work.

Even more than the OECD, the IMF had developed a reputation as a devout implementer of the neoliberal agenda. It had been a 'handmaiden of neoliberalism' (Stojanovik, 2020) or at least "a key player in and catalyst of the neo-liberal shift from discretionary to rules-based economic policy" (Clift & Tomlinson, 2011, p.496), imposing austerity conditions on numerous countries requiring assistance to deal with excess debt.

Then, in 2016, the IMF published the research paper 'Neoliberalism: Oversold?', which argued that, instead of delivering growth, "some neoliberal policies have increased inequality, in turn jeopardizing durable expansion" and suggested "a need for a more nuanced view of what the neoliberal agenda is likely to be able to achieve" (Ostry et al., 2016, pp.:38-41). This report sparked widespread debate over whether the IMF was proclaiming that neoliberalism "has been hugely beneficial" (Worstall, 2016) or was "admit(ting) neoliberalism had failed" (Geier, 2016).

Following from a working paper a year earlier which stated that the "decline in unionization is related to the rise of top income shares and less redistribution, while the erosion of minimum wages is correlated with considerable increases in overall inequality" (Jaumotte & Osario Buitron, 2015, p.4). While not representative of the IMF's official views, these publications nonetheless reflected "vigorous debates under way inside the IMF", including a divergence between the research and operational parts of the IMF (Donnan, 2016). However, these concerns were not restricted to the lower levels of the organisation: several years earlier, the managing director of the IMF expressed at the World Economic Forum at Davos that "[e]xcessive inequality is corrosive to growth; it is corrosive to society" (Lagarde, 2013). By 2019, the IMF had released a working paper stating that "[r]ecent research generally concludes that the change in employment caused by an increase in the minimum wage is close to zero" (Sodsriwiboon & Srour, 2019, p.41). However, the publication editors felt the need to focus, in the subtitle, on the authors' rider: "An overly generous wage may prompt employers to cut jobs" (Sodsriwiboon & Srour, 2019, pp.40-41), again, not seeking to use theories of monopsony to explain the findings, instead suggesting that "minimum wages account for only a small share of an employer's total costs" (Sodsriwiboon & Srour, 2019, p.41). Even if the IMF was not a transformed institution, it was at least engaging in some self-doubt. In other areas, such as the desirability of public spending, it has likewise appeared to be moving away from the neoliberal ideal (De Boni, 2024),

This is not to suggest that neoliberal ideas have entirely been abandoned by international economic institutions, nor by national ones where policy makers may have a higher intellectual investment in national economic policies. The IMF is still criticised on the charge that, despite rhetoric, its practices and outcomes have changed little in recent years (Kentikelenis & Stubbs, 2023). Institutions comprise thousands of individuals, and individuals do not change their views readily when confronted with evidence appearing to challenge their pre-existing view of the world (Cialdini, 2011). Those pre-existing views tend to be replicated in the recruitment of replacement staff. However, as evidence mounts and staff turnover increases, ideas gradually change, becoming more nuanced, or some unexpected event bringing about a rethink by some. Just as some, but not all, of Festinger's (1957) doom cultists changed their views when the world failed to end and the rapture failed to come, so too some, but not all, policy analysts changed their views in the face of the global financial crisis, the great widening of inequality, or other developments. Analogous, but distinct, patterns can be seen in the evolution affecting economic thought, particularly regarding labour markets that had once underpinned the neoliberal consensus of the 1980s and 1990s.

Where to for New Zealand?

Ironically, the short-lived shift to FPAs was consistent with the OECD's endorsement of multi-employer bargaining, to be discussed later, and was consistent with recent developments in labour market theory. A greater capacity for multi-employer bargaining through FPAs was warranted when power in labour markets favours capital at the expense of labour. The New Zealand labour market could be described in this way. Fair pay agreements were a small change to the rules of the system that would slightly reduce the power advantage held by capital. That bargaining regime was entirely consistent with modern conceptions of power in labour markets. Potentially, multi-employer bargaining can provide both labour and capital more options on how best to collectively organise themselves, given that both will do it anyway. It may reduce transaction costs, reduce inequality, provide for more appropriate pay rates for those with otherwise little power, facilitate co-ordination in response to changing circumstances (probably the biggest plus the OECD sees in it), and put a brake on the race to the bottom.

The still-birth of FPAs should not be seen as the end of a brief experiment in New Zealand employment relations policy, now reverting to a long-established norm. If anything, it was more a temporary setback, given the direction in which thinking has been travelling. That said, it would be unwise to predict their reinstatement, since no one at this stage would be brave enough to predict the outcome of the next election, let alone the policies of the government that follows. If FPAs were to be re-introduced, it would likely require a longer period of operation than was possible in 2023 for there to be any prospect of their withstanding a further change of government. For them to be reintroduced would, in turn, require persistent pressure from the union movement on a Labour Party receptive to the issue.

Nevertheless, the move to FPAs, while signifying a significant reduction at least in principle, to the limitations of single-employer bargaining, was never going to be enough to reverse the tide of declining worker power. For example, an important aspect of multi-employer bargaining is the definition of what coverage is permitted. There is little point in bargaining with all the firms in the catering industry or in the labour services industry if the pay rates are set by decisions in the mining industry. Just as product markets are changing and being increasingly dominated by large firms (Autor et al., 2017; Leigh & Triggs, 2017) on which many small firms become dependent, so too the character of monopsony is changing. There is a shift from what could be called simple monopsony in which large firms do the hiring, to agentic monopsony in which agents or smaller, peripheral firms are responsible for labour, and to algorithmic monopsony, in which apps on workers' phones perform that function. The manifestations of these phenomena vary between sectors and industries, including franchises, spinoffs, contractor firms, owner drivers, homeworkers, subcontractors — expressions of the 'flexible firm', the 'fissured workplace' and 'not-there employment' (Atkinson, 1984; Weil, 2014; Peetz, 2019). Small firms in those forms have little or no power in relation to the large firms with whom they contract. For that reason, the employees of those firms have little or no power.

Monopsony power for the core firm thus exists *even when* there is the appearance of many competitors attempting to purchase labour. Peripheral firms frequently compete with each other

on cost. The firm that chooses to offer the lowest wages wins the tournament, with their competitors aiming to replicate that strategy for the next tournament. Yet at the top, a small number of firms come to dominate more and more, moving closer to monopolies in their own product markets, but requiring increased product market competition from their suppliers. The competition between suppliers is a way for the core firm to get access to labour at the lowest price. In effect, the peripheral firms are agents for the core firm, a way by which the core firm can offer a very low wage for labour, without even taking on the human resource responsibilities or liabilities. The implication is that, if full account is to be taken of developing forms of monopsony, then multi-employer bargaining (e.g. through FPAs) needs to encompass an industry supply chain, not just an industry itself.

In that context, the choices employers make as where to pitch their wages have been changing. Once it was much easier for firms to choose to pay higher wages but now the environment is so competitive on price that many feel that they have to offer the lowest wages possible to survive. Monopsony makes that shift possible. Changes in power drive the shift.

The problems for workers in New Zealand are greater than could be addressed simply by allowing for voluntary changes in the level of bargaining. If an employer is to participate in a multi-employer bargaining system, they have to be persuaded that the benefits will exceed the costs. While there may be efficiency gains for the economy as a whole, especially for higher productivity and living standards, from removing competition based on the lowest wages, many employers will not see it that way. They would prefer the freedom to find a cheap way to win a product market competition, especially as this norm has been promoted by employer bodies. This, despite the existence of evidence that co-operation between firms and unions *can* lead to higher productivity and competitive advantage (Black & Lynch, 2001; Appelbaum et al. 2011). It is a form of prisoners' dilemma (Kuhn, 2019); unless everyone is abiding by an agreement to pay decent wages, the 'cheat' will believe an advantage can be gained by paying wages below the norm, followed by other firms. Lest unions have the power to force firms to participate in multi-employer bargaining — either through state intervention or the threat of industrial action — many firms will eschew it.

Conclusions

New Zealand was one of the first countries to adopt radical labour market deregulation, and one of the more enthusiastic about doing so. Since the initial enthusiasm, however, New Zealand has walked back from that approach (while not reverting to the policies of decades passed) culminating in the passage of laws promoting FPAs in the 2020s. However, the relevant law was repealed by a new New Zealand government before any FPAs could be enacted, signalling a step back towards a more deregulationist approach.

In adopting radical reform in the 1990s, New Zealand was in step with, indeed at the vanguard of, the international adoption of neoliberal ideas, including institutional opinion. However, over time international institutions — in particular the OECD and IMF — have weakened or even reversed their commitment to the neoliberal ideas that previously underpinned them. In addition, economic theory has moved away from the neoclassical model of labour markets towards one that takes account of monopsony and power.

The recent reversal of policy in New Zealand now runs counter to the most recent developments in theory and institutional thinking; a reversal that might not be politically sustainable over the medium term as the labour market still faces core problems of weak power of employees. This means that wages growth has been low even in the face of seemingly tight labour markets, which reflects the shift in the balance of power between labour and capital that has happened in recent decades, due to the changed policy regime, the great decline in union density and changes in the way markets work. Any future revival of FPAs needs to take account of these, including the rise of agentic monopsony.

In short, FPAs were not, and will never be, the full solution to the problem of low worker power in New Zealand. They matter, but consideration needs to be given to the broader factors that have underpinned the continuing loss of employee power since the renunciation of the ECA nearly a quarter of a century ago. While neoliberalism may be waning as a policy ideal, it has already had far-reaching consequences for the regulation and operation of markets, the construction of competition, and indeed the ownership of the means of production. These likely make its concrete effects much more persistent than the ideas themselves. In that sense, neoliberalism's legacy may rule long after its credibility has disappeared.

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