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This paper evaluates the changing nature labor relations under the structural adjustment programs implemented in New Zealand and Uruguay over the last twenty years. Re-orienting national economies around market forces in order to be internationally competitive after years of welfare state policies is felt most heavily in small open agro- and tertiary export platforms impacted by international economic climate fluctuations and ideological trends.¹ In such cases institutionalizing market-driven labor relations had strong political and economic implications for both reform-minded elites and for workers, organized and not. This made it an important arena in which regime legitimacy was contested in both countries.

We take these cases because they are exemplars of “boutique” economies undergoing political and economic regime change in the era of globalization of production.² They are similar in their very small size and export-led productive base and because they roughly contain similar population numbers, rates of urbanization and levels of unionization. In both countries the social division of labor is characterized by a mix of service sector and small industries complementing the hard currency economy centered on beef, lamb and grain production, logging, fishing and other agro-exports.³ This makes them direct competitors in the export of selected primary and wage goods from the Southern Hemisphere to Northern Hemisphere perennial and winter markets. They consequently provide a good comparison of labor relations in the transition from state to globalized market steerage under new and old small capitalist democracies (as measured by uninterrupted electoral cycles).

As exemplars of the market-oriented trend that are seldom compared and understudied, the similarities between New Zealand and Uruguayan political economies and their respective labor markets allows identification of specific differences between them. Here the “most similar” comparative methodology spotlights the impact that way in which State policy, union movement characteristics and employer approaches had on workforce reorganization in response to the shift from state- to market-steerage economics.⁴ Of particular interest is whether labor-intrinsic factors

(ideological unity, union density and strategic location, political location) or labor-extrinsic factors (employer strategies, labor market demographics, State policy and political system dynamics) were more decisive in determining union's ability to adapt to the challenges of labor market reform.

Contemporary market-oriented structural adjustment programs, understood as the promotion of market steerage for national, regional and international economies, are paralleled by an ideological project centered on electoral procedures for political leadership selection and legal respect for the autonomous aggregation of social group interests. These programs include attempts to make labor markets more "flexible" by adopting, through legal fiat, pluralist labor relations systems (or partial regimes)⁵ that have the effect of breaking union control of the labor supply and promoting greater intra-working class competition. This is done by juridical and administrative facilitation of the expansion of unorganized labor, while collective representation of working class interests is diversified and collective bargaining is fixed at the lowest level of production. This constitutes a variant of OECD labor policy reforms undertaken in the 1970 and 1980s.⁶ This inevitably forces organized labor back towards its original defensive position: the preservation of employment stability for its members. Wage gains and non-wage concessions from employers are by necessity eschewed in favor of the original defensive premise, and we factor this into our assessment of whether the union movements in question were successful in waging such defensive campaigns.

Organized labor's ability to mitigate the negative impact of structural reform programs is conditioned by its relationship with political parties, presence in State agencies, extent of horizontal networking with other subordinate groups, strategic location, membership numbers and density.⁷ The more ideologically united and strategically important the union (regardless of the substantive bases of union ideologies), the more it should be able to defend its members from the adverse effects of labor market flexibilization. However, other factors also shape the way in which union fortunes are contested. In particular we believe that pre-existing institutional frameworks may be decisive in determining labor movement strategies in market driven contexts. Focusing on the pattern of contestation matters because the labor relations partial regime constitutes a decisional site and veto area that constitutes the critical arena in which class conflict is institutionally filtered, mediated and resolved. It is therefore critical to securing contingent mass consent to democratic capitalist regimes.⁸

We take the two cases in turn, before offering some tentative conclusions about the importance of institutions and ideology for the development of labor relations in small open

democracies.

New Zealand 1980-2000

Understanding the ability of organized labor in New Zealand to negotiate the shift to market-steerage of the economy in general, and labor market deregulation in particular, requires a brief overview of the development of the labor relations system since the late nineteenth century. Prior to 1987 the labor relations system in New Zealand remained relatively stable since this time. A state corporatist framework, governed by a democratic political system, was introduced in the country's first major piece of industrial legislation, the Industrial Conciliation and Arbitration Act (1894). Largely unchanged until 1991 the IC&A Act granted the State far greater powers than found in pluralist and most other democratic corporatist systems.⁹ Referred to at the time as a experiment in State intervention designed to solve the 'Labor Problem',¹⁰ the IC & A Act constructed a channel by which to encourage the formation of moderate trade unions, minimizing industrial conflict and in particular, strike action. Industrial disputes between businesses and unions or associations of unions, which were registered under the Act, were referred firstly to a Board of Conciliation then to the Court of Arbitration. Decisions more often than not favored labor during this period, increasing the incentive for groups of workers to register as arbitration unions. Registration was not automatic but required that the union in question mold itself to certain criteria stated in the 1894 Act. By the same token, unions could be deregistered where it was felt that they posed a threat to the interests of the government of the day. Thus, the State could potentially act as gatekeeper over the membership and internal organization of particular trade unions or central union organizations with the purpose of limiting the scope for labor militancy.

Through subsequent legislative amendments the arbitration and wage-fixing system was firmly established by the 1930s. Operating within a broadly democratic framework, the arbitration system included highly exclusionary elements that had more in common with inclusionary State corporatist patterns of interest group articulation than the 'societal' corporatism of postwar Western Europe. Features such as the registration of trade unions and the primary role granted to the State during tripartite negotiations make the New Zealand model a much 'harder' variant of democratic corporatism than is found in Scandinavian labor relations history, or indeed that of Uruguay. Some of the more exclusionary elements of the arbitration model become immediately obvious by reading the IC & A Act and its amendments, while others were a product of legislative guidelines combined with discretionary action on the part of the State. The tone is clear: '(t)he Registrar may refuse to register a society as an industrial union in any case where he is of the opinion that in the same locality or industrial district and connected with the same industry there exists an industrial union to

which the members of such a society might conveniently belong.¹¹ Clauses such as this were used by successive center-left and center-right governments to shape the union movement in such a way that organized labor would not pose any major threat to prevailing government ideologies and economic development strategies.

The arbitration system shaped the growth of the union movement in New Zealand in several important ways. Compulsory unionism caused organized labor to become highly dependent on the State for membership and resources. The requirement that registered unions be formed along industry lines, first regionally and then nationally, was interpreted extremely narrowly. This resulted in the fragmentation of organized labor, notably the proliferation of small, relatively ineffectual unions. Wage-fixing on the part of the Arbitration Court or Commission tended to follow the lead of awards made to several large and strategically important unions. The IC & A Act stated that the concerns of unions must be limited to 'industrial matters' only. Again interpreted very strictly by the relevant State institutions, this steered organized labor in New Zealand towards bargaining over wages and, to a limited extent, conditions, and away from broader industrial, political and social issues.¹²

As the New Zealand economy went into a steady decline from the early 1970s the arbitration system was no longer deemed able to deal effectively with increasing instances of industrial unrest, particularly in the transport, forestry, and meat work industries. Attempts to make the system more 'flexible' through the establishment of alternatives to the arbitration model resulted in the Third Labour Government's Industrial Relations Act of 1973. However, the basic legislative framework was not changed significantly from that laid out by the IC & A Act, much to the disappointment of many employers and government officials. The National Government of 1975-84, which was identified strongly with Prime Minister and Finance Minister Robert Muldoon, bypassed traditional channels of tripartite negotiation and further facilitated the unraveling of the arbitration system by resorting to a series of wage freezes and direct state interventions in order to keep industrial conflict under control. In response, union militancy reached a high during the late 1970s, culminating in New Zealand's first and only general strike in 1979.

The Fourth Labour Government came to power in 1984 following an acute debt crisis, the disintegration of the Muldoon government, and a consequent snap election. A period of structural adjustment began, overlapping with a program of long-term neoliberal reform. The economic crisis was generally blamed on the failure of the National Government's economic and social development strategies of the late 1970s and early 1980s, which included a series of 'Think Big'

heavy industrialization projects and an expansion of some features of the welfare state. The authoritarian legacies of this period needed to be factored in here with a view to explaining the approach of organized labor to the neoliberal shift. While New Zealand did not experience an authoritarian interlude of the same scope as Uruguay's period of military rule between 1973 and 1985, National's economic development strategies of the 1970s were accompanied by repressive attitudes and practices directed towards groups which opposed Muldoon. These included elements of the union movement identified with the Soviet-aligned Socialist Unity Party, as well as individuals identified with liberal causes. The social and cultural tensions which escalated during this period exploded during the South African Springbok Rugby Football Tour of 1981, which perhaps represented as much a rejection of Muldoonist politics as a protest against apartheid.

While the shift to neoliberalism may have undermined the traditionally close relationship between the Labour Party and individual affiliated unions as well as the centralized Federation of Labour itself, the relationship reinforced by the corporatist tradition also ensured that organized labor acted with restraint during the reform process. Given that Labour was elected after a decade of center-right rule, the union movement was wary of undermining the stability of the new government. A 'wait and see' approach was adopted in relation to Labour's market-oriented policy shift. A 1986 Federation of Labor policy decision makes this position very clear, identifying 'the main direction of FOL policy as being directed against the employers, the largest monopolies and these National Party representatives who clearly desire to smash the unions... the future interests of the Trade Union movement will be best served by the retention and the strengthening of the Labour Government.'¹³ The Fourth Labour Government encouraged organized labor's cautious and moderate approach by initially giving the appearance that it would utilize traditional corporatist networks in order to negotiate its way through the economic downturn. Following its election in 1984 the government held an Economic Summit Conference, bringing together representatives of labor and capital in the hope that some sort of consensus with respect to economic policy might be reached.

However, it soon became clear that it was the advice of Treasury, strongly influenced by Chicago School economics, that would guide the development of the government's policy program. The Business Roundtable was later formed in order to promote a deepening of the reform process, and this lobby group found receptive audiences in both the Fourth Labour Government and the National Government of 1990-1996. Two Treasury documents in particular formed the basis of Labour's reform program of 1984 to 1990.¹⁴ Lacking economic policy expertise and unable to offer a plausible alternative, the government moved swiftly to implement the details outlined in *Economic*

Management, constituting the first stages of an orthodox neoliberal policy package. Structural adjustment was then followed by the implementation of a long-term project which aimed to change more fundamentally the role of the State in economic and social life. Financial deregulation, monetary reform and, politically important, trade liberalization and the removal of agricultural subsidies, was followed by either the corporatization and commercialization of formerly State monopolies, or the eventual privatization of these recently established State-owned enterprises (SOEs). This was met with sluggish growth rates, averaging well below 2% between 1985 and 1990, and a climbing unemployment rate, from 4% in 1986 to 7% in 1989.¹⁵ Real wages dropped most significantly between 1981 and 1985, while remaining either steady or dropping slightly between 1986 and 1990.¹⁶

The fragile relationship maintained between unions and the government contributed to the Fourth Labour government treating industrial and social policy more cautiously than in other policy arenas, especially when compared to the National Government of 1990-96. In a somewhat contradictory direction to its economic policies, and in contrast to orthodox neoliberal and in particular socially conservative reformers elsewhere, Labour avoided the temptation to slash welfare programs and benefit levels or withdraw completely from the provision of housing, healthcare and education. In 1988 Labour's Royal Commission on Social Policy argued in favor of an increased role for the State in order to alleviate the social effects of economic reform. The different approaches towards economic and social policy represented concessions to the left-wing of the increasingly divided Labour Party as well as working class voters, whose support the dominant right-wing of the Labour Government desperately needed.¹⁷

Conflicts between Labour Party factions are reflected in its government's industrial relations policy. On the one hand the Labour Relations Act of 1987, and its application to the state sector in 1988, furthered attempts dating from the early 1970s to make the system more 'flexible'. One of the driving forces behind the Act was to encourage the devolution of collective bargaining down to the enterprise level. On the other hand, the legislation neither fundamentally departed from the arbitration model nor answered demands voiced by business groups to deregulate the system entirely. Most importantly, the new Act retained the emphasis on trade unions as defenders of workers' interests in the workplace and maintained their special legal recognition. Trade union registration continued and an option to retain compulsory union membership clauses in collective contracts remained. Traditional institutions such as the Tripartite Wage Conference and processes of conciliation and arbitration, while no longer compulsory, were continued. Several other pieces of legislation also reflected the somewhat contradictory nature of Labour's labor market policy.

Significantly, the Employment Equity Act (1990) sought to solve the problem of gender discrimination in the workplace by requiring that employers offer 'equal pay' for work of 'equal value'.

With a new requirement that individual trade unions have at least 1000 members, the government also attempted to meet the criticism, often made on all sides, that previous legislation encouraged the proliferation of small and ineffectual unions. This attempt to make unions stronger through forced amalgamation had an immediate effect on the labor movement, with a drop in the number of registered trade unions from 259 in 1985 to 112 in 1989. Union membership, however, was able to be successfully maintained, with one set of calculations identifying a slight rise in the rate of union density during the term of the Labour government, from 43.5% in 1985 to 44.7% in 1989.¹⁸ The shape of the labor movement also began to change in the late 1980s. Prior to the passage of the Labour Relations Act most private sector unions were affiliated to the Federation of Labour, with the notable exception of several comparatively militant unions in the transport sector. Treated slightly differently under separate legislation, public sector unions were organized under the Combined State Unions organization. By 1988 the Federation had been dissolved and replaced by the Council of Trade Unions (CTU), to which most strategically important unions in the private and public sectors became affiliated as all sectors were brought under the same industrial legislation.

One of the first actions taken by the National Government after its election in 1990 was to repeal Labour's Employment Equity Act, thus signaling a change in direction both in labor relations and social policy. While National's economic program of 1990 to 1996 mirrored as well as deepened that of the Fourth Labour Government, including the imposition of stricter controls on government spending and monetary policy, speedy overseas debt repayment and the further advancement of the privatization program, the government's first two terms in office will be remembered most of all for the social and industrial policy reforms outlined in its budget of 1991. In conjunction with a severe reduction in benefit levels and proposals to reduce the role of the State in the provision and delivery of social services, National announced that it would provide 'a more dynamic framework' in which workers and business could 'achieve progress for mutual benefit'. The arbitration model and Labour's inability to complete the neoliberal reform process were blamed for poor growth during the late 1980s, with the new Minister of Labor and State Services arguing that the traditional system was 'not conducive to a direct relationship between employers and employees which would enable them to work together to improve productivity and quality'. The new legislation would 'place the responsibility for negotiation where it belongs', namely between individual workers and their employers.¹⁹

The Employment Contracts Act formed the basis of a completely new framework of industrial relations for the first time since 1894. Removing the advantages that State recognition of trade unions had given to organized labor in the past, the ECA managed to remove the notion of 'trade union' from labor legislation, so that the labor movement would have to compete with other 'bargaining agents' or 'employee organizations' for membership and the right to be recognized by employers. The first part of the Act clearly outlined the principle of voluntary unionism, stating that no person can, 'in relation to employment issues, apply any undue influence, directly or indirectly, on any other person by reason of that other person's association, or lack of association, with employees' (section 5 part b). This clause is obviously difficult to enforce in practice, and did little to prevent employers from blocking union membership in the workplace.

While the bias of the Act was obviously in favor of individual contracts,²⁰ the form of contract, whether collective or individual, was to be a matter open for negotiation between employer and employee, and union access to worksites would be subject to 'the agreement of the employer'. The ECA also individualized employee rights by channeling personal grievances directly through the Employment Court and associated mediation services, removing any special place for organized labor in these processes. In addition, the scope for strike action was further limited by the passage of the Act. In general, strikes and lockouts could only occur where they related to the negotiation of a collective contract for the workers concerned, thus ruling out secondary or political boycotts, and then only when the contract had already expired.

The labor relations partial regime in New Zealand following the passage of the ECA can be characterized as enforced pluralism or pluralism 'from above', the emphasis of which is on the decollectivization and atomization of the labor force. Enforced pluralism forms the core of attempts to 'flexibilize' labor relations and is built on a combination of authoritarian legacies, including a drop in the living standards of subordinate groups compared to wealthier sectors of society.²¹ This model can be contrasted with the State corporatism of labor relations in New Zealand prior to the neoliberal shift, where collective agents are sponsored if not created by the State. However, enforced pluralism can also be contrasted with societal corporatism, where interest groups are formed spontaneously through a process of pluralism 'from below'.

Thus, the more far-reaching and fundamental changes in the field of labor relations occurred after 1990, even though the neoliberal shift in New Zealand began six years previously. While the impact on workers of the economic reform program carried out by the Fourth National Government

should not be underestimated, it is clear that an evaluation of the impact of neoliberalism on organized labor itself should focus primarily on the period immediately following the passage of the ECA when orthodox neoliberalism was extended into the industrial relations arena. While further economic and social reforms of the neoliberal variety were somewhat slowed after 1996, following the transition from a first-past-the-post to a proportional representation system and the election of a National-New Zealand First Coalition Government, the legislative framework laid out by ECA was not significantly altered until the election of a new Labour Government in 1999. During its decade in office, National did however make several attempts to deregulate the labor market even further, including proposals to 'flexibilize' holiday entitlements and abolish the Employment Court. But with the constraint of a nationalist and conservative rather than a reforming coalition partner, and after several high-profile campaigns launched in protest by large 'modernized' trade unions, notably against changes to the Holidays Act on the part of the Engineers' Union and CTU, further reform largely failed.

The impact of legislative changes in New Zealand during the shift to neoliberalism on the labor relations partial regime as a whole can be observed along the dimensions outlined in our conceptual framework. Focusing on the 'shape' of the State itself, or the internal aspects of State-labor relations, the role of the State in regulating the labor market can be shown to have changed over time. This is important when charting regime change or transformation over the long-term, and while these shifts are most dramatic in transitions from authoritarianism and democracy, for instance, they are important to observe in all cases where channels for collective action are to be studied. In New Zealand, such internal re-organization of the State occurred within the Department of Labour, which was established along with the development of the IC & A Act in the 1890s. Unlike many other government departments, the DOL did not undergo a process of corporatization during the 1980s and continued to perform most of its traditional functions during the neoliberal shift.²² However, it did experience a major restructuring effort in 1988 following 'new public management' prescriptions, aiming at making the department more streamlined, accountable and effective.²³ A system of district offices responsible for implementing a wide array of services, statutes and regulations was replaced with a managerial framework that split the department into six separate bodies. The corporate management group would retain functions of policy advice and analysis, while policy was to be delivered through the New Zealand Employment Service, Training Support, which contracts with private as well as public training providers, the New Zealand Immigration Service, Occupational Health and Safety (OSH), and the Industrial Relations Service. Of the five delivery agencies, the Employment Service, Training Support and OSH transformed and consolidated their roles rather than reduced them over the neoliberal period. The demand for

employment assistance increased steadily since 1984, corresponding to a climbing unemployment rate as well as government efforts to either encourage or force welfare recipients into paid work.

While the State withdrew from its role of employment creation, new relationships with training providers were forged, particularly with Maori community groups. While OSH now aimed to encourage businesses to 'manage their own workplace hazards' rather than provide set prescriptions for how this should be done, the DOL noted an increasing demand for these services also during the late 1980s and into the 1990s.²⁴ By contrast, the role of the Industrial Relations Service changed much more significantly during the neoliberal shift. Whereas it once took an active role in mediating between business and labor, particularly in the enforcement of awards and statutory regulations, deregulation required that it act primarily as an advisory and information gathering body.

The second wave of neoliberal reform in New Zealand had an obvious and observable impact on workers, organized and unorganized. After a disappointing performance under Labour, which included the period in which deregulation was shown to have made New Zealand business extremely vulnerable to fluctuations in the global stock market, the economy did not pick up again until the mid-1990s. Real growth fell by 0.5% during National's first term in office, dropped by 1.3% in 1992, before beginning to pick up and leveling off again by 3% in 1993 and 5.4% in 1994.²⁵ Unemployment, however, had become a permanent feature of the New Zealand economy. Fundamentally changing the political culture of a country in which politicians had traditionally promised full employment, official unemployment leapt to a high of 10.6 per cent in March 1992, before falling slightly then remaining steady at around six to seven per cent during the second half of 1990s.²⁶ In addition, inequality continued to grow throughout the entire neoliberal period.²⁷

During the shift to neoliberalism, resulting from a mix of new legislation as well as ideological divisions and weakness on the part of organized labor, the ability of unions to defend workers against the effects of economic downturn and the neoliberal shift itself was significantly eroded. An immediate and importance consequence of the ECA was a rapid decline in union membership. From the pre-ECA rate of 44.7 per cent, union density fell to 28.8 per cent in 1992, 23.4 per cent in 1994, and then 19.2 per cent in 1997.²⁸ These losses were experienced more heavily in some sectors than in others, with union membership and collective bargaining remaining relatively strong in the public sector, communications, the finance sector and metal manufacturing, in comparison to agriculture, food, beverage and clothing manufacture, and the service and transport sectors.²⁹ In addition, the trend towards a smaller number of unions continued under the ECA, with smaller and

weaker unions either collapsing after a loss of membership or combining with larger organizations. Through 1994-97 around 80 trade unions remained in existence, representing further amalgamations and a consequent move away from strictly defined occupational unions in the new environment.

During the early 1990s, when organized labor was at its weakest, two bitter ideological conflicts divided the union movement. These clashes were largely a fall-out from 1991, in which the CTU's response to the Employment Contracts Bill in 1991 was surprisingly moderate. Believing that the launch of a general strike would not generate enough support amongst workers, the leadership of the CTU called for an essentially accommodationist approach towards businesses attempting to operate in the new economy. This played into the hands of capital and both major political parties, who argued that economic growth would only occur if unions altered their strategies with a view towards co-operation with business. As a result, the New Zealand Trade Union Federation (TUF), which traditionally more ideologically militant unions joined, was formed as a splinter from the CTU. Some organizations, such as the large and politically important National Distribution Union remained independent of both organizations, although aligned themselves more readily with TUF rather than the CTU when it came to most political issues. TUF remained a small and divided group throughout the 1990s which was for the most part effectively side-lined in the political sphere.

While TUF demanded, with some moderation, a return to the old system of labor relations, the CTU remained in the political center during the 1990s. While it supported the Labour Party's policy of repealing the ECA, these proposals revolved largely around the concept of 'good faith bargaining', which is entirely compatible with the pluralist model. The CTU also advocated strategies of moderate wage demands, as well as a policy of 'constructive engagement' with organizations such as the OECD and APEC, thus bringing itself into conflict with TUF on both industrial matters and broader political issues. Much of this tension reproduced itself at the level of union leadership, as workers in New Zealand are not well known for their commitment to any particular ideological program. In particular, comparatively militant unionists tended to blame the lack of resistance to the ECA on individual CTU leaders, reflecting the increasingly personalist and inward looking nature of union politics.

Organized labor in New Zealand remained divided in its opposition to market-oriented structural reform. This placed unions in a weak position *vis-à-vis* employee organizations, which were always united in their commitment to the reform process.³⁰ The weakness was reinforced by the lack of a broadly shared political program that the central labor organization could use to

mobilize individual unions and workers.

The shift from State corporatism to pluralism 'from above' in New Zealand labor relations had different implications across different sectors of the workforce and different elements of the union movement. Following the passage of the ECA, collective bargaining remained strong in the sectors where union membership rates could be better maintained. The immediate decentralization and decollectivization of bargaining after 1991 corresponds directly to which unions survived under the ECA and which did not, and the ability to retain or expand membership relates to a shift in the leadership of the union movement. Occupationally based and traditionally more militant unions such as the Seafarers' Union lost strategic importance as the service and finance sectors of the New Zealand economy expanded at the expense of traditional sectors, while political weight within the union movement was transferred to organizations such as the Engineering, Manufacturing and Printing Union. The Engineers' are often singled out as a trade union that embraced the new political and industrial context, aggressively competing for members beyond their traditional areas of coverage.³¹ No longer confined by the requirements of the arbitration system, the union now covers engineers, printers, journalists, and retail workers as well as former members of public sector unions. Arguably, the union's increase in size and coverage as well as its continued affiliation to the Labour Party has given it considerable political leverage despite its ideologically moderate stance on political and industrial issues.

The loss of formal state recognition of organized labor tipped the balance of power clearly in favor of business after 1990. In the sectors where the decollectivization of bargaining occurred most rapidly, conditions deteriorated further and faster. Early assessments of the impact of the ECA tended to argue that average real wages fell as a result of the new legislation,³² although these estimates often fail to show how the ECA impacted on workers across different industries. There is strong evidence to suggest, for example, that workers in the service industry were particularly vulnerable to an evolving employer culture which aimed at undermining pre-ECA wages and conditions for short-term profit. The shift away from the award and arbitration system towards individual contract negotiation and 'flexibility' intensified the casualization of the workforce, with decreases in take-home pay due to cuts in allowances and the loss of overtime and penal rates accompanying this trend. One survey of women workers in the service industry four years after the implementation of the ECA found that despite some improvements in basic pay rates, 30 per cent of workers experienced a decrease in take-home pay as the result of changing working conditions. In addition, half these workers were not working to a written contract, even though they were entitled to under the ECA, and negotiation in many similar industries was becoming almost non-existent.³³

While antagonisms between workers and employers may have existed over these issues at the shop level, one of the aims of the ECA was to prevent these conflicts escalating into political issues. In a climate of high unemployment coupled with reduced social welfare entitlements, workers had little choice but to accept the changed working environment. In addition, because the right to strike was so severely limited under National's labor legislation, rather than because industrial conflict did not exist, the frequency of strikes and the total number of working days lost as a result of industrial stoppages decreased significantly as a result of the ECA. While this was an extension of a trend which began under the Fourth Labour government, in contrast to the Muldoon years of the late 1970s and early 1980s, the number of total working days lost due to strike and lockout action fell from an average of 318 062 days in the four years previous to the implementation of the ECA, to an average of 68 701 between 1991 and 1994, and 39 814 between 1995 and 1998.³⁴ When workers did decide to strike, they became increasingly vulnerable to legal action on the part of employers, with the courts increasingly likely to accept claims for the loss of earnings during periods of industrial action. The impact of deregulation of the labor market on strike rates provided ammunition for individual employers seeking to block unions from the workplace altogether, as well as employer organizations whose militancy had developed as a consequence of the neoliberal shift and had showed no signs of abating by the late 1990s.

In addition to these concrete changes in the workplace, some of the most important effects of the shift to market-dominated labor relations in New Zealand have occurred at the political and cultural levels. The shift to a pluralist system driven from above has changed the ideological content and terms of the debate. Labour returned to power in late 1999 with one of its electoral promises being to repeal the ECA, having shifted somewhat to the political left during its decade out of office. During consultation over the new Employment Relations Bill, Labour went to great lengths to avoid the accusation of being 'pro-union' or 'anti-business'. While the proposed legislation mirrors the ECA more readily than it does the Labor Relations Act of 1987, organized labor has limited its demands while employer groups are outraged by the possibility of legislative change. In order to further our understanding of how and why these changes in culture and behavior occurred, we will turn to the contrasting case of Uruguay before forming our conclusions.

Uruguay 1980-2000

At the time of the transition from military-bureaucratic rule in 1985, the Uruguayan labor movement was reconstituting its membership bases at the shop level and channeling its political

voice through a splintered leadership divided between old-line Communists jailed by the dictatorship and younger non-communist unionists who emerged during the process of re-democratization that began with the rejection of the authoritarian constitutional reform in November 1980. The top-down, concertative (or pacted), negotiated process of transition by extrication exemplified in the Club Naval agreements excluded organized labor from participation and was boycotted by the left-center Blanco Party (the Communist Party and leftist Frente Amplio Party having been banned from the negotiations by elite agreement). As a result, and partially as a consequence of factional disputes between Communist unionists and all others, the union movement engaged in agitational street politics to voice its displeasure with the elitist nature of the bargains preceding the regime change. It was eventually awarded a place in the concertative forum dedicated to negotiating the themes and time schedule for the electoral regime (the Concertacion Nacional Programmatica or CONAPRO), but continued to use direct action as a means of influencing the direction of the negotiations. With real wages and workers' share of the GDP at all-time lows by 1984,³⁵ institutionally channeling labor demands was consequently one of the main priorities of the center-right Colorado Party leadership that won the foundational election of November 1985.

Institutional bases for the reorganization of the labor relations partial regime were initially established by the Club Naval agreements in light of the failed attempts to break the organizational bases of Uruguayan labor under the dictatorship. Most importantly, all parties in principle committed themselves to eventually resurrecting a semblance of the tripartite concertative vehicles called Consejos de Salarios (Wage Councils) that had been the institutional basis of the labor relations partial regime prior to 1968.³⁶ Even so, the broad consensus required to get to the electoral threshold glossed over serious disagreements among business and political elites over the scope and content of the Consejos' authority. These differences were among the first that had to be resolved by the incoming Colorado government.

The military-bureaucratic regime had unsuccessfully attempted to introduce an exclusionary state corporatist labor relations regime during its slow "descent" into power in the early 1970s. Using the language of laws passed in 1968 by the besieged democratic regime, and reinforced by the authoritarian national security legislation introduced in 1973 to combat the Tupamaro insurgency, in 1977 the authoritarian elite formally outlined a highly interventionist and supervisory role for the State in the labor relations system. This role was heavy on powers of sanction and control in the area of workers collective rights and representation, but was restricted in its provision of work-related social and welfare services to individuals, organized or not. Inducements to union cooperation in this "bifrontal " state corporatist approach included increases in labor administration

mediation in individual worker grievance matters, attempts to foster non-Marxist unionism and unilateral provision of moderate wage raises in the face of cost-of-living increases. Along with political proscription of the Communist Party and other Marxist groups and the detention or disappearance of union activists, these measures constituted the external faces of the State's exclusionary corporatist initiatives in the labor relations field.³⁷

In 1981, having failed to eliminate the organizational bases of the labor movement, a Law of Professional Associations was passed that attempted to foster the emergence of ideologically moderate shop unions as replacements for the ideologically militant—and still jailed—leadership of the past (and which contained provisos against union political activity, strikes, and the like). As had happened in 1973 after the military junta declared unions illegal and then attempted to re-create them, workers continued to affiliate with unions tied to the CP, although a new moderate union leadership also emerged among small firm-based industries. This led to at least four different union factions, although all in the main adopted the “dualist” strategic posture that had traditionally identified the Uruguayan labor movement (see below). Only a minority Trotskyite faction rejected compromises with capital and the political elite.

Resurrection of the Consejos de Salarios as the primary vehicle for collective bargaining in 1985 required restoration of the State's mediation and oversight responsibilities. In addition, resumption of social services and pension plans, occupational health and safety schemes, vocational training and occupational displacement programs and workplace grievance procedures all required a revamping of the bureaucratic apparatus charged with administering them. Reorganization of national labor administration was a prerequisite for the resumption of the Consejos system and the institutional channeling of labor conflict. As a result the Colorado government made one of its first initiatives the repeal of all authoritarian labor legislation and the return to the legal framework that existed until 1968.³⁸ This is notable because there are no legal delimitations on how, when or where unions (or any other collective agent) can organize. Unlike the laws of “Professional Associations” that are the centerpiece of the labor codes in its larger neighbors, and which inspired the 1981 authoritarian legislation, under the pre-68 laws the Uruguayan State had no powers of recognition, registration or oversight with regards to interest group associations, and only as of 1968 was granted mandatory mediatory and registration powers over the collective bargaining and contracts between autonomously constituted collective agents (through the Consejos de Salarios).

This form of interest group intermediation is neo- or societal corporatism in the form of

concertative tripartism, where collective agents independently emerge and organize based upon inherent features rather than by legal fiat (i.e. pluralistically), then negotiate collective bargains with capitalist counterparts via State-mediated institutional frameworks that focus bargaining at the occupational or industry level as opposed to the firm. It is in stark contrast to enforced or formal pluralism, which is the legal promotion of multiple agents as representatives of social group interests without State mediation in collective bargaining (and often with State-mandated limitations on interest group political activity). In the case of labor relations this means legal imposition of pluralist collective bargaining systems located at the shop level, and the absence of industry, occupation, federation or confederation wage bargaining where there previously had been.

The return to the pre-68 legal framework in Uruguay allowed for the resurrection of the traditional “dualist” union posture where ideologically militant unions dominated the labor movement and negotiated collective agreements at the sectorial, occupational or industrial level through the Consejos de Salarios, and where individual workers voted for moderate left parties that included militant representatives from those unions (in this case the resurrected Frente Amplio or Broad Front left-center coalition that emerged post-dictatorship). Here the political role of the union movement was as important if not more so than its economic (or “corporate”) role. Unions are viewed by the majority of the leadership as “schools” in which working class consciousness is promoted by a Leninist inspired “vanguard.”³⁹ Even so, they also engage in a “tactical alliance” with capital that reaffirms the democratic political process as the best in which to advance working class interests. This defense of class compromise as a strategic perspective and democratic institutions such as the Consejos as the best form of waging “wars of position” is framed within a radical critique of bourgeois democracy as a form of rule, but does not seek to undermine it.⁴⁰

There was ample resistance to the restoration of the pre-68 framework on the part of business elites (as there had been in 1943 when the Consejos were originally created). All things being equal, business in Uruguay as elsewhere would prefer to use its structural power to bear directly on workers, organized or not. State mediation intrudes upon business’ prerogatives in the labor field, and collective bargaining above the shop level constrains firms’ freedom in the labor market. Attention to these concerns derives from the structural dependence of the State and society on capital.⁴¹

In 1985 Uruguayan business was averse to re-introducing the Consejos, and attempted to restore the pre-authoritarian labor legislation that pertained to individual worker’s rights without coupling it with the collective bargaining provisions of the Consejos network. It preferred pluralist

labor relations rooted at the shop level without tripartite macro-concertative coordination among sectorially and federational aggregated labor organizations. When its attempts to block the re-introduction of the Consejos failed during the Club Naval meetings it turned to arguing for the narrowing of their scope of responsibility and jurisdiction. When that failed business boycotted the initial convening of the wage boards, which delayed the first round of tripartite wage negotiations almost two years. That strategy backfired when firms started losing judgments in favor of unions when the State began ruling by default in their absence (as was legally mandated by the 1968 charter). Thereafter business acceded, in piecemeal and reluctant fashion, to the occupationally-defined scope of the Consejos.

As before, unions adopted a dualist posture and displayed ideological moderation in their political affiliations and pragmatism and incrementalism under militant leadership when pursuing bread and butter issues. Neither posture infringed on the other, although ideological and organizational disputes within leftist factions and the CP leadership did at times spill into union elections. Aggregated along with non-Communist unions under the Plenario Intersindical de Tabajadores-Convencion Nacional de Trabajo (PIT-CNT), the labor movement was ideologically united in its opposition to economic rationalization plans that did not promote better income distribution and public services to subordinate groups, especially IMF and World Bank debt repayment prescriptions. In this role it constituted a significant bloc within the Frente Amplio coalition that by 1999 claimed over thirty percent of national parliamentary seats and the mayoralty of the capital city and population center, Montevideo (and seriously contested presidential elections under the leadership of former Montevideo mayor and one time Tupamaro, Tabare Vazquez) by 1999. Virtually all public service unions (in a country where the public sector occupies one third of the labor market) are controlled by CP members, Socialists or Independent Marxists, while many small private sector unions are led by non-communist leaders who emerged during the waning years of the dictatorship or after the 1991 opening of the domestic economy to the MERCOSUR free trade bloc. Throughout this period bureaucratization in the labor movement remained low: the executive board of the PIT-CNT varied from fifteen members in 1985 to thirteen in 1999 (with a shift from majority to minority CP representation on it), and only a small administrative staff held permanent paid positions.

From its inception, national labor administration under the restored democratic regime has been characterized by its procedural neutrality, the technical backgrounds and administrative orientation of labor administration personnel, its emphasis on vocational (re)training and occupational health, welfare and safety issues, and the eventual weaning of the State from a

tutelary role in the tripartite wage boards to its outright withdrawal from any mediatory function in 1992. After the Colorado Party (Sanguinetti) government was replaced by the Blanco Party (Lacalle) administration in 1990, the latter attempted to regulate the right to strike as part of its initial neoliberal initiative. The idea was to prevent by law disruption of the economic reform program by working class direct action and other forms of labor service withdrawals due to both political and economic opposition. This proposal was greeted with a wave of strikes, including over a dozen national strikes, and parliamentary opposition not only from the Frente Amplio but from the Colorado Party as well (as a matter of basic civil rights). In a country with a long tradition of social pluralism and State non-interference in interest group politics this initiative was anathema, especially when coming from a moderate center-left party such as the Blancos. Faced with strong resistance, the Lacalle government pursued what it considered the next best thing: total withdrawal of the State from the Consejos, which meant that employers and unions would need to negotiate and self-enforce bipartite agreements.

The assumption was that collective bargaining would devolve to the level of the firm and that the structural power of capital in a decentralized collective bargaining framework would redress the previous pattern of State intervention on behalf of unions. In turn national labor administration would restrict its activities in the labor market to registering collective bargains according to the provisions of standard contract law, and direct the bulk of its attention towards occupational health and safety and vocational training, social security and pension scheme oversight functions. Ideological unity under the PIT-CNT in favor of the Consejos and the political presence of its representatives within the Broad Front made such a strategy risky, but the parallel entrance into the MERCOSUR free trade regime gave a structural boost to the forced atomization project. At first the “devolution” stratagem went slowly, since employers unaccustomed to pluralist collective bargaining were not keen about free riding within their ranks. As a hedge against the uncertainties of the moment, numerous firms found it best to negotiate within the occupational categories outlined under the Consejo legislation (but without the State mediatory or enforcement role). However over the next half decade the majority of wage bargaining did shift to the level of the firm. In 1996-98 75 contracts were signed per occupational sector, while 192 were negotiated at shop level.⁴² This trend continued through 2000, when over 75 percent of collective bargains were negotiated at the shop level. We note that this is a Nash equilibrated outcome and a Pareto optimal solution that clearly favors business preferences but which labor was unable to improve upon.

PC-dominated unions prefer occupational categorization of wage bargaining. More tellingly, the subject of bargaining in all cases shifted to job security and productivity ratios, while wage

demands took a secondary position. There was a reason for this. The opening of the Uruguayan market to its larger MERCOSUR neighbors decimated Uruguayan manufacturing, which declined by over 70 percent in less than six years. With manufacturing firms liquidated and sold off, union membership declined throughout this period, from 29 percent in 1987 to 21.4 percent in 1993. Consistently high due to its rate of structural unemployment, unemployment levels varied from 13.1 percent in 1985 to 8.5 percent in 1990, 12.7 percent in 1996 and 10.5 percent in 1999. In 1994 unemployment in manufacturing reached 26.2 percent, services at 34.5 percent and commerce at 24.9 percent. Since services occupied fully two thirds of the non-agricultural economy, followed by manufacturing and commerce respectively, this translated into serious labor surpluses in vital areas. Construction and transportation did substantially better, and were in the main located in the public sector with militant union representation. Union density remained relatively high in those sectors where traditionally the union presence was strong. But the overall picture was sobering: both youth emigration and declining employment in the private sector equaled a loss of union members over the 15 years of democratic rule.

Of significance is the approach of national labor administration once it abandoned the concertative wage boards in 1992. From then on it placed major emphasis on vocational training for involuntarily displaced labor, individual worker grievance hearings (for the most part a service offered to and used by non organized workers), and occupational health and safety inspection functions. This was evident in the numbers of workers using the re-training programs offered by the Ministry of Labor and Social Security (MTSS), which saw a rise in those enrolled in such programs as well as increases in unemployment insurance benefits and the number of labor administration personnel assigned to vocational re-training schemes.⁴³ The parallel emergence of the National Employment Directorate and Social Welfare Bank (which like a number of social security and welfare agencies included union, business and municipal representation on their management boards) bureaucratically confirmed that the State had shifted from the role of mediator in the labor relations system to that of safety net provider for those displaced by the opening of the national market. Moreover, it also showed that the State and social agents did not entirely retreat from the use of neo-corporatist devices such as concertative tripartism, which continued to be used as management and oversight instruments throughout the social security and welfare networks.

With the move towards autonomous bipartite collective bargaining there was a shift in both public and private sector union strategies from negotiation (or presentation) of demands to a negotiation (and exchange) of mutual concessions, as both firms and unions were under siege by the opening of the Uruguayan market to the MERCOSUR free trade agreement signed with

Argentina, Brazil and Paraguay in 1991. Firms wanted increased productivity and labor market flexibility in the former of a system of individual labor contracts as a first choice, labor defended job security and presence on the shop floor as a third choice (wage increases and wage stability being first and second union choices). All the more remarkable, then—but perhaps not surprising given the concern with social peace on the part of Uruguayan elites—that both the economy and real wages grew (albeit slowly) throughout this period.

After bottoming out in 1984 at 94.9 percent of 1980 levels, the GNP grew steadily throughout the first elected government, reaching six percent above 1980 levels in 1990, then going on to record growth rates exceeding 5 percent for the decade (which included a drop in growth by two percent in 1994).⁴⁴ After three years of decline, the GDP grew over an average of 3.65 percent from 1985-1996.⁴⁵ Some of this may be attributed to the greater import opportunities presented when Uruguay joined MERCOSUR, but it should be noted that its hard currency export sector was not affected while its domestic industry declined due to competition from Argentine and Brazilian exporters of consumer durable and non-durables.

This came against a backdrop that showed throughout the democratic period Uruguay enjoyed the lowest poverty levels in Latin America and very high literacy rates, GNP per capita (over US \$6,000, which is above the upper middle income of US \$4,500 for the region), levels of secondary and tertiary education, low infant mortality and high life expectancy for both sexes. By most socio-economic and health indicators as well as in terms of political freedoms and rights, Uruguay is the leader in Latin America and the Caribbean.⁴⁶ The concern with social stability is paramount amongst the political elite, not in small part due to the constant reminders to that effect among from the union movement and its Broad Front representatives. Even so, the PIT-CNT did its part by reorganizing its leadership cadres to incorporate more non-Marxist unionists and by refraining, as the decade wore on, from calling general strikes over matters of policy. Instead, it concentrated on bolstering its presence within the Broad Front in order to bring pressure on policy matters to bear in parliament rather than the streets.

Although high, Uruguay did not suffer the hyper inflationary spirals and massive unemployment that precipitated political crises in both of the larger neighbors in 1989-90. Urban unemployment peaked in 1984 at 14 percent, but fell to a low of 8.3 in 1993 before averaging near 10 percent for the rest of the decade.⁴⁷ Average real wages varied from 108.5 (1990=100) in 1980 to a low of 81.7 in 1987, to a high of 112.2 in 1994. After falling steadily from 1980-1985, salaries averaged a growth rate of 1.21 percent from 1986-96. Using 1980 and 1995 income levels in

constant terms as a baseline (both=100), average real wages rose from 91.7 in 1990 to 102.7 by 1998.⁴⁸ Most significantly, wage differentials showed a clear trend in favor of organized as opposed to unorganized labor in virtually all occupational categories, which in essence means that all real wage gains made in Uruguay during this period were made by union members.⁴⁹

Strike activity rose steadily in the 1980s and peaked in 1992/93, then diminished thereafter. The first four years of the democratic regime saw over 2000 strikes that affected over half of the workforce.⁵⁰ Although most of these were occupational and industry specific and focused on bread and butter issues, there were over a dozen general strikes called during this period. These general strikes included, and ran in parallel to, demonstrations by health and retirement beneficiaries, students and other groups associated with the Broad Front, and tended to concentrate on opposition to austerity measures and benefit cutbacks dictated by the terms of foreign debt repayment schemes. The rebirth of civil society in Uruguay was a noisy affair. Even so, the character of strikes assumed a tidal pattern: political strikes peaked in 1988/89, subsided in 1989/90, rose in 1991/92 in protest against the opening of the Uruguayan economy to MERCOSUR, fell off then rose again during the first years of the second Colorado (Sanguinetti) government (1995-99). After 1996 general strikes were eschewed in favor of sectorial or occupation specific strikes over bread and butter issues, and the total man-hours lost declined throughout the 1990s (even though in relative terms strike levels in Uruguay are among the highest in Latin America and dwarf those of New Zealand).

Thus, although the strike was used as a basic line of union defense over economic issues *vis-à-vis* firms, the general strike as a political weapon was brandished only sporadically once the neoliberal reforms were implemented, in defense of larger socio-political issues associated with the Broad Front coalition (including three general strikes in 1997). In parallel collective agreements, which were tied to government wage indexing ratios throughout the late 1980s and early 1990s (the so-called *semi suma*, whereby wage bands were negotiated around the average of the last quarter's inflation and the next quarter's anticipated inflation), and which tended to extend contracts from quarterly to yearly coverage throughout that period, began to average closer to 18 months coverage after 1992 (even though wage indexing was terminated at that time). Real wages were maintained while contract time limits were extended, something that satisfied both parties involved—and the State.

After the initial democratization period and the initiation of the neoliberal economic reform project (1985-93), where social actors flexed their muscles in order to gauge each other's relative strengths, real wages in Uruguay rose steadily in small increments over the next ten years. Not only was this the result of the "gentler" or "gradualist" application of neoliberal policy in Uruguay than

elsewhere, but also was due to the ideological unity of the union movement within the pluralist collective bargaining system re-introduced after the return of electoral rule and the absence of State controls on their behavior. This allowed them to devise wage strategies across occupational sector that could then be negotiated at the shop level without fear of employer divide and conquer tactics, State interference or rank and file defection. After 1992 and the State's withdrawal from collective bargaining, autonomous bipartite negotiations between the unions and firms became the norm (in an example of what Schmitter has called "pluralist" interest group intermediation systems),⁵¹ strikes gradually decreased in number and scope and the length of collective agreements increased in duration. Only in the public sector did occupational or industry wide contracts obtain in the majority, and here agreements tended to be more time-contingent.⁵²

The return of Colorado government in 1995 and the near perfect 33-33-33 split in Congress between Blancos, Colorados and Frente Amplio adherents did little to alter the overall panorama. By the end of the decade economic stability and slow growth were the norm, as inflation descended below 9 percent by the end of the decade, per capita GDP and real wages continued to rise incrementally, unemployment stabilized at ten percent, strikes remained economic and temporary. Overall the quality of life within a labor market dominated by the logic of job scarcity was reproduced on its merits.

The 1999 national elections saw the Blanco Party punished for the betrayal of its traditional center-left posture during its tenure from 1990-95 (and because of a serious corruption scandal embroiling members of the Lacalle administration) by being displaced by the Broad Front as the second leading party in parliament (where it had 40 percent of the seats to the Blancos 17 percent, a historical low for the latter and high for the former). The continuation of Colorado Party control of the presidency and parliamentary majority was equally contested. The Broad Front now has a majority of congressional seats and narrowly missed winning the presidency from moderate rightist Jorge Battle (namesake of one of the original founders of the Colorado Party and the Uruguayan constitutional system) when the Blanco Party threw its support to its traditional rival during the electoral run-off between the two largest vote-getters. This means that the organized left—and the unions that are fundamental pillars of the Broad Front coalition—have a major role in determining the political course of the nation. "By establishing itself as the single biggest political force in the country, taking the largest portion of congressional seats and winning the most votes ever, the election constituted a serious challenge by the Uruguayan left to the country's traditional, but ailing, two-party system."⁵³ Of note in this regard is the relative labor peace (absence of strikes) that obtained throughout the electoral period, demonstrating the requisite labor moderation often mentioned as a condition for securing center-left electoral victories in capitalist societies of any size.

As in neighboring Argentina (and to a lesser extent in New Zealand), there has been a clear repudiation of the market reform project during the last electoral cycle in Uruguay. Unlike the other two countries, however, the Uruguayan labor movement is an autonomous political actor in its own right, un beholden to the State or traditional center-left (but ultimately pro-capitalist) political parties such as the Peronists and Labour. With the political ascendancy of the Broad Front the challenge to continuation of the neoliberal project is far greater in Uruguay than elsewhere, although we recognize that the impact of market forces over the last ten years will make impossible a return to the status quo *ante*.

The picture this data suggests is that in a small open economy with a large amount of structural unemployment and job scarcity in a non-agricultural economy characterized by significant public sector employment and service sector dominance over manufacturing and commerce, ideologically militant and united labor organizations operating in decentralized collective bargaining systems under neo-corporatist or pluralist labor administration, and with a significant political presence within a progressive parliamentary coalition that serves as a swing vote in the national legislature, is generally able to shield its membership from real wage losses without negatively impacting on overall economic growth or productivity. We see spontaneous reproduction of industrial peace (defined as absence of strikes) as the norm rather than exception the longer autonomously aggregated socioeconomic interest groups engaged in bipartite collective action within the context of neoliberal reform (admitting that labor strength also prevented the implementation of orthodox or severe neoliberal policies). We conclude that in Uruguay union ideology and political location proved significant in sheltering union rank and file material fortunes from the harsher fate suffered by organized workers under neoliberal reform programs in New Zealand, Argentina, Chile and elsewhere.

Conclusion

This overview of labor relations systems in two small open democracies confirms our hypothesis that the *praxis* of organized labor acts as an important variable when assessing the influence of labor market reform on the contemporary working class. The New Zealand union movement's cautious and moderate approach to the market-oriented shift can be compared with that of organized labor in Uruguay, which extended its 'dualist' strategic posture and ideologically militant stance through the late 1980s and 1990s. The extent and impact of market reform projects ultimately depended upon the relative strengths and weaknesses of collective actors, organized

labor and business in particular. These in turn depended on the pre-existing institutional framework and the ideological unity of each. Business was favored by both of the structural reform projects, but the extent and outcomes of each passed through the filter of labor opposition put into institutionally-delimited practice.

The broad contours of the New Zealand and Uruguayan economies remained intact throughout the period of so-called neoliberal reform, but there were major differences in the specifics of privatization, deregulation, trade liberalization and diversification of the productive base. Labor market 'flexibilization' in New Zealand was part of a long-term response to the loss of Britain as a guaranteed export market and the subsequent economic decline that began in the early 1970s. Following both successful and relatively unsuccessful attempts at agricultural diversification, a shift to market steering permitted the expansion of the economy based around tertiary and service sector production. The deregulation of the finance industry, monetary reform, and either the privatization or exposure of previously state-owned monopolies to competition facilitated a growth in information technology, electronic commerce, tourism, and crafts (private boat building for example). Rooted in small firms and individual labor contracts, the emerging economic strategy helped break union influence at the same time that the welfare state was dismantled and reorganized.

By the time that the economic shift took place in New Zealand, a combination of "hard" neo-corporatist legislative frameworks and the absence of a unifying working-class ideology had resulted in the reproduction of accommodationist approaches and moderate pro-business strategies, which institutionalized trade union acquiescence to the economic status quo. This made it harder for unions to organize, bargain and achieve strategic coherence, much less ideological unity, when confronted by the neoliberal project. The transition from tri-partitism to enforced or atomizing pluralism further weakened organized labor, to the advantage of a politically organized business class which grew increasingly militant in its defense of the labor 'flexibilization' program and continuation of market-oriented reforms through the 1990s.

Political and social considerations in Uruguay saw that market-oriented reform was done more gradually and partially than in New Zealand. The economy did not suffer as many significant changes in its overall strategic composition (agriculture, commerce and services), although manufacturing did suffer dramatic declines as the result of the opening of the domestic market to imports from the MERCOSUR neighbors. It did not diversify to the extent the New Zealand economy did, although financial markets were liberalized, the service sector grew and embryonic e-commerce began to appear by the end of the 1990s. Sandwiched between Argentina and Brazil, both of which

had resource and technological advantages and already-diversified economies of scale, and with Paraguay as a regional free port trading on smuggling and other commodity exchanges, Uruguayan politicians did not undertake the radical reform program carried out in New Zealand (even if it remained dwarfed by the Australian economy, which itself was undergoing structural reform) because, given the political history of organized labor and the Uruguayan working classes in general, to do so would invite major social strife. This allowed the labor movement greater influence and strategic leverage in the economic reform process, which in most sectors helped maintain union density and maintain real wages after an initial period of losses even with the decline of manufacturing jobs and overall unionization numbers.

Although real wage gains during the time of trade liberalization can be explained by the loss of lower-paying manufacturing jobs, most of these came in the form of unorganized as opposed to organized labor. Organized labor in manufacturing diminished as a result of the opening to Mercosur, but it only constituted twenty percent of the jobs lost in manufacturing during that time frame. What manufacturing employment remained after 1991 continued to be organized, albeit with an increased presence of non-ideological “business” unions. The trend of employment defense was more acute in the public sector, where strategically important actors such as teachers, transportation and public health unions organized under the banner of the PIT-CNT were able to defend membership bases against the cost-cutting programs attempted by all of the elected governments that came to power after 1985 (even if they were less successful at maintaining real wages over that time frame. But that was the trade-off for employment maintenance). For its part strike activity became more decentralized and industry-specific after the 1991 trade liberalization, particularly after left-leaning parties made significant gains in parliamentary and local elections.

Organized labor presented an *apriori* restraint of government economic reform because of its position in the electoral and parliamentary partial regimes and was in large measure able to a *posteriori* resist much of the reforms that were implemented during the 1990s even when collective bargaining devolved to the bipartite shop level after the termination of the Consejos de Salarios in 1992. In spite of the increase of business unions in the private sector, the majority of the unions grouped under the banner of the PIT-CNT continued to be characterized by their ideological unity. The fact that its’ leadership had survived the dictatorship and emerged to reclaim their rights as political and economic agents helped prevent implementation of the type of labor relations reforms instituted in New Zealand (or for that matter Argentina and Chile).

This initially found institutional support in the reconstituted occupational wage councils that

were the tripartite concertative vehicles used as the linchpin of the collective bargaining system for the first seven years of the democratic regime. Inherited from the pre-authoritarian period along with the pluralist aggregation of individual labor unions and the classist orientation of the union movement, these institutional features served as buffers against the more dramatic alterations proposed by market-oriented theoreticians, as well as learning devices through which autonomous sectorial agreements between firms and unions eventually could be negotiated without the oversight or mediation of the State. In the latter regard we note the shift in emphasis within national labor administration as of 1992 from administering the tripartite wage bargaining system to providing individual grievance arbitration (labor courts), occupational health and safety, vocational training and unemployment benefits within an overall emphasis on tripartite oversight of the social welfare network. The market was left to determine wages while leading political and social actors concertatively determined provision of public goods related to a labor market dominated by down-sizing and trade liberalization.

An explanation for the differing ideological responses and practical strategies made by the two labor movements when confronted by a shift to market-driven economies can be found in the contrasting traditions of “hard” democratic corporatism and pluralism “from below” in New Zealand and Uruguayan labor relations. Features of the traditional New Zealand model were essentially State corporatist in nature, which, while giving union movements protection and seemingly strength in the short to medium-term when political conditions are in their favor (such as under populist or Labor-based political parties prior to the 1980s), nevertheless makes organized labor dependent on the State and therefore organizationally weak and ideologically moderate over the long-term. In these circumstances, an interdependent relationship with a governing political party, the New Zealand Labour Party in this instance, simply reinforces the situation rather than alleviating it. Compulsory unionism ensures that the commitment of workers to the union movement is tenuous and can be further undermined by a shift to pluralism from above.

The pluralist system that developed in New Zealand during the early 1990s was very different from that which existed in Uruguay before 1968 and which returned in the mid 1980s. Pluralism in New Zealand was built on an authoritarian legacy of inclusionary state corporatism, albeit of a democratic variant, and lowered material thresholds of working class consent. It was thus both enforced and designed to weaken organized labor as a collective actor in the economic and political realms. Uruguayan pluralism, however, can be seen as a system of “pluralism from below”. The Uruguayan labor movement traditionally fought for such a system in order to remain free to organize around an ideologically militant leadership, free from dependence on employers or the

State. It continues to do so now and has retained significant roles in the economic and, even more so, the political system.

Pluralist labor relations such as those found in Uruguay allow for greater autonomy on the part of collective agents, measured in relations between as well as within the interest groups in question. In the absence of State-imposed restraint, labor and capitalist agents must accept the politics of compromise, negotiated outcomes and the need to exercise mutual self-restraint. Self-limiting strategies characterize the pragmatism of collective agents under such conditions. All actors recognize that immediate and contingent class compromises over material issues are an essential ingredient for social peace over the long term. Ideological conflicts are shunted to the parliamentary arena, where both organized labor and business interests have considerable presence and political strength.

Thus, after an initial period of confrontation where Uruguayan business sought to preserve some of its privileges inherited from the dictatorship and organized labor took to the streets and used strikes to reassert its presence in the economic and political life of the nation, both sides returned to their traditional pluralist orientations and negotiated binding substantive compromises in spite of changes in the institutional framework surrounding the negotiations. Sectorial maturity prevailed over efforts to dominate on the part of one or the other side, and both material standards and political stability were maintained in conditions of moderate economic growth. Conversely, the behavior of business groups in New Zealand has been remarkable precisely for its lack of willingness to engage in mutual, second-best strategies, even when confronted with the exhaustion of the more-market structural adjustment program in the late 1990s.

There is an irony here, in that New Zealand is usually regarded, by its inhabitants as well as outside observers, as a nation which enjoys both democratic institutions and a supporting democratic culture, while Uruguay is situated in the Southern Cone of Latin America, a region which is notorious for its susceptibility to coups and class conflict (admitting Uruguay's exceptional political history). We find that the Uruguayan labor movement was more successful at waging its defensive campaign against market-driven reforms implemented by the electorally-based governments that appeared after 1985 because of the combination of long-standing institutional practice and ideological unity of the trade union movement. Sectorial autonomy and a legal framework that placed few restrictions on collective agent behavior, a long-standing institutional practice of State mediation and a significant role as part of a progressive third party coalition in parliament allowed the labor movement to shift most of the burdens of austerity onto unorganized sectors of the

working population. New Zealand was less successful in its defensive strategy because of the legacy of institutional authoritarianism and repeated changes to the frameworks governing collective bargaining and the right to organize, as well as because of its subordinate position within the coalition supporting the Labour Party. This made for a divided and fractious union movement that fell prey to the divide and conquer tactics of the National administrations that governed in the late 1980s to the late 1990s.

From this comparison we conclude that ideological unity and the bargaining position of organized labor within the labor relations partial regime are the most important variables explaining its ability to defend working class interests in the face of labor market reforms in small open democracies. Extrinsic factors, particularly the pre-existing institutional history of interest group administration, were significant to the outcomes in both cases. The initial incorporation and subsequent insertion of the labor movement in the political system served as the backdrop to their approaches towards labor market reforms (and in some measure contributed to their specific character, as in New Zealand). In the case of New Zealand labor, the combination of inclusionary state corporatist initial incorporation, subsequent 'hard' neo-corporatist political insertion, pro-business ideologies and subordination to a mainstream center-left Party with a strong pro-business bias left it singularly unprepared to confront the rigors of the market-driven experiment. In contrast the pluralist initial incorporation, extensive history of tripartite concertation (as a 'soft' variant of neo-corporatism), ideological unity, class militancy and political autonomy of Uruguayan labor left it in a better position to do so. In that light, State reform policies in the labor market that supported business interests had a decisive role in shaping the material and political fortunes of the labor movement in both instances, but the difference in strategic outcomes can be explained elsewhere. For that organized labor had to look to itself.

NOTES

¹ Here we take a slightly different tack than that of the seminal work on such cases: P. Katzenstein, Small States in World Markets. Ithaca, NY: Cornell University Press, 1985. We believe the circumstances of these particular cases warrant it. Moreover we see these cases as the economic equivalent of a biological principle: Market reform projects are to small countries what alcohol consumption is to children in that the impact of market reforms is greater in small countries such as these.

² We use this term to refer to political economies that are not only small, but very small. As a result of the shift from state-centric to market-driven developmental logics, such cases have attempted to find a “niche” in the world economy, centering on the replacement of agriculture and small-scale manufacturing with service and retail industries.

³ In addition both economies suffer structural unemployment rates of over thirty percent of the potential labor force, disproportionately higher amongst youth (16-24) and regionally and among Maori in New Zealand.

⁴ On “most similar” and “most different” comparative case methodology, see H. Teune and A. Przeworski, The Logic of Comparative Social Inquiry. NY: John Wiley and Sons, 1970. Also see D. Collier, “The Comparative Method,” in A. W. Finifter, ed., Political Science: The State of the Discipline II. Washington, D.C.: American Political Science Association, 1993: 105-19.

⁵ Partial regimes are the network of institutions, mores, rules and social actors (both public and private) engaged in reproducing a core area of political and social life in a given nation-state. National political regimes are made up of several partial regimes, e.g. the labor relations partial regime, the legislative partial regime, the partisan partial regime, etc., which together constitute a type of institutional latticework that supports the larger edifice of the national political regime. On partial regimes see P.C. Schmitter, “The Consolidation of Political Democracy in Southern Europe.” Unpublished mss, Department of Political Science, Stanford University, July 1987. Adopting this approach in the study of labor relations in two small open democracies allows us to bring into the analysis a set of factors and variables (including ideology) that is not generally the focus of ‘labor law’ oriented frameworks. It also requires that very recent developments are put into long-term historical perspective.

⁶ We recognize that in certain advanced industrial democracies both employers and unions preferred centralized collective bargaining schemes with strong State mediation in spite of the shift towards market-driven development. However in highly vulnerable and dependent economies such as those examined here, reduction of input factor costs are considered to be the best means of retaining an internationally competitive position. On the impact of OECD labor policy on the Latin American variants, see A. Marshall, State, Labour Market Intervention in Argentina, Chile and Uruguay: Common Model, Different Versions. Geneva: International Labor Organization, 1997. (Web version used: www.ilo.org/public/english/employment/strat/publ/etp.10.htm).

⁷ We take inspiration for this approach--however distorted we have rendered it-- from S.J. Valenzuela, “Movimientos obreros y sistemas políticos: Un analisis conceptual y tipologico,” Desarrollo Economico, V.23, N.91 (October-December, 1983): 339-63, and *ibidem*, “Labor Movements in the Transition to Democracy: A Framework for Analysis,” Comparative Politics, V.21, N.4 (1989): 445-72.

⁸ In saying this we synthesize notions first advanced in D. and R. B. Collier, Shaping the Political Arena: Critical Junctures, the Labour Movement and Regime Dynamics in Latin America, Princeton: Princeton University Press, 1991; B. Ames, Political Survival. Berkeley: University of California Press, 1987; N. Bobbio, Democracy and Dictatorship, Minneapolis: University of Minnesota Press, 1989; and A. Przeworski, The State and Economy Under Capitalism: Fundamentals of Pure and Applied Economics, Vol. 40. Char: Harwood Academic Publishers, 1990.

⁹ None of the definitions including ‘pluralism’, ‘state corporatism’, ‘societal’ or ‘neo-corporatism’, adequately capture the

situation in New Zealand prior to the neoliberal shift. Suffice to say that this particular form of interest group articulation could be equally be described as either 'hard' democratic corporatism or 'soft' inclusionary state corporatism. Compare this to Uruguay's 'soft' neo-corporatist model.

¹⁰ See 'Preface' to Henry Broadhead, State Regulation of Labour and Labour Disputes in New Zealand, Christchurch: Whitcombe and Tombs, 1908.

¹¹ Industrial Conciliation and Arbitration Act 1925, part one.

¹² For an elaboration on some of these themes see 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: Dunmore Press, 1994: 9-37.

¹³ 'FOL Policy Draft 1987', Trade Union Directory, New Zealand Federation of Labour, 1987: 117.

¹⁴ New Zealand Treasury, Economic Management, Wellington, July 1984, and New Zealand Treasury, Government Management, Wellington, 1987. On the influence of Treasury and Business Roundtable thinking on the Fourth Labour Government see Brian Easton and Rolf Gerritsen, 'Economic Reform: Parallels and Divergences', in Francis Castles, Rolf Gerritsen and Jack Vowles, The Great Experiment, Auckland: Auckland University Press, 1996: 22-47, Brian Easton, 'The Troika and the Treasury: The Politics of the Commercialization Policy', unpublished paper, 23 January 1996, and Kelsey, The New Zealand Experiment, Auckland: Auckland University Press, 1995: 15-81.

¹⁵ Statistics New Zealand INFOS data series SNBQ.SX199 and HLFQ.S1F35 respectively.

¹⁶ See Paul Dalziel and Ralph Lattimore, The New Zealand Macroeconomy: A Briefing on the Reforms, Melbourne: Oxford University Press, 1996: 81.

¹⁷ Bruce Jesson, in his Fragments of Labour: The Story Behind the Labour Government, Penguin: Auckland, 1989, explains and discusses these ideological tensions within the New Zealand Labour Party.

¹⁸ Methods of calculating union density vary widely and this should be taken into account. In New Zealand, the problem is compounded. Before 1991 data on union membership was collected by the Department of Labour, but ceased to be a legislative requirement under the ECA. These figures are from Aaron Crawford, Raymond Harbridge and Kevin Hince, Unions and Union Membership in New Zealand, Industrial Relations Centre, Victoria University Press, Wellington, 1997: 3. Harbridge and Hince conducted a survey of union membership throughout the 1990s which was on the whole comparable with the methods used and data released by the Department of Labour before 1991. All data quoted here relates to the month of December each year.

¹⁹ Quoted from speech to the House of Representatives, Hon Bill Birch, Minister of Labor and State Services, 'Economic and Social Initiative', December 1990.

²⁰ See in particular section 19, which states that where a collective contract expires, employees are bound by an individual contract based on the provision of the expired contract. For those unfamiliar with labor legislation in New Zealand the expression 'individual contract' is likely to cause confusion. In essence, a preference for individual over collective contracts reflects the preference for an unorganized labor force. While it is theoretically possible to have individual contracts negotiated by unions, such cases have been rare under the ECA and generally limited to individuals in the public service receiving relatively high salaries in positions of responsibility. For example, secondary school principals who have chosen to remain members of the Post Primary Teachers Association are bound by individual contracts negotiated by that union. The fact that the ECA is framed in the language of contract law points to the fact that the long-term goal of neoliberal reformers was to remove any special legal significance for labor relations. In fact, the key spokespeople in the National government intended to eventually abolish the Employment Court and channel all labor disputes through the ordinary court system and ordinary contract law.

²¹ See Buchanan and Putnam (1998): 102-03.

²² This reflects the centrality of the labor relations partial regime to the reproduction of economic and social relations, or the management of labor relations as a core function of the capitalist State.

²³ For an overview of the restructuring process see Department of Labour, Blueprint for Change: A Message from the Secretary of Labour, Wellington, 1988. Also Jonathan Boston (ed), Reshaping the State, Auckland: Oxford University Press, 1991, on the application to New Public Management philosophies to the state sector in New Zealand.

²⁴ Department of Labour, Post-Election Brief, Wellington, October 1996: 24-62.

²⁵ Data from Statistics New Zealand, INFOS series SNBQ.SX199.

²⁶ Data reported by Statistics New Zealand, INFOS data series HLFQ.S1F35.

²⁷ For details, particularly on the 1987-1990 period, see George Baker, Income Distribution in New Zealand, Wellington: Institute of Policy Studies, 1996.

²⁸ Crawford, Harbridge and Hince 1997: 3.

²⁹ See Raymond Harbridge, 'Bargaining and the Employment Contracts Act: an overview', in Raymond Harbridge (ed), Employment Contracts: New Zealand experiences, Wellington: Victoria University Press, 1993: 31-52.

³⁰ The ability of business to remain united through the shift to neoliberalism in New Zealand is, perhaps, rather remarkable. While the shift favored finance capital and importers at the expense of farmers and small-scale manufacturers, particularly after the rapid removal of tariffs in the clothing and footwear industries in the late 1990s, even the traditionally conservative Federated Farmers organization remained committed to reform. While some groups, such as the Coalition for Socially Responsible Business voiced some concern, this organization in particular remained opposed to the repeal of the ECA.

³¹ This point is argued, in particular, by Brian Easton in his 'The Maturation of the Union Movement', Revised paper to the 1995 Seminar Series of the Department of Political Studies, University of Auckland, 4 August 1995.

³² Although this is often disputed when measured over the medium-term. See Tim Maloney, Five Years After: The New Zealand Labour Market and the Employment Contracts Act, Wellington: Institute of Policy Studies, 1998.

³³ Raymond Harbridge and Maryan Street, 'Labour Market Adjustment and Women in the Service Industry: A Survey', New Zealand Journal of Industrial Relations, V.20, N.2, 1995: 23-34. Also see Ian McAndrew and Matt Ballard, 'Negotiation and Dictation in Employment Contract Formation in New Zealand', New Zealand Journal of Industrial Relations, V.20, V.2, 1995: 119-142.

³⁴ International Labour Organization, Laborsta database, table 9C. (www.ilo.org/laborsta.html)

³⁵ P. Drake, Labor Movements and Dictatorships: The Southern Cone in Comparative Perspective. Baltimore: The Johns Hopkins University Press, 1996: 98-101 and CEPAL, La evolución de la economía y la política económica en Uruguay en el periodo 1981-1984. New York: United Nations Economic Commission on Latin America: 1985.

³⁶ The Consejos de Salarios were created in 1943. See International Labor Organization, Relaciones de Trabajo en el Uruguay. Geneva: 1987: 8-20. The legislation eliminating the Consejos de Salarios is Law 13,720, December 16, 1968. Diario Oficial, December 19, 1968. A good description of the events surrounding the elimination of the Consejos is found in H. Handelman, "Labor-Industrial Conflict and the Collapse of Uruguayan Democracy," Journal of Interamerican Studies and World Affairs, V. 23, N. 4 (November, 1981).

³⁷ It should be noted that the Uruguayan military-bureaucratic regime was nowhere as repressive of organized labor as its Argentine or Chilean counterparts, and in fact attempted to co-opt those sectors of the union movement that were not in jail. It did not engage in the murder and disappearance of unionists to the extent practiced in its neighbors, and repeatedly engaged in wage concessions and mediation functions virtually unseen in the larger countries. On this see Drake, (1995): 98-106.

³⁸ ILO (1987): 85-87, 90. Law 14,409/1943 created the Consejos de Salarios, with subsequent amendments to its scope

and responsibilities. See Buchanan (1985): 238-259 for a discussion of the pre-1968 and early history of the Consejos under the democratic regime.

³⁹ E. Rodriguez, Democracia y la lucha de clases. Montevideo: Ediciones La Hora, 1985: 20-21, 179.

⁴⁰The term “tactical alliance” comes from Rodney Arismendi, Secretary General of the Uruguayan Communist Party upon his return from exile in Moscow after the fall of the dictatorship. See Busqueda, February 26, 1985:12. This quote and the surrounding analysis is drawn from M. Gargiulo, “El Movimiento Sindical Uruguayo en los 80: Concertacion o Confrontacion?” in El Sindicalismo Latinoamericano en los 80. Santiago, CLACSO, 1986: 169-171. The term “war of position” used here refers to the Gramscian notion of peaceful class struggle within the “trenches” of civil and political society. See Prison Notebooks, ed. Q. Hoare and G.N. Smith. New York: International Publishers, 1971:229-39.

⁴¹ A. Przeworski and M. Wallerstein, “Structural Dependence of the State on Capital,” American Political Science Review, V.82, N.1 (1988): 11-31.

⁴² www.ilo.org/public/spanish/ampro/cinterfor/dbase/necou/ii/index.htm.

⁴³ Marshall (1997).

⁴⁴ ECLAC, Economic Survey of Latin America and the Caribbean. New York: United Nations, (1985: 605 table 2, 1993: 473 table 1, 1998/99: 62 table IV.1). Data for 1980-90 is from 1985/93 where 1980=100. 1991 data is in constant 1995 pesos, cited in ECLAC (1998/99).

⁴⁵ J.W. Wilke, E. Aleman and J. G. Ortega, Statistical Abstract of Latin America, V.35. Los Angeles: UCLA Latin American Center (1999) 1017-1019, using IMF, EIU and OECD data.

⁴⁶ ECLAC, (1998/99), *passim*. Also see the Freedom House report cited in footnote 63. A similar description, with data, of Uruguay as an exceptional case of positive socio-economic indicators in a region saddled with inequalities, but which nevertheless manages to deliver a negative spin on its developmental prospects because it has a “bloated” public sector, is offered by the World Bank. See two internet sources:www.worldbank.org/html/extdr/offrep/lac/uy.htm and www.worldbank.org/data/countrydata/aag/ury_aag.pdf.

⁴⁷ ECLAC (1985): 21 table 8, and (1998/89): 85, table VI.1.

⁴⁸ Statistical Abstract of Latin America, Vol.35. Calculated from ECLAC data; ECLAC, Economic Survey of Latin America and the Caribbean (1998/99): 92.

⁴⁹ Marshall (1997).

⁵⁰ On this see Buchanan (1995):252-54; ILO (1987): 101-02; and C.H. Filgueria, “Organizaciones sindicales y empresariales ante los programas de estabilizacion: Uruguay 1985-87.” Paper presented at the “Seminario-Taller Sobre Politicas Antiinflationarias y Mercado de Trabajo,” PREALC, Santiago, Chile, August 2-4, 1988 (Chart 1). Strike data for the 1990s is notoriously sketchy--not even the ILO has figures--and was cobbled together from union sources, internet sites dedicated to labor issues such as Cyber Picket Line (www.cf.ac.uk/ccin/unions) and the US government publication Foreign Labor Trends (Washington, D.C.: Government Printing Office) for the years cited.

⁵¹ P.C. Schmitter, “Still the Century of Corporatism?” in Schmitter and Lehbruch, (1979): 15-17. We should point out that in some aspects the interest group intermediation system in Uruguay exhibits characteristics associated with what Schmitter terms “syndicalism” (1979:17), and in this regard represents more of a hybrid model than a pure type.

⁵² J.M. Rodriguez, “Efectos de la desregulacion, la apertura y la reconversion en las relaciones laborales en Uruguay,” in J.B. Figueiredo, Las Instituciones Laborales frente a los cambios en America Latina. Geneva: ILS, 1996; Marshall (1997).

⁵³ <http://freedomhouse.org/survey/2000/reports/country/uruguay.html>: 1

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