

# **Employment Relations in the 1990s: Case study: Restructuring at the New Zealand Fire Service**

## **Background**

It is important to recognise that there are complex and historical reasons for disputes that are as long and as bitter as the Fire Service dispute. This particular dispute has been going on for more than a decade.

It could be argued that the dispute started with the Privy Council's 1990 decision that all insured businesses had to pay the indirect Fire Service levy instead of opting out of it by insuring off-shore. Traditionally, businesses have been opposed to indirect taxation as it increases the level of overhead costs. The Fire Service levy could be regarded as just another form of indirect taxation and business pressure groups had, therefore, a special interest in the Fire Service dispute and the proposed reforms.

Continual reforms

Pressure to review and reduce the Fire Service came from various groups, including the Business Roundtable, the National Government and the insurance industry. There was also pressure to change from within the organisation. As a condition of his appointment in April 1993, the Fire Service Chief Executive, Mr Cummings, was to drastically reduce the Fire Service funding from \$72 million to \$20 million. As a result, the Fire Service management set about cutting labour and equipment costs. Management also decided to restructure the Fire Service with the idea of having an organisation that would be equipped to function efficiently in the 21st century. A consultancy group was contracted to produce a report outlining the problems with the Service.

Management encouraged staff to make submissions to the consultants and gave a guarantee that there would be no retaliation against any officer who took part in the process. However, some staff believed that those officers who expressed negative opinions concerning management were reprimanded and were among the first to be made redundant. This showed that the trust between management and fire fighting officers had already begun to evaporate.

Many of the Fire Service staff believed that the reforms masked a hidden agenda to privatise the Service and bring in a system of 'user pays'. They also felt that the reforms would undermine the professionalism of the job, which required extensive training and experience. According to the professional firefighters' union, the replacement of permanent staff with community volunteers was proof that management was swapping expertise for amateurism. Staffing levels also started to drop.

By 1997, management had been criticised in the media over its handling of the restructuring and reforms. Criticism of the restructuring was also raised in the following arenas: the national referendum in December 1995; Employment Court cases in 1996; the government review, and the 1997 Blue Lotus report. The Blue Lotus report described the Fire Service management as being in an 'administrative crisis' with little or no communication between management and fire fighting staff.

A new commissioner, Mr Roger Estall, was appointed in 1997 and shortly afterwards the Chief Executive, Mr Cummings, left – and so did most of the management staff. Mr Estall had previously been the director of a large insurance broking company. His candidature was supported by the Business Roundtable and the insurance industry. One of Mr Estall's first acts was to put an end to the fire levies, causing a loss to the Fire Service Levy Fund of more than \$150 million per year. This move was heavily criticised by several Members of Parliament.

Following an attempt to dismiss *all* the professional firefighters in May 1998, the government and Parliament started to take a more active role. This included more intense consultation with the Fire Service management and an investigation of the restructuring programme by a Parliamentary Select Committee. A damning report by the Internal Affairs Select Committee on the deteriorating financial state of the Service recommended 'that the Government should consider sacking those who had been members of the commission during the 1997/98 financial year on the grounds of either inefficiency, neglect of duty or both' (Rasmussen and McIntosh, 1999: 397). This, together with public lack of confidence in the senior management team, prompted the resignation of Commissioner Roger Estall in May 1999.

Finally, the long stand-off in the Fire Service dispute appeared to be over in October 1999 when the Court of Appeal upheld an injunction against the Fire Service's restructuring plans, a new management approach started to flourish under a new management team, and the Labour and Alliance parties won the general election. The government allocated an extra \$8 million to the Fire Service to be put towards a staff pay increase. In March 2001, management offered professional firefighters an 8% average pay increase but tied it to a 50% increase in routine work. This offer was rejected by more than 90% of members of the Professional Firefighters' Union and members threatened to take industrial action.

### **Failure to negotiate**

One of the more contentious issues of the dispute has been the fact that professional firefighters have not received a pay increase since 1990. The Fire Service employment contract expired in 1994 and management and the union were unable, in more than six years, to re-negotiate a new collective employment contract. One reason for the delay was the significant gap between the changes demanded by management and the conditions under which the staff had originally been employed.

The Fire Service is trying to achieve a saving target of \$28 million by proposing changes to firefighters' collective employment contract. This includes a nine-day work roster with weekly hours rising from 42 hours to 56.' (Rasmussen, 1995: 108)

On 5 May 1998, the new Commissioner, Mr Roger Estall, announced that the Fire Service was going to dismiss 1575 firefighters who would then have to apply for a reduced number of jobs on new conditions, including longer working hours, with salaries replacing wages and overtime. In addition to this, crew numbers on fire engines would be cut from six to three.

Following discussion with the government in June 1998, the threat of dismissing all firefighters was withdrawn. Nevertheless, the announced job loss of 300 firefighters would go ahead. At that stage, Fire Service management became embroiled in a political media debate and this led to the above-mentioned change in management approach. The Professional Firefighters' Union pursued the abandoning of the restructuring through the courts, and this included obtaining an interim injunction to stop the Fire Service from recruiting new firefighters as long as it planned to make long-serving firefighters redundant. When the Employment Court and the Court of Appeal upheld the union's injunction in 1998 and 1999, the restructuring plan of the Fire Service had clearly become untenable. This coincided with successful government pressure for a change in the Service's employment relations approach.