# CHANGING EMPLOYMENT PRACTICES IN THE NEW ZEALAND TELECOMMUNICATIONS SECTOR: WORKFORCE REORGANISATION AND RESTRUCTURING AT TELECOM NEW ZEALAND

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## Abstract

*In line with the large-scale reforms instituted by the New Zealand government in the 1980s, the New Zealand post office was broken up and a state owned enterprise (SOE), the Telecom Corporation of New Zealand (TCNZ), was formed in 1987. In 1990 TCNZ was fully privatised with the major shareholders, Bell Atlantic and Ameritech, being US owned companies. There followed a decade of organisational and structural change. Between 1990 and 2000 the fulltime workforce at TCNZ was reduced from 16 000 to less than 6000 fulltime workers as the firm evolved into a new leaner model (TCNZ annual reports). Such workforce reductions were largely achieved through outsourcing and the introduction of new technologies. But the scale of downsizing at TCNZ raises questions about the possible loss of core knowledge and the long-term sustainability of these strategies. Transaction costs associated with 'relationship management' — such as, the coordination and monitoring of outsourced work — may also reduce their effectiveness. This paper draws on transaction costs economics (TCE) and downsizing theories to help explain why firms may choose to either outsource their transactions to the marketplace or perform them in-house. It further examines what the implications of TCE may be for employment relations (ER). This paper suggests that a number of additional factors outside of the traditional TCE analysis also contributed to the restructuring and ER strategies at TCNZ. These included, short-term profit considerations, the size of the New Zealand telecommunications market, TCNZ's continued dominance of its domestic market and the desire to form strategic alliances. Therefore, these additional factors may need to be integrated into the TCE framework if it is to provide a possible model that will assist in analysing the changing workforce structure at TCNZ since deregulation.*

Keywords: *Telecommunications, outsourcing, downsizing*

After privatisation in 1990, the Telecom New Zealand Corporation (TCNZ) substantially reduced the size of its full-time workforce — by 2000 the number of full-time workers was about one third of the level of 10 years ago. This process saw much of its work outsourced, with a concomitant increased reliance by the firm on subcontrators and strategic alliances. A number of internal and external factors can be linked to these strategies. Internal factors include the ability to shift workers into subsidiaries, joint ventures and stand alone companies, and TCNZ's ownership of much of the New Zealand telecommunications infrastructure. External factors include government legislation and policy, the nature of the labour market for different groups of skilled workers, the nature of new technologies, and the rapidly changing/evolving nature of the telecommunications market.

This paper is part of a longitudinal study that is examining such changes in the organisational and workforce structure of TCNZ. It seeks explain the type of firm that TCNZ has evolved into and how this has affected its employment relations (ER) practices.

## Downsizing

The privatisation of public utilities has been commonly linked to downsizing strategies and subsequent worker redundancies. Management's response has generally been that such workforce reductions are necessary in order for firms to cut costs and remain competitive in a deregulated environment. While simple across the board redundancies may lead to short term cost savings in the form of a reduced wages bill, they also raise issues such as the associated loss of core knowledge and the long term sustainability of the firm. Studies analysing the medium-to long-term effectiveness of downsizing strategies tend to reveal rather mixed results (see Marks 1993, Cascio 1993, Cascio et al. 1997; Sebbens 2000). The direct costs of downsizing may include severance payouts and administrative costs, while indirect costs may include recruitment and employment costs for new employees, lower morale amongst remaining workers, heightened job insecurity, training and retraining costs, work intensification and lower productivity (University of Colorado study in Littler et al. 1997:76). Littler et al discuss how repeated downsizing can lead to problems with 'survivor' syndrome (1997:69-72), while Howard argues that the drive for increased short-term profits by many firms in the UK during the 1990s may have long-term negative effects, as such firms mistake cost-cutting for efficiency (1996:66-67).

Some researchers make the distinction between 'strategic downsizing' and 'worker layoffs' (Band & Tustin 1995). This research suggests that in order to gain long term benefits from downsizing firms must take a more strategic approach to the above issues, rather then rely on simple across-the-board worker layoffs. This accords with a transaction costs economics (TCE) analysis which implies that better performing firms will be those that target specific workers for redundancies, while redesigning their organisational structures to better retain 'core' knowledge (see Ross 2000).

## Transaction Costs Economics (TCE)

TCE examines the make/buy decisions of firms. It analyses why firms may retain certain parts of the production process in-house while outsourcing other sections to the market. Thus TCE provides a possible explanation as to why firms retain certain workers — perhaps as part of a reduced core workforce — while making other workers redundant. It considers that while the market price for outsourced work may be relatively cheaper than producing the good and/or service inhouse, it may not cover associated transaction costs. These costs may include lower quality goods and services, and the possible loss of intellectual property rights to competing firms. As the production process moves outside the firm it becomes more difficult to supervise. This leads to typical principal-agent problems such as bounded rationality and asymmetric information. Outsourcing may also raise difficulties associated with legal contracts and issues of control (see Williamson 1979, 1985 & 1996). Therefore in some situations it may be cheaper to internalise the production process than to externalise it.

Williamson links outsourcing decisions to asset-specificity. If a production process is highly firm-specific and thus related to its core competencies, then TCE suggests it should be produced in-house. Conversely, if a production process has a low degree of asset-specificity then a firm is more likely to outsource it to the market. Therefore, firms are more likely to outsource generic work than firm-specific work. Thus, when firms make decisions concerning outsourcing, production costs form only part of the equation. To economise a firm must minimise the sum of production and associated transaction costs (Williamson 1979: 245).

But subcontractors and strategic alliance partners may make significant investments in capital equipment and/or human resource training that is highly asset-specific — that is, specific to the project or joint venture. This could mitigate against principal-agent problems, as both parties have a strong financial incentive to maintain the alliance. This is supported by Asanuma's research on strong manufacturer-supplier relationships in the Japanese car manufacturing industry where subcontractors make large investments in asset-specific capital goods (1992).

The decision to outsource may also be affected by short- and long-term considerations. Firms may choose to sell off and/or outsource core competencies for short-term shareholder gain or political considerations. In this situation the actions of the firm may not always follow the path suggested by TCE, however, the theory helps to explain the possible long-term costs to the firm of such strategies.

From an ER point of view, a firm wishing to reduce its staffing level may achieve this by across-the-board redundancies, but it may also lose some talented employees who have received a high degree of in-house training. In other words, there has been a high degree of investment in human-capital in these employees that is firm-specific (Williamson 1979:240). Given the costs associated with this investment and the associated possible loss of 'core' knowledge, a more rational decision is for firms to target for redundancy those employees with little training and few in-house skills — that is, those employees with a low degree of asset-specificity. Work requiring employees with generic skills can usually be accessed through outsourcing, sub-contracting or the part-time labour market.

Therefore, TCE suggests that firms will tend to retain employees with firm-specific skills, while those with less firm-specific skills will be shifted out to subcontractors. Employees with generic skills will tend to move into subcontract and/or casual employment. As firms reduce the size of their core workforce they may increasingly rely on subcontractors and strategic alliances. Firms then must learn to manage these external relationships. From a TCE point of view, the costs of this 'relationship management' must be less than the financial gains from outsourcing if such strategies are to be effective (see Reve 1990:138). This paper examines how well the strategies undertaken at TCNZ appear to fit the TCE scenario.

## The Telecom New Zealand Group (TCNZ)

Until the 1980s telecommunications in New Zealand were controlled by a government monopoly, the New Zealand Post Office. In line with the large-scale reforms instituted by the government during this period, the post office was broken up and a state owned enterprise (SOE), the Telecom Corporation of New Zealand, was formed in 1987. In 1990 TCNZ was fully privatised. The major shareholders, Bell Atlantic and Ameritech, were both US owned multinational corporations (MNCs) (TCNZ 1997). Following almost a decade of substantial profits and increasing share prices, Bell Atlantic and Ameritech, divested their shares in TCNZ in 1998 — it had been a profitable investment for both companies.

Substantial downsizing has occurred at TCNZ. Between 1987 and 1990, when TCNZ operated as a SOE, employee numbers were reduced from 24 500 to 16 000 (TCNZ annual reports). After privatisation, in 1990, employee numbers were again reduced. By 2000 TCNZ employed less than 6000 full-time workers (TCNZ 2000). The firm was assisted in its ability to implement such large scale restructuring and employee layoffs by the introduction of the Employment Contracts Act (ECA) in 1991. This Act radically changed the industrial relations system that had been based on centrally determined award rates of pay and conditions. This was replaced with a decentralised system of individual or collective contracts. The Communications and Electrical Workers Union (CEWU), the former major union at TCNZ, found it difficult to operate in this new environment and in 1995 it went into liquidation.

## Organisational Structure and Strategies

In the late 1980s TCNZ was perceived as being overstaffed and employee reductions were largely achieved through across the board redundancies (interviews with CEWU and TCNZ management). Therefore, to a large extent many redundancies do not appear to have been targeted at this time. Large reductions in employee numbers were achieved initially through relatively attractive redundancy payments, however, these were reduced in later years.

After privatisation in 1990 the nature of the group's organisational structure became quite fluid. New functional divisions and subsidiaries were formed, while other sections were sold or reabsorbed back into the group. Interviews with former union officials suggest that CEWU officials had trouble keeping track of this changing structure. Throughout this period, however, TCNZ continued to reduce the size of its permanent workforce.

During the early 1990s TCNZ's management saw its organisational structure as being too cumbersome and lacking the flexibility required to operate in the newly deregulated telecommunications environment. Therefore, management decided to decentralise the organisation and the firm was divided into a number of semiautonomous regional divisions. Cost reduction strategies included redundancies, outsourcing and the introduction of new technologies.

With the introduction of the ECA (1991), TCNZ management began to aggressively push for individual contracts for its workers. Internal reports state that TCNZ 'has a strategic objective to move towards individual contracts with all employees' (TCNZ 1995:4). TCNZ argued that it wished to forge better relationships with its employees through direct negotiations, but management have been quite open about their desire to remove 'third parties' — i.e. unions — from the workplace. To some degree the new decentralised structure assisted management in this regard. TCNZ management refused to bargain for one collective agreement to cover all workers, but did agree to bargain for smaller separate agreements in the decentralised regional divisions.

The decentralised structure introduced the concept of TCNZ work being internally and externally contestable. Regional divisions could compete against each other for work being tendered by the TCNZ's head office, with much of this work also being contestable in the open market. This tended to foster a more competitive environment, which drove prices down. But it also placed a high degree of pressure on middle management within the regional divisions to benchmark the performance of their sections and reduce costs. Thus, areas within the firm were induced to become 'leaner' and operate with lower overheads. This in turn increased the number of redundancies as sections strove to reduce short-term costs. Sections not performing to budget tended to disappear, with their role outsourced to an external party.

Until the mid-1990s TCNZ appeared to retain a relatively small numbers of skilled technicians within their various entities to keep prices down. Rather than sub-contracting all technical work to the marketplace, these entities retained enough technicians to bid for perhaps 25 to 50 per cent of such work from TCNZ. A combination of low overheads and aggressive bidding meant that these TCNZ entities could offer competitive bids to help drive down the prices of external sub-contractors. Union officials suggested that while TCNZ no longer had the capacity, or desire, to perform all its technical work, its various entities retained the ability to affect market prices through competitive tendering. However, it appears that such strategies also lowered morale as technical workers became increasingly concerned about job security. By the late 1990s TCNZ seemed to have moved away from this policy, with further downsizing leading to more of this technical work simply being outsourced. This change in strategy may have been influenced by the increase in the number of external contractors now bidding for TCNZ work. The creation of such a highly contestable market tends to control prices.

The union found it difficult to keep up with all of the many changes. For example, in the early 1990s 'TCNZ set up a new company for PABX installation, paid all the existing staff their redundancy payments (about NZ$25 million) and then rehired many of them the next day on individual contracts' (CEWU 1996:16). It then became difficult for the CEWU to organise former TCNZ employees who had been rehired by relatively small subcontractor firms.

By the mid-1990s the regional structure had been abandoned and TCNZ's organisational structure was again centralised. But in terms of worker numbers this was a far smaller firm than had begun the decade. By the late 1990s TCNZ had a functional divisional structure supported by subsidiaries, subcontractors and strategic alliances. TCNZ was divided into two main groups, Telecom Networks and Telecom services. These two groups contained business units, which administered the operating capacity and service requirements of the group. TCNZ also owned the subsidiaries, ConnecTel — formally the functional division, Network, Design and Construction — and Telecom Directories.

Much of the technical support services work in the telecommunications sector was shifted to ConnecTel. Therefore many technical workers were no longer employed by TCNZ as they had become ConnecTel employees. While this wholly owned subsidiary provided technical support services in the telecommunications sector, it was not guaranteed TCNZ work. Rather, it was also expected to bid for other work within the New Zealand telecommunications sector (interviews with ConnecTel management 1999). In 2000 TCNZ sold off ConnecTel as a stand-alone company, while it increased the amount of technical work that it tendered out to other firms (TCNZ 2000).

This strategy of shifting technical work out of the core company has led to a de-emphasis on technical training. While TCNZ was formerly New Zealand's largest trainers of technicians, most of this training has now been left to the marketplace. While it has cut costs, with many former TCNZ technicians now employed by subcontractors, it has also raised concerns about the capacity of the New Zealand labour market to continue to supply skilled technicians in the medium- to long-term.

During the 1990s redundancies became more targeted. Much semi-skilled work, including operator services was outsourced. This included directory assistance, national and international assistance calls. While the work of operator services can be quite demanding, workers can generally be trained to perform these functions relatively quickly. In 1998 TCNZ negotiated an agreement with SITEL Lend Lease to outsource all such work throughout New Zealand. Other sections within TCNZ were also considering outsourcing areas such as 'help desk' customer service operations (TCNZ 1998).

TCNZ also outsourced its property management and car fleet management, while its purchasing functions were increasingly integrated into an ecommerce purchasing system. This led to a subsequent reduction in the number of permanent staff required for these roles. Recruitment of new staff has also been outsourced to a number of 'preferred' employment agencies, reducing the need for HRM personnel. Rather, many traditional HRM functions have now been delegated to line management. The corporate HRM section sees its role as instituting and coordinating company policy and giving advice to line management. It does not generally seek to deal directly with TCNZ employees.

In 1999 TCNZ outsourced its own IT needs to the computing services firm, EDS. This affected about 600 former TCNZ workers who had the option of either moving to the new firm or resigning. Most of these workers did not have redundancy clauses included in their individual contracts (interviews with TCNZ 1999). Given the growing relationship between IT and the telecommunications sector and the subsequent loss of highly skilled staff that this move would entail, this may appear to be a somewhat curious decision. But interviews suggest that the decision was seen having the potential to deliver major cost cutting benefits — TCNZ also gained a 10 per cent shareholding in EDS New Zealand Ltd (TCNZ 2000a).

By 2000 the transmission of data flows and internet related applications had become one of TCNZ's largest growth areas. During interviews TCNZ management infer that this area is seen as playing a large part in TCNZ's future development. To accommodate this growth a TCNZ strategy has been to form strategic alliances with other firms in this area, rather than increase the size of its permanent workforce. This has included the creation of 'esolutions', which involved an alliance with Microsoft and EDS. TCNZ is also working with software giant, Cisco, to improve its delivery of data requirements and has taken a 10 per cent stake in the internet firm INL (TCNZ 2000). TCNZ management sees such strategies as a cost-effective way of giving the firm a greater stake in the converging technology, information, multi-media and entertainment (TIME) sectors (TCNZ 2000c). This has some similarities with the strategies being taken across the Tasman by Telstra (Ross 2000). TCNZ has also moved into the Australian market by taking a majority share ownership in AAPT and through winning a large IT contract with the Commonwealth Bank of Australia (TCNZ 2000b).

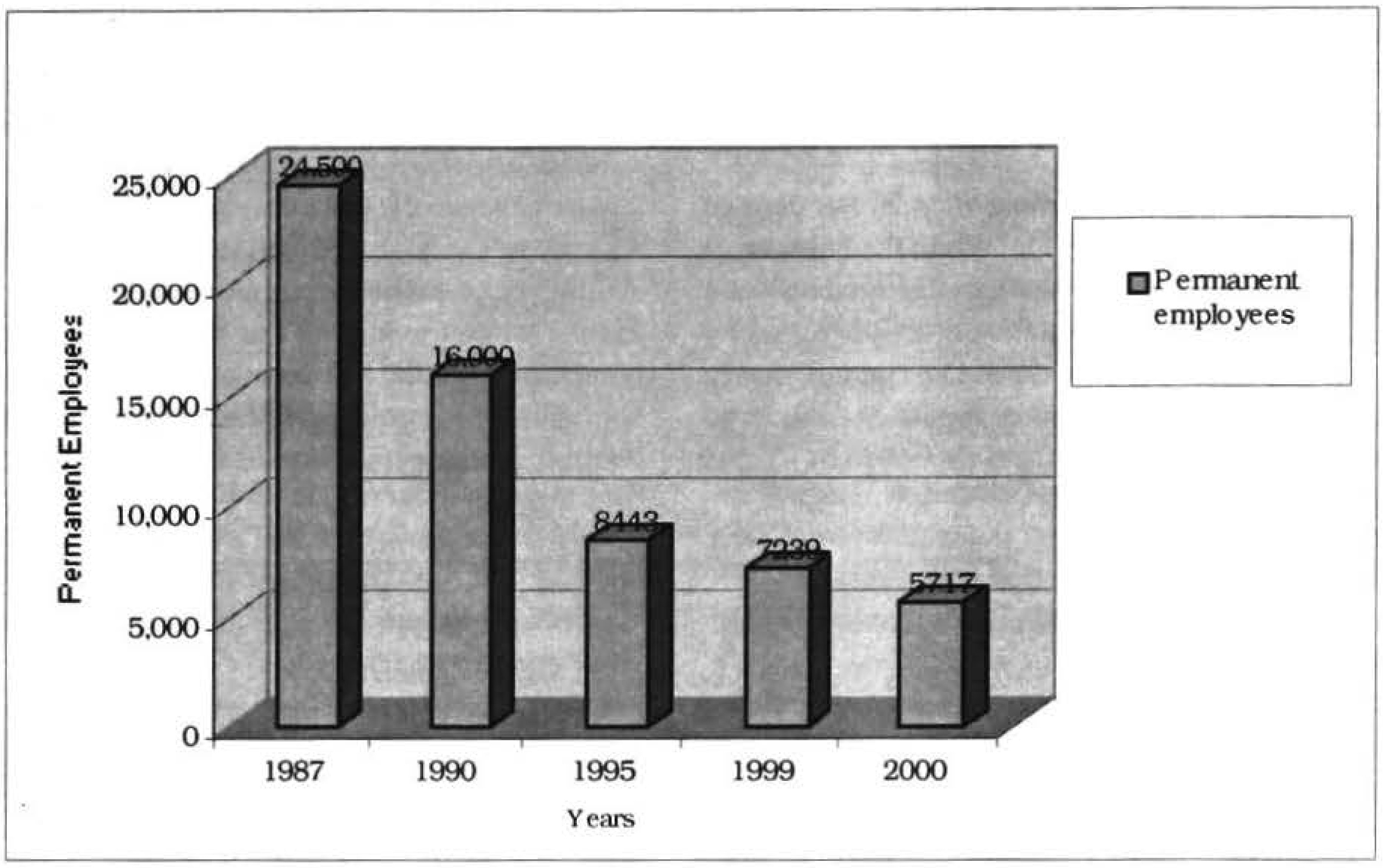
In short, management at TCNZ have been committed to extensive restructuring and corporate downsizing, while internally and externally contestable markets have maintained pressure on TCNZ functional groups to reduce costs. Redundancies in the late 1980s and early 1990s appear to have been taken across all functional groups in a bid to reduce costs across-the-board. But during the 1990s these redundancies appear to have become more targeted. While TCNZ began the 1990s as a relatively large stand-alone company, by 2000 it had evolved into a smaller core company supported by subcontractors, subsidiaries and strategic alliances. The next section examines the changing nature of TCNZ's workforce in more detail.

## Workforce

Figure 1 shows that by 1995 much of the decrease in TCNZ's permanent workforce had already occurred — by the mid-1990s it had been reduced to around a third of what it had been prior to corporatistion in 1987. But between 1995 and 1999 TCNZ continued to reduce the size its permanent workforce. TCNZ's decision to outsource its IT requirements and sell off ConnecTel were also behind the decrease in permanent workers between 1999 and 2000. Figure 2 shows information technology (IT) and information services (IS) to be the only growth areas for permanent employment during the latter part of the 1990s. The largest reductions were in technical and engineering jobs, an area that became increasingly contestable in the external market.

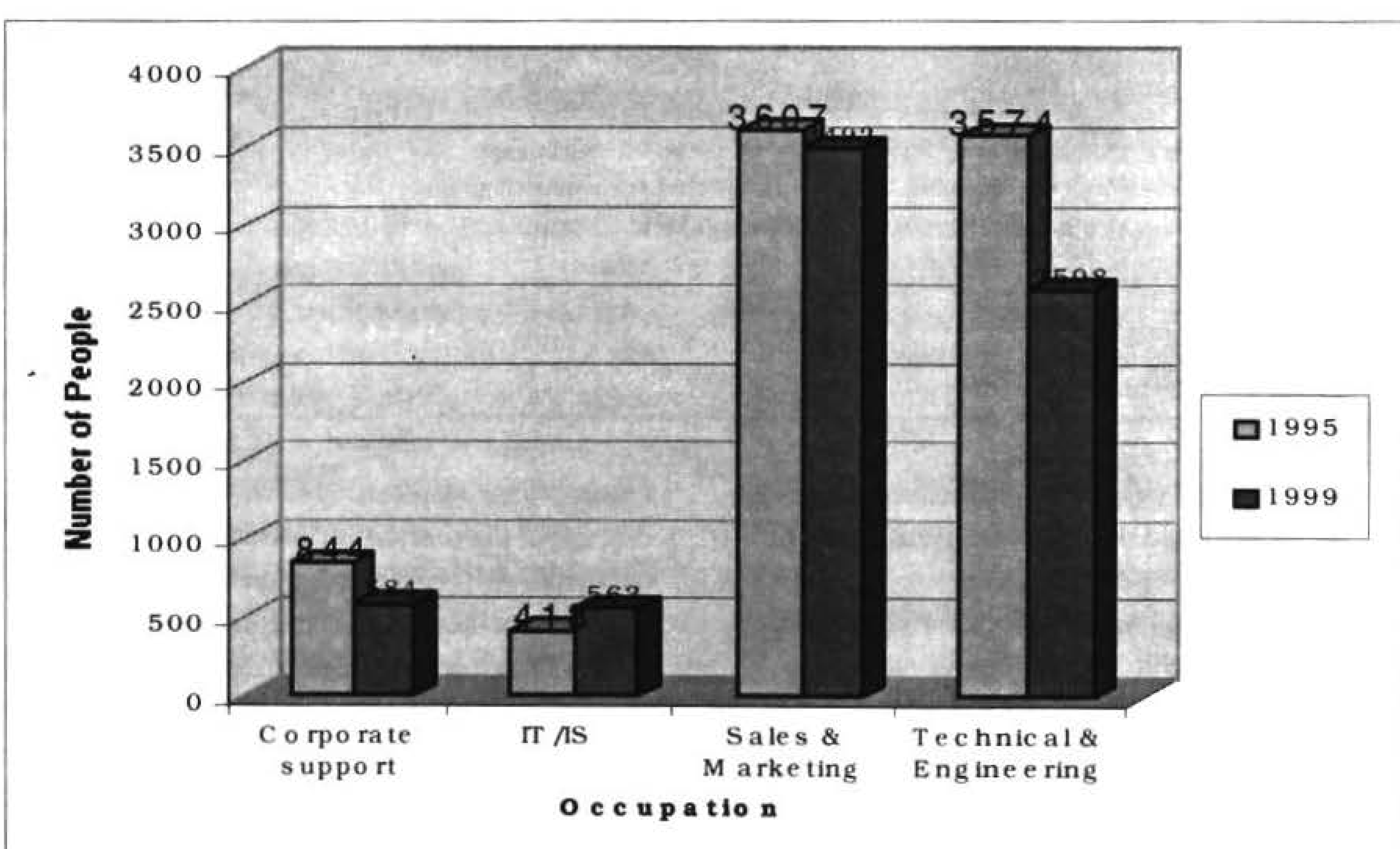
One criticism of downsizing strategies relates to their long-

**Figure 1. TCNZ Permanent Workforce**




*Source:* TCNZ interviews and reports

**Figure 2. Breakdown of Permanent Workforce: 1995- 1999**

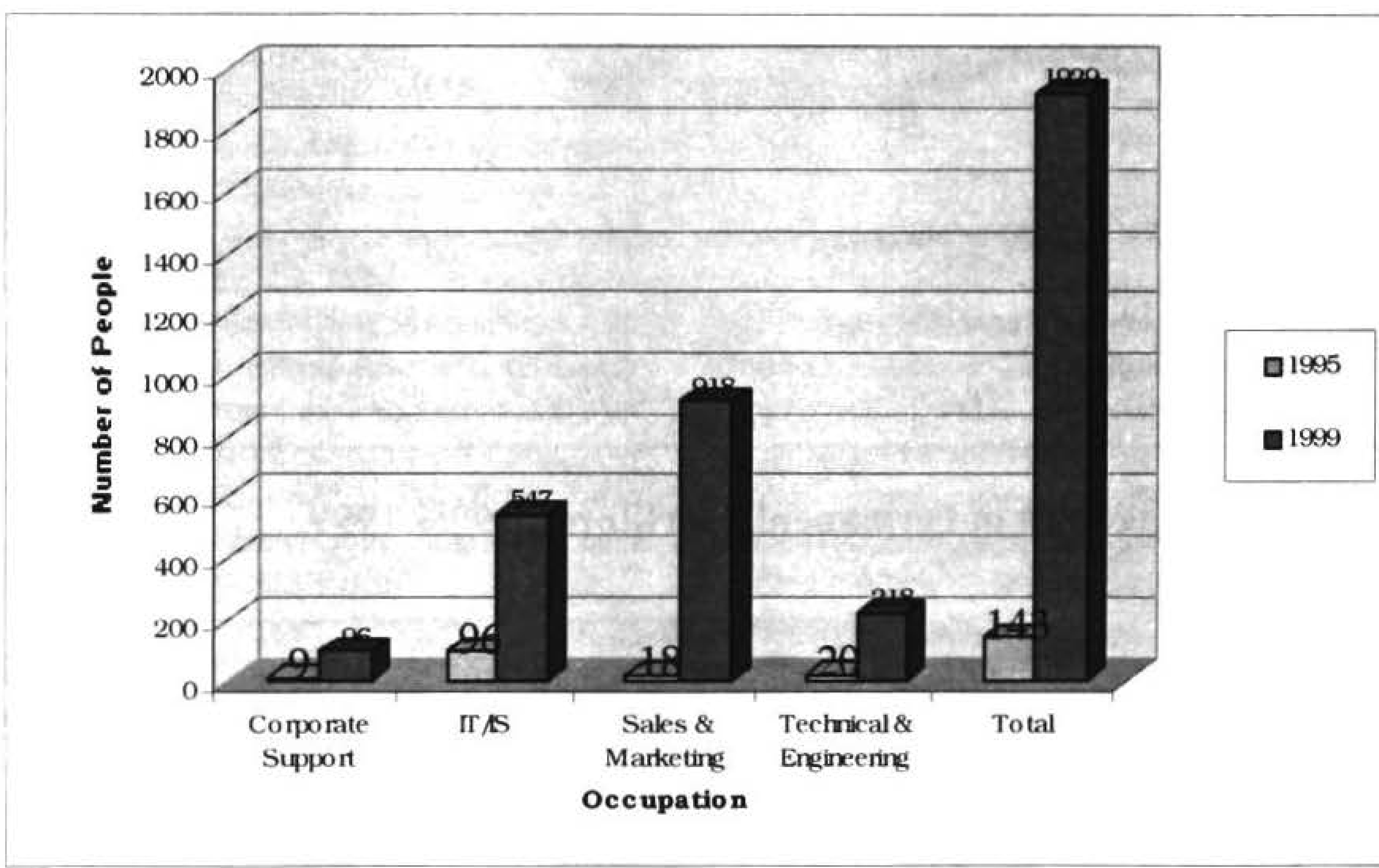



*Source:* TCNZ interviews and reports

term sustainability. Given the extensive downsizing that has occurred at TCNZ a salient question is to ask how the firm has continued to operate effectively with this reduced workforce? While the introduction of new technologies has been a factor, there has also been an increase in the use of contractors. While the permanent workforce was reduced between 1995-99, the number of workers employed on a fixed-term contract basis increased. Figure 3 shows that the use of such contractors increased across all sections of TCNZ's workforce during this period — from 143 to 1929 workers.

By 1999 contractors made up more than 20 per cent of TCNZ's workforce (see Table 1). While the number of permanent sales and marketing workers decreased between 1995-99, the total number of such workers employed by TCNZ increased by 20 per cent during this period, due to the increased use of contractors (see Figure 3). The large increase in the number of IT workers employed by TCNZ was also mainly caused by the employment of more contractors. While the period 1995-99 saw a reduction in the overall number of support staff and technical workers, Table 1 shows that this was masked to some degree by the increased use of contractors in these areas. Interestingly, the use of casual and temporary labour was not exploited to the same extent. Thus, while the permanent workforce was reduced between 1995-99, the total number of workers, including contractors, actually increased.

**Figure 3. Use of Contractors**




*Source:* TCNZ interviews and reports

## Discussion

How well does the reorganisation/restructure of the workforce at TCNZ during the 1990s fit the TCE model? The outsourcing of work performed by semi-skilled staff, such as, operator services, and the outsourcing of generic work, such as, property management and car fleet management, fits the TCE analysis quite well. Such work has a low degree of asset-specificity and the theory suggests that there are less transaction costs involved in outsourcing this work to the market.

However, explaining the outsourcing of technical work and the shifting of technical workers into subsidiaries, joint ventures and stand-alone companies is more problematic. Many such workers have developed a high degree of skills specific to the New Zealand telecommunications sector. A number of factors give a possible explanation here. Firstly, while the market has theoretically been open to competition for the last decade, TCNZ retains the ownership of most of the fixed line telephone network and still controls a large proportion of the New Zealand telecommunications market. TCNZ has also been prepared to engage in protracted legal battles to restrict access to this network, — the lack of a specific industry regulator has arguably helped TCNZ in this regard. With a population of less then 4 million, New Zealand may also not provide the economies of scale that new entrants may require to make the large scale investments — and associated sunk costs — necessary to seriously challenge TCNZ's market dominance. Thus many former TCNZ technical workers that now work for subcontractors — i.e. that build and maintain the network — are still be doing work commissioned by TCNZ. In this way the firm has retained the use of these firm-specific skills at a reduced price.

**Table 1. Breakdown of TCNZ workforce: 1995-99**

| Area | Casual | | Permanent | | Contractor | | Temporary | | Grand Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1995 | 1999 | 1995 | 1999 | 1995 | 1999 | 1995 | 1999 | 1995 | 1999 |
| Corporate Support | 29 | 29 | 844 | 584 | 9 | 246 | 23 | 32 | 905 | 891 |
| IT / IS | | 5 | 418 | 563 | 96 | 547 | 7 | 9 | 521 | 1,124 |
| Sales & Marketing | 110 | 59 | 3,607 | 3,492 | 18 | 918 | 65 | 98 | 3,800 | 4,567 |
| Technical / Engineering | 10 | 21 | 3,574 | 2,598 | 20 | 218 | 21 | 28 | 3,625 | 2,865 |
| Grand Total | 149 | 114 | 8,443 | 7,237 | 143 | 1,929 | 116 | 167 | 8,851 | 9,447 |

*Source:* TCNZ interviews and reports

Another possible explanation for the outsourcing of technical work is the emphasis that modern markets tend to place on short-term profit maximisation. TCNZ's two former major shareholders, Bell Atlantic and Ameritech, were both US based MNCs that retained control of TCNZ for 8 years. Many cost cutting and downsizing strategies were implemented during this period. This in part helped to ensure high profits and continual increases in the share price. During the 1990s it was not uncommon for 90 per cent or more of profits to be repatriated back to the USA (TCNZ annual reports). While this paper is not suggesting that the restructure of TCNZ throughout the 1990s was entirely for short-term financial gain, the sudden exit of the two American firms in 1998 raises questions about long term issues, such as, training and reinvestment in infrastructure. Interestingly TCNZ's 2000 annual report states that future share dividends will be restricted to 50 per cent of annual net earning, with the remainder being reinvested back into the firm. This is a sharp variation from previous practices and compares with a share dividend for the year ending June 2000 that represented 98 per cent of annual net earning (TCNZ 2000:23).

The outsourcing of TCNZ's internal IT requirements in 1999 also does not seem to fit the traditional TCE model. Again, it could be surmised that such workers would have gained a high degree of firm-specific skills in TCNZ and as such should exhibit a relatively high degree of asset-specificity. The traditional TCE analysis would suggest that these workers should be retained. Interviews suggest that an emphasis on short-term cost reductions was a major reason behind this strategy. Some TCNZ managers also suggested that TCNZ had never developed a core competency in such IT work, and as such it was better to outsource it to 'experts' in the field such as EDS. However, TCNZ has retained a number of specialised IT workers to overseas such outsourced work for quality control purposes — poor quality work being a potential transaction cost.

But the above strategies may also reflect the labour market for the IT industry in general. Table 1 shows that during the period 1995-99 TCNZ increased its use of IT contractors. A general shortage of IT workers means they are often headhunted and hence tend to move between different employers depending on the salary package being offered. The rapidly changing nature of the IT and the telecommunications industry also means that firms are constantly requiring new/updated skills. These factors tend to support an employment system within the industry that favours relatively short-term lucrative contracts, rather than the development of long-term skills within the same firm. This tends to mitigate against the TCE view that firms will retain these highly skilled workers.

The use of strategic alliances in the emerging ecommerce and internet sectors also has implications for TCNZ's ER practices. These growth markets are increasingly important to the firm's future potential revenues, however, many of the workers producing this revenue will not be part of TCNZ's permanent workforce. Rather they will be employed by firms linked to TCNZ and/or will be employed as contractors. This raises the issue of relationship management and the costs involved in principal-agent relationships, such as, shirking and quality control. TCE suggests that the success of these alliances will be dependent on the investment that each member firm makes to the project. The higher the investment in equipment and/or services specific to the project, then the greater the desire of the member firms to ensure that the venture is a success.

TCNZ's ER strategies have also included an aggressive push towards the use of individual contracts and the desire to exclude unions from the decision making process. In this regard they were assisted to a degree by a conservative government and the introduction of the Employment Contracts Act (1991). However, in 2000 a Labour government was elected that moved to quickly introduce a new Employment Relations Act (2000). This change in the external operating environment has implications from a TCE analysis. With new labour legislation and a government that is more friendly to union objectives, the costs involved in continuing to induce workers away from collective contracts and onto individual contracts may become higher. The Employment Tribunal recently fined

TCNZ for failing to award performance pay rises to four technicians because they hadn't signed individual contracts (EPMU 2000).

## Conclusion

The privatisation of TCNZ led to an increased drive for greater profits. As such, its share price continued to grow throughout the 1990s. From an investors point of view this was a good result. But these increased profits were often achieved through extensive cost cutting and downsizing. The consequences for ER included a large reduction in the number of fulltime workers employed at TCNZ. However, this workforce is now supported by a greater use of subcontractors and external management contracts. New growth areas for TCNZ such as ecommerce and the internet, are being undertaken by strategic alliances with other firms, rather than by employing more TCNZ employees. Thus, while TCNZ may expand into these new markets, it will not necessarily lead to any increases in TCNZ's fulltime workforce. Rather, TCNZ has evolved into a relatively small 'lean' operation, supported by links to other firms and contractors. Interviews and empirical evidence suggest that this process will continue.

TCE provides some support for the TCNZ model, in particular the outsourcing of less skilled and generic work. But other actions undertaken by the firm, such as, moves towards shifting skilled workers into subsidiaries, joint ventures and stand-alone companies, require the consideration of other variables. These include the drive for short-term profits, the nature of the labour market for different groups of skilled workers; TCNZ's ownership of much of the fixed line telecommunications infrastructure; and the nature of new technologies and the rapidly changing telecommunications market. The evolution of TCNZ's organisational structure during the 1990s would appear to accord with Reve's view that firms will become a function of their strategic core and their strategic alliances (1990:138).

## Future Research

This research is part of a longitudinal study that is examining workforce restructuring in the New Zealand and Australian telecommunications sector since deregulation. The strategies undertaken by TCNZ and Telstra during this period exhibit many similarities. This suggests that these firms are aiming to create somewhat similar organisational models that they believe are more suited to deregulated telecommunications sectors. A number of governments in the Asia-Pacific are also currently deregulating their telecommunications markets. Therefore, it is hoped that future research can examine the strategies being undertaken by these other former government owned telecommunication's monopolies to see how they compare with the strategies undertaken by TCNZ and Telstra.

## Notes

1 'Survivor' syndrome is generally associated with lower morale and productivity caused by work intensification and increased job insecurity amongst those workers left in the organisation after the firm has downsized.

2 Asymmetric information: a situation in which one side of an economic relationship has better information than the other (Katz & Rosen 1991:595).

3 Asset specificity may be defined as the ease to which an asset may be transferred to its next best alternative use.

4 EDS was formally a New Zealand government owned computing services centre before it was privatised in the 1990s.

5 Court action between TCNZ and its rival CLEAR Communications over access to the fixed line network was appealed all the way to the Privy Council in the UK without a successful resolution (see Ahdar 1995).

6 However, a government inquiry in 2000 recommended the creation of an Electronic Communications Commissioner to overseas the industry.

7 I greatly appreciate the cooperation offered by TCNZ staff and management, ConnecTel staff and management, former officials from the CEWU, present officials of the EPMU and executive members of the CTU.

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