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Comments

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Co-operative labour-management relations in Australia

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*Hot Topic,
"Future Work"*

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There is ample evidence from formal research studies and media reports that participative management and co-operative labour-management relations improves productivity, increases product and service quality and reduces absenteeism and industrial accidents. The paradox is why such practices are not more widespread and why, despite the publicity given to such practices, the lessons are only partly learned and applied, not comprehensively adopted and pursued.

The answers to that question could launch a thousand books. In part the answer to this failure of the dissemination of successful participatory practices lies in the fact that they require persistent and consistent application in a world where managers and chief executives change every 3-5 years, and private and institutional investors are making quarterly and annual judgments of business performance. These judgments place pressures on managers to make visible changes and achieve bottom line results that are deliverable in the short term.

With management success and careers determined by these short term imperatives the required management commitment to programs that build employee commitment and develop organisation learning is difficult to sustain.

However business leaders, unions and government can each play a significant role in developing and maintaining the environment in which participative management processes can develop with related benefits for product and service quality, productivity and profitability.

By examining developments in different arenas of labour - management co-operation in Australia over the past decade this paper seeks to identify some of the practical contributions that can be made by each of the participants in the workplace - management, employees, unions and government.

The lessons are clear from case studies throughout the world - companies cannot succeed in the areas of quality, efficiency and productivity without winning the 'hearts and minds' of their staff. Companies cannot win the hearts and minds of staff if they are at war with their staff or the union that represent them.

There is a clear lesson for unions from this observation. Where unions have a role in an enterprise through representing employee interests they should contribute constructively to improved quality and productivity that are demanded by an increasingly competitive economic environment. In this way they can contribute to the traditional objectives of trade unions - employment security, quality of working life and wage increases.

Australia in the 1980's - The Economic Environment

The 1980's was a period of marked change in the Australian economy. Three of the pillars that had supported Australia's economic development over the previous century were torn down by a reformist Labor Government.

The Government opened up the economy to greater international and domestic competition through

- a phased reduction of tariff and other import barriers
- a reduction in the extent of wage regulation by reducing the power and influence of the Federal Industrial Relations Commission
- reducing the extent of government intervention in the economy.

These macro economic reforms were complemented by micro-economic reform that encouraged change in the private sector through the development, in consultation with business and unions, of industry development strategies in key areas - automobiles and steel. The same micro-economic reform agenda has forced the pace of change in the public sector through

- privatisation, partial or complete, of government businesses enterprises that had enjoyed monopoly status since their establishment.
- the introduction of competition into protected areas of public and private provision.
- the drive for efficiency in government services - rail, public transport, health care, defence industries, etc.

These economic changes, which resulted in the most significant period of economic reform in Australia this century, have had their successes and their costs.

This is most evident in manufacturing where the increased international exposure lead to a doubling of manufactured exports over the 1980's, and a corresponding doubling of imports of manufactured goods. This, combined with continued growth in productivity over the decade, meant that employment in manufacturing fell by approximately 25%.

The pace of micro-economic reform in government services and trade sheltered areas of the economy (construction) has not been as rapid as the trade exposed sectors where the impact of the recession has, as a consequence, been greater.

In Australia the 1980's began, and ended with, a recession. However, employment growth was significant over the decade, particularly female employment and part-time employment. Almost one in five Australians are employed part-time.

The combined impact of the growth of female employment and part-time employment and the decline of manufacturing industry has resulted in a reduction in union membership. Over the decade the proportion of male workers who are union members fell from 54% to 44% and for women from 43% to 35%.

The growth in employment was however accompanied by rising unemployment. Currently 11% of the Australian workforce are unemployed. The growth in employment over the decade was, in part, a product of falling real incomes for those in employment.

This fall was 'engineered' by government policy, the Prices and Incomes Accord between the Government and the Trade Union movement, and the centralised wage fixation system. The adverse impact of rising unemployment and reduced real incomes for many of those in employment was moderated by tax reductions and selective improvements to social security.

Australia's egalitarian image, and self image, suffered in the 1980's. Using constant dollar comparisons, the number of households in Australia earning between \$22,000 a year and \$72,000 a year declined from 65 per cent in 1976 to 40 percent in 1992. During the same period the number earning more than \$72,000 rose from 20 per cent to 30 per cent and those earning less than \$22,000 from 15 per cent to 30 per cent.

Towards labour-management co-operation - Australia

There are six areas in which developments in Australia since 1982 may have some resonance for the development of improved labour - management co-operation in the U.S.

Before canvassing these developments I should warn the armchair tourist that there is a path much travelled in Europe but one that is not even a bush track in Australia. In Europe, through both legislation and experimentation, there is considerable experience with joint Works Councils, Board representation and other formal, mandated structures which ensure that the employee and the union have a right to participate in decisions affecting the future of the enterprise.

With the exception of the appointment of union officials and employee representatives to the Boards of major public sector organisations of both State and Australian governments, there is no legislative requirement or practice that ensures that labour's voice is heard in the decisions on strategy formulation and investment determination or on the Boards of private sector companies in Australia. Indeed, to the contrary, a career in the union movement that has not been exorcised by a subsequent successful career in Federal politics would ensure exclusion from the privileges and powers of the corporate world.

1. The ACTU - Government Prices and Incomes Accord

With that brief economic survey and the foregoing caveat I now turn to the theme of what lessons can be drawn from Australian practices in the 1980's. The most significant influence that has tipped the balance toward co-operation and participative labor management relations at national, state and enterprise levels has been the negotiation of an Accord between the Federal (Labor) Government and the trade union movement (Australian Council of Trade Unions).

Originally a Prices and Incomes Agreement, the Accord has proved remarkably resilient and flexible since it was first negotiated in 1983. In its current incarnation (Accord Mark VII) it was re-negotiated in the lead-up to the 1993 election when the Labor Government was, surprisingly, re-elected.

The evolutionary nature of the Accord has ensured its resilience despite

- two periods of deep recession, interrupted by a brief economic boom, and
- a decade in which real wages fell significantly and unemployment increased to record levels.

Despite this the benefits of the Accord are considerable. It has

- contributed to the Labor Party winning an unprecedented five elections in a row
- reduced industrial disputation
- ensured the ACTU a central role in re-shaping industrial relations legislation negotiating taxation reforms, social security arrangements, economic and industry policy
- improved the public perception of the trade union movement.

The impact has been wider than the issues under negotiation with the Government - industrial relations reform, wage movements, taxation and budgetary measures - important as these are.

The ripple effect that a message of co-operative, constructive industrial relations sends to the private sector is not inconsiderable. The message that is sent into the boardrooms and the leadership of the trade union movement is that change can be addressed through constructive dialogue. The message filters through to the industrial relations practitioners - corporate and union - who negotiate the Agreements that improve competitiveness by changing long established practices.

It is a very different message to that of confrontation and conflict pursued by national leaders in their relations with trade unions.

The Accord between the Government and the ACTU is more than an Agreement - it is a process of continual dialogue, addressing change in a changing environment. It is a useful model for those of us in the private sector, negotiating changes within the narrower confines of a particular enterprise. Within that narrower compass we have a model of a problem solving dialogue where the Agreements mutate and evolve to remain relevant to the changing economy. That is, fundamentally, the challenge facing companies, large and small, in an increasingly competitive environment.

The model of constructive dialogue, continuous improvement and problem solving negotiations has proved, in my experience, a better way to manage major change. The Accord provides such a model for both unions and employers.

There have been, over this period, examples of organisations that pursued a more confrontationist path. However, the successful outcomes from these crash-through approaches have been balanced by the equally prominent failures. The prominent failures include a union, the Federation of Airline Pilots, that stepped outside the Accord framework and challenged their employers, the Government and the trade union movement with disastrous consequences for the Federation and its members.

This outcome, and a similar one delivered to the management of a major paper mill, has reinforced the lessons that the Accord processes of change through conciliation and dialogue has been providing, by example, to organisations throughout Australia.

2. The Australian Best Practice Demonstration Program

The second area where Australian experience could be productively transplanted across the Pacific with a good prospect of thriving in your very different legislative, economic and institutional environment is the Best Practice Demonstration Program.

My assessments may be premature, since the program only began 3 years ago, and my judgement is, without doubt, clouded by my close association with the program. Nonetheless, as a demonstration program with the stated intent of disseminating best practice and accelerating the pace of change within industries and enterprises, its early results are impressive.

The program is modest. It is funded by the Federal Government with a total budget of \$25m. It has, to date, provided 43 medium and large enterprises in diverse industry sectors and geographic locations with grants of approx \$500,000 to accelerate the development of 'best practice'.

A further round of financial assistance, with more modest grants, will be aimed at small and medium sized companies, predominantly involved in the export of goods and services.

The program has its origins in the Government's industry extension services. These in turn are modelled on the agricultural extension services which have, throughout this century, provided advice and support to Australian farmers who compete in world markets without the benefits of Government price support.

Initially, the criteria guiding the allocation of grants were fuzzy. However, with models provided by, inter alia, the Baldrige Award the selection criteria have been refined. The program is managed jointly by the Federal Government's Industry Department and the Australian Manufacturing Council, a tri-partite statutory body receiving modest funding from the Federal Government. Expert advice is provided by a panel which includes union and private sector representation.

Successful applicants invariably have an active program of labour-management consultation and co-operation which will be accelerated, enhanced and further resourced by the grant from the program.

The companies must commit to both networking with other companies in the program - to share knowledge among participating companies - and to share their learning with other enterprises. The dissemination focus of the program is critical because the objective is to accelerate change in enterprises throughout Australia, not just in the lucky few recipients of the assistance.

While early results have received considerable media coverage, consistent with the dissemination strategy, the jury is still out on the success of the program. A major economic evaluation of the program will commence shortly.

3. **Occupational Health and Safety**

Occupational Health and Safety Legislation in Australia, at the national level and in most states, is based on the principles emanating from the Robens Committee in the UK. While there is a role for regulatory law, governmental action and a health and safety inspectorate the principal focus is on influencing attitudes of management, unions and the workforce and with creating a framework for self-regulation.

This self-regulation of enterprises and industry involves a network of health and safety committees with elected employee representation. The elected representatives in unionised environments almost inevitably involves the union in the process either directly or through its provision of training for the health and safety representatives.

It would be fanciful to argue that this involvement in problem-solving and decision-making, backed by the force of legislation, provides significant co-determination in the workplace. The health and safety legislation creates another arena for co-operation and, for employees, the experience of involvement in decisions that affect their workplace.

These enterprise committees are supported by the regulations and standards emanating from the tri-partite Occupational Health and Safety Commissions at National and State level. They can also access the expertise of the unions and the inspectorate in the pursuit of local issues.

Since the passage of this legislation around Australia over the last decade there has been an improvement in workplace health and safety. Attributing this improvement to particular causes is difficult - the greater involvement of workers and unions, the attitudinal shift in the management of larger companies, the willingness of courts to impose stronger penalties - have all influenced the outcome.

Similarly, the jury is still out on the impact of this legislation on workplace democracy. Research currently under way in Australia may shed some light on the significance of this impact of the legislation. However, the issue has been taken out of the arena of management prerogative into the arena of problem-solving, information sharing and negotiation.

4. Award Restructuring and Enterprise Bargaining

The extent of control of the centre in Australia's unique system of centralised wage determination has waxed and waned in its 90 year existence. In the 1980's there was a surprising unanimity of views amongst employer organisations, unions, governments and their political opponents that the balance needed to shift from centralised wage determination to enterprise bargaining.

Understandably there were considerable differences between unions and employer associations, indeed differences within both camps, on the extent and the pace of the change.

Hence, the process of de-centralisation began with a central monitoring of the de-centralised negotiation over the relaxation of restrictive work practices which in turn limited the competitiveness and efficiency of individual firms. These negotiations took place at enterprise and industry level involving management, unions and employees in detailed negotiations over the organisation of work in the enterprise.

The origins of these negotiations - centrally determined Awards with adverse impacts on individual enterprises - may be peculiar to Australia. The use of legislation to encourage such workplace based discussions with the objective of improving the competitiveness of individual firms has had a significant impact in Australian workplace employee relations over the past decade. It could provide a model for analogous developments elsewhere.

5. Industry Training

Australian industry training had, until the last decade, focussed on the UK model of an apprenticeship for "skilled" workers where on-the-job experience re-inforced the formal four year part-time education program provided by post-secondary training college. The training needs of process or production employees - not included in the traditional crafts which defined skilled workers - were not accommodated in the formal education process. Their training was, almost entirely, on the job and within the enterprise. The skills acquired were not formally accredited or transferable.

Unions were similarly organised along these traditional lines with different representation in the workplace for the two groups of employees. Awards and pay structures reflected this division. The consequence was a multiplicity of unions in larger workplaces where the demarcation of tasks reinforced these divisions. This created

- divisions within the workforce
- the inevitability of minor inequities in remuneration emerging frequently
- complexity in industrial negotiations
- inefficiency and industrial disputation.

In the last few years there has been a happy convergence of

- reforms to union structures and enterprise bargaining units through union amalgamation and legislation
- Award re-structuring to establish pay and skill relativities
- formal training and accreditation of process/production employees
- articulated training programs that allow production employees to gain qualifications, with recognition for prior learning at each stage up to the professional engineering level.
- industry level training committees at State and national level with representation from unions, employers and government.

The industry and enterprise focus on training has been sharpened by national legislation which mandates a minimum expenditure of 1.5% of total salary on accredited training. If this target is not met the firm is taxed at this level to contribute to the national training effort.

In some industries the connections have been firmly established between training, wage relativities and industrial relations reforms. This has occurred with the active involvement of unions, employers and the providers of training. In most industries and enterprises the linkages are weak and debate rages around issues such as payment for skills acquired or skills applied. However greater coherence is emerging with clearer national goals and improved co-operation at Federal and State levels.

The training agenda has opened up new avenues of labour-management co-operation, particularly at the industry level, but increasingly at the enterprise level. Some unions are recognising that, through the provision of accredited training, they can provide additional services to members and open up new avenues of dialogue with employers.

6. Legislative Protection for Employees

Through the combined impact of Awards of State and Federal Industrial Tribunals, State legislation and (increasingly) Federal legislation, employees in Australia have a number of protections against the arbitrary actions of their employers.

These legislative protections include

- unfair dismissal
- discrimination on sex, race, religion, marital status and age
- sexual harassment
- minimum wage levels
- minimum standards on parental leave, annual leave and sick leave

While there is not complete uniformity on these measures throughout Australia, with some State legislatures providing more protections than those listed above, there are emerging national standards which have been embodied in recent legislation.

The underlying philosophy for such protections can be found in both the individualistic philosophies of Conservative parties and the collectivist philosophies of the Labor Party.

The Labor Party, with its origins in and strong organisational links to the trade union movement, has clear policy directions to provide legislative protection for the workforce against the arbitrary exercise of power by the employer.

The Liberal Party and the National Party acknowledge the philosophic and political necessity for enlightened self interest to govern rational decision making. Legislation which mandates minimum standards for 'enlightenment' in the area of employee relations is essential in the public interest.

How does such legislative protection for individual employees impact upon co-operative labour management practices?

Based upon my experience at senior levels in both public and private sector management, and on discussions with private sector colleagues working in the employee relations arena, it is apparent that the constraints that such legislation imposes on arbitrary decisions by managers contributes to a decision making environment which is less autocratic and more consultative. The legislative restraint on managers' power in the employment domain encourages and supports a more consultative approach to employee related decisions which in turn creates a more consultative environment for other decisions.

It is difficult to be more precise in specifying the impact of legislation which protects employee rights. However this observation lends support to the view that a consultative climate for decision making can be encouraged by legislation which has more immediate targets.

7. The Quality Movement

The movement to improve the quality of Australian goods and services has had a history of false starts and dead ends, despite the passion and conviction that its proponents have brought to the cause.

However, with increased international competition in recent years, Australian management has been influenced by Japanese management techniques, as interpreted by US researchers and management consultants.

The issues of employee involvement and empowerment, of harnessing the commitment and co-operation of the workforce, and of management - labour co-operation to develop quality products and services are now common themes. Four years ago the following table that summarises the issues involved in shifting from control to commitment in the workplace was radical. Now it's the conventional wisdom.

From Control

To Commitment

	From Control	To Commitment
<i>Job Design Principles</i>	<ul style="list-style-type: none">• Individual limited to individual job	<ul style="list-style-type: none">• Individual extended to upgrade system
<i>Management Organisation - Structure Systems</i>	<ul style="list-style-type: none">• Deskilled fragmented, separated doing and thinking• Fixed job definition• Structure layered, top-down controls	<ul style="list-style-type: none">• Enhances content, emphasis whole task, combines doing with thinking• Flexible definition• Flat organisation mutual influence systems
<i>Labour Management Relations</i>	<ul style="list-style-type: none">• Rules and Procedures• Emphasis on prerogatives• Adversarial, emphasis on conflicting interests	<ul style="list-style-type: none">• Shared goals, values and traditions• Emphasis on problem solving• Mutuality, joint problem solving

The Australian Government has increased the influence of the quality movement by encouraging a merger of the national quality organisations and by re-organising the National Standards Association.

The Australian Quality Council exercises considerably greater influence than its predecessors. Their annual Quality Awards have a high profile in industry. The assessment process for these Awards draws heavily on the Baldrige model.

The influence of the quality movement has encouraged hundreds of Australian companies to pursue strategies of employee involvement and to develop participative and co-operative labour management practices. It has facilitated the shift from adversarial industrial relations towards a problem solving approach to industrial issues.

The Government's role in financially assisting the Australian Quality Council to increase its influence and spread its message more widely through industry is contributing to the growing number of enterprises, particularly medium sized establishments, adopting this approach.

Conclusion

The factors underpinning the shift towards co-operative labour-management relations which are addressed in this paper are not comprehensive. The paper focuses on those areas where actions by Government can be influential.

Developments in Australia have been assisted by an end to the Cold War and the recognition, by some in unions and management, that a lot of energy had been expended in addressing ideologies of little or doubtful relevance to Australia in the 1980's. As the language of class conflict has receded with the ebb in the historical tide of socialism so the energies of some in the union movement have been focussed, more productively, on Australia's future.

Further, in my treatment of these issues I would not expect that all of my colleagues in the councils of Employer Associations would embrace my views. However, there is no doubt that employers at the leading edge of management practices are supportive of this approach.

The evidence for this shift in the attitudes of Australian management and unions is contained in the applications, both successful and unsuccessful, for grants under the Australian Best Practice Demonstration program. Here the commitment of management and unions to a co-operative approach to Australia's future is manifest in the vast majority of the hundreds of applications received.

The areas identified in this paper have been reinforcing in their impact.

The Accord between the Government and the ACTU has provided the conceptual and practical framework within which other developments both independent and inter dependent have taken place.

The Best Practice Demonstration Program provides a number of examples of co-operative labour management practices in a variety of industries and States. A program such as this provides private sector enterprises with role models so that these approaches can be disseminated.

The approach to Occupational Health and Safety, modelled on the UK legislation, creates an arena for joint management of an issue where the objectives are shared - to improve company performance on health and safety and to reduce the costs of current practices.

The National training agenda is linked to educational reforms which aim to build bridges between training providers and enterprises. The carrot and stick approach embodied in the Training Levy reduces the 'free-rider' problem in the development of industry based training. While joint management of the training programs is limited in the workplace, an infrastructure of tri-partite oversight of the training agenda has been developed at industry, State and national levels.

Some of the other issues - the shift to Enterprise Bargaining and the Award modernisation process - are peculiar to Australia's system with a history of compulsory arbitration and strongly centralised wage outcomes. However, despite this history of strong intervention these reforms have produced a flexibility in Australian work practices in some industries which other countries with de-regulated industrial relations environments have failed to achieve (e.g. the banking industry in U.K, New Zealand and Ireland).

The commitment to these approaches is by no means uniform or bi-partisan. In many enterprises and industries the logic of the participative approach to management is self evident and does not depend on government sponsorship. In others a change of Government will bring less fully developed experiments to an end.

However, the lessons we are learning in various arenas in the workplace (industrial relations, health and safety, training, quality) which were facilitated and accelerated by the actions of Government are no longer dependent upon Government financial or legislative support. They have an internal momentum which, in many cases, is self-sustaining.

I trust that these observations on Australian practice in the 1980's may provide some useful insights for the US in the decade ahead.