

Industrial Relations Reform at the Enterprise and Workplace*

Tim R. L. Fry, Kelly Jarvis and Joanne Loundes
Melbourne Institute of Applied Economic and Social Research
The University of Melbourne

Melbourne Institute Working Paper No. 7/03

ISSN 1328-4991 (Print)

ISSN 1447-5863 (Online)

ISBN 0 7340 3119 X

March 2003

*This paper is the result of work being undertaken as part of a collaborative research program entitled *The Impact of Enterprise and Workplace Focused Industrial Relations on Employee Attitudes and Enterprise Performance*. The project is supported by the Australian Research Council, the Business Council of Australia, the Committee for the Economic Development of Australia and IBISWorld. The views expressed in this paper represent those of the author and not necessarily the views of the collaborative partners.

Melbourne Institute of Applied Economic and Social Research
The University of Melbourne
Victoria 3010 Australia
Telephone (03) 8344 3701
Fax (03) 8344 5630
Email melb-inst@unimelb.edu.au
WWW Address <http://www.melbourneinstitute.com>

Abstract

This paper compares attitudes and perceptions to industrial relations reform between senior management at large Australian organisations on the one hand, and their associated workplace managers on the other. We find that significant differences exist in the opinions and policies of workplaces and enterprises. In particular, marked differences exist in the attitudes towards human resource management and industrial relations reform. These results suggest that we may conclude that in terms of human resource management and industrial relations it appears there is no corporate culture that is carried over from head office to the workplace

1. Introduction

Industrial relations reform—as it relates to this paper—refers to changes in bargaining structures that have been introduced during the era of the Coalition government, that is, since 1996. Among other things, these changes allowed for agreements to be struck between employers and individual workers directly, reduced the power and role of the Industrial Relations Commission, a reduction in the role of awards, regulation of how unions conducted their affairs, and removal of the requirement that unions be notified about negotiations taking place (Wooden *et al.*, 2002).¹ Ostensibly, the purpose of introducing these changes was to allow employers greater flexibility in their employment arrangements. This in turn would (arguably) allow for greater organizational efficiency, thus raising productivity at a national level.²

How firms take advantage of these regulatory changes is obviously an important determinant of whether such changes are beneficial. Given the hands-on nature of industrial relations, the potential for differences between what head office is interested in regarding industrial relations reform and what workplace managers believe is practical is substantial, particularly if an organization has diversified operations. In a detailed three-year case study of selected British firms, Bacon and Storey (2000) came across numerous instances where the workplace manager held different views to senior management. Part of this difference may come out of the adopted approach, that is, in some of the organizations in their study, the principles and targets of the new agreements were outlined at the company level, but it was left to the workplace to implement it. In the case of several organizations, different workplaces adopted completely different interpretations as to what the new agreement allowed them to do: some used it as the basis of a consultative process with unions, whereas others used it to sideline unions. In another instance, the implementation of a new agreement “failed when the company refused the factory manager permission to make a generous pre-emptive pay offer in the annual pay round” (Bacon and Storey 2000, p. 421).

¹ For a more detailed description of the history of industrial relations reform, see Wooden, *et al.* (2002).

² The relationship between industrial relations reform and enterprise productivity is explored in Fry, *et al.* (2002) and is not examined here.

Aside from the above study, and despite the potential differences between the organization and its workplaces, the majority of industrial relations analysis that utilizes survey information examines industrial relations issues at the organizational level, with little or no recourse to workplace information (see for example, Huselid 1995; Covin, *et al.* 2001). Additionally, studies that examine industrial relations at the workplace level do not usually involve incorporating head office views and perceptions of industrial relations matters (see for example, Godard 1997; Deery, *et al.* 1999; Roche 2001). As highlighted by the Bacon and Storey (2000) study however, this type of approach potentially excludes important information regarding the implementation of management strategy—in this case, industrial relations reform. That is, if workplace managers and senior management are not in agreement over the appropriateness of a particular strategy, then senior management may find that their strategic objectives are not being met as easily as they envisaged, if at all. The present study therefore examines more closely whether there are any differences in attitudes to industrial relations reform between senior management at an organization, and workplace managers.

2. The Melbourne Institute Business Survey

2.1. The survey instrument

The top 1000 enterprises (as measured by total revenue) were chosen from the IBISWorld enterprise database to participate in the study. Based on initial calls, 813 surveys were mailed out, with 281 useable surveys returned, representing a response rate of 28 per cent, which is consistent with surveys of this type (see for example, Huselid 1995; Covin, *et al.* 2001). These respondents were then asked to nominate up to six workplace managers that the survey team could contact to participate in a workplace survey. 265 nominations were received, and the subsequent mail out yielded 78 useable surveys, representing a response rate of 29 per cent. These 78 workplaces are associated with 40 organisations. 17 enterprises and workplaces have a one-to-one mapping, and the rest have many-to-one matches.

Both surveys included a range of questions on market environment, industrial relations, human resources and management. A unique and useful aspect of this survey information is it allows the workplace responses to be matched to the enterprise responses, thereby allowing comparisons to be made between senior managers and workplace managers. Due to the relatively small number of observations, it is not possible to undertake multivariate analysis. Nevertheless, bi-variate analysis allows some important distinctions can be made between the attitudes and perceptions of senior management and workplace managers.

2.2. *Workplace industrial relations characteristics*

Most workplaces were relatively well established, with an average age (years in operation) of 39 years, and an average of 333 employees. Approximately three-quarters of workplaces had less than half female workers, and 5 per cent or less part-time employees. Only 6% of workplaces had no union members, while 60% of workplaces had the majority of their workforce covered by trade unions. When the firm did deal with trade unions, the majority (90%) dealt with between 1 and 4 unions to negotiate pay and conditions.

All workplaces had at least some coverage by collective agreements, 21% having the entire workforce covered by collective agreements. Just over half of the firms indicated there had been no change over the coverage of collective agreements in the last three years. 80% of the firms viewed registered agreements as more important than unregistered agreements and two thirds of workplaces viewed their collective agreements as being unique to the organisation, rather than being patterned on an industry standard. 83% of workplaces viewed their collective agreements as very important in shaping the employment and working conditions of employees covered by the agreement, while only 55% of workplaces viewed their collective agreements as being well suited to the needs of the organisation.

In contrast only half the workplaces had negotiated individual contracts. Of these workplaces, 60% viewed the individual agreements as important in shaping the employment and working conditions of employees covered by the agreement. Where individual agreements apply, 82% viewed them as being well suited to the needs of the workplace.

3. **What the survey tells us about industrial relations reform**

In both the enterprise and workplace survey, the following lead-in was provided to questions relating to the industrial relations reform agenda, and what it meant to the organization and the workplace:

Since the late 1980s much effort has gone into reforming industrial relations institutions and practices in Australia. Key elements of this reform agenda have included encouraging enterprise bargaining, reducing the role for industrial tribunals, making awards simpler and less prescriptive, and promoting the use of individual agreements.

Respondents were then asked, “To what extent has your organisation (workplace) embraced this reform agenda?” Responses were on a seven-point scale with 1 = not at all, 7 = a great deal. An organization was said to be pro-reform (embrace reform) if the response was a 5, 6

or 7. Respondents were also asked, “How successful do you think this reform agenda has been for your organisation (workplace)? That is, to what extent have the benefits to your organisation (workplace) from reform exceeded the costs?” Again, responses were on a seven-point scale with 1 = costs exceeded benefits by a great deal, 7 = benefits exceeded costs by a great deal. The reforms were deemed successful if the respondent answered with 5, 6 or 7.

Table 1 provides a cross tabulation of enterprise and workplace perceptions of whether the organisation (in the case of the enterprise surveys) or workplace (in the case of the workplace surveys) had embraced the reform agenda. According to these figures, 59 per cent of senior managers reported that their organisation had embraced reform, and 46 per cent of workplace managers reported that their workplace had embraced reform. However, there is not a particularly high degree of correlation between attitudes to reform from each group. Of the 46 workplaces that were associated with organizations that had embraced reform, only 24 workplaces shared this view.

Table 1: Perception the Organisation/Workplace Embraced Reform

	Embrace Reform: Workplace		
Embrace Reform: Enterprise	No	Yes	<i>Total</i>
No	20	12	32
Yes	22	24	46
<i>Total</i>	42	36	78

This heterogeneity between the views of the workplace and the enterprise is carried through to views on success, that is, the benefits of reform for the organisation/workplace had outweighed the costs. Table 2 shows that the majority of workplaces did not believe the reform agenda had been successful. Of the 33 workplaces that were associated with organizations that reported the reforms had been successful, only 17 workplaces shared this view. Similarly, of the 43 workplaces that were associated with organizations that reported the reforms had *not* been successful, only 23 workplaces shared this view.

Table 2: Perception Reform Successful for Organisation/Workplace

	Reform Success: Workplace		
Reform Success: Enterprise	No	Yes	<i>Total</i>
No	23	20	43
Yes	16	17	33
<i>Total</i>	39	37	76

Table 3 categorises attitudes by whether the organisation/workplace had embraced reform and how successful they thought it was. Successful reformers are those that said they had embraced reform, and it had been a success. Unsuccessful reformers are those that embraced reform, but did not think it had been successful, that is, the costs had outweighed the benefits. Reluctant reformers are those that did not feel they had embraced the reform agenda, yet had had some success with it in the organisation/workplace. Finally, non-reformers are those that reported they had neither embraced reform, and nor had it been beneficial to the organisation. The majority of workplaces are at either end of the scale—that is, they are either a successful reformer or a non-reformer. However, of the 31 workplaces associated with organizations that were successful reformers, around half of workplaces shared this view. Similarly, of the 29 workplaces associated with organisations that were reportedly non-reformers, 14 workplaces shared this view.

Table 3: Embraced Reform and Reform Success, by Enterprise and Workplace

Embrace Reform and Reform Success: Enterprise	Embrace Reform and Reform Success: Workplace				<i>Total</i>
	Successful Reformer	Unsuccessful Reformer	Reluctant Reformer	No Reform	
Successful Reformer	15	3	2	11	<i>31</i>
Unsuccessful Reformer	5	1	1	7	<i>14</i>
Reluctant Reformer	0	0	0	2	<i>2</i>
No Reform	11	1	3	14	<i>29</i>
<i>Total</i>	<i>31</i>	<i>5</i>	<i>6</i>	<i>34</i>	<i>76</i>

Although respondents may disagree regarding the extent to which the reform agenda has been embraced or successful for their organization, they may not necessarily disagree about whether any progress has been made for Australia as a whole regarding industrial relations reform. Respondents were therefore also asked the question “Thinking first about the impact on Australian industry and workers as a whole, how complete do you think the reform agenda is?” Responses were on a seven-point scale with 1 = no real progress has yet been made, 7 = the reform agenda is complete. The reform agenda was deemed complete if the respondent answered with 5, 6 or 7. Looking at the perceptions of how complete the reform agenda is on a national basis in Table 4, the lack of alignment is still present. There were 41 workplaces associated with organisations that thought the reform agenda was relatively complete, but only around half of the workplaces agreed with this view.

Table 4: Attitudes on the Extent of Reform in Australia

	Reform Complete: Workplace		
Reform Complete: Enterprise	No	Yes	<i>Total</i>
No	20	17	37
Yes	20	21	41
<i>Total</i>	40	38	78

About the only thing that could be agreed upon was how successful the reform agenda was perceived to be, as seen in Table 5. Respondents were asked “Thinking first about the impact on Australian industry and workers as a whole, how successful do you think the reform agenda is? That is, to what extent have the benefits from reform exceeded the costs?” Responses were on a seven-point scale with 1 = costs exceeded benefits by a great deal, 7 = benefits exceeded costs by a great deal. The reform agenda was deemed successful if the respondent answered with 5, 6 or 7. 22 workplaces were associated with organisations that thought the reform agenda had been successful for Australian industry and workers, and 18 workplaces agreed. The majority however did not believe industrial relations reform had been successful. Of the 56 workplaces associated with organisations that thought the reform agenda had *not* been successful, 45 workplaces agreed.

Table 5: Attitudes on the Success of Reform in Australia

	Reform Successful: Workplace		
Reform Successful: Enterprise	No	Yes	<i>Total</i>
No	45	11	56
Yes	18	4	22
<i>Total</i>	63	15	78

4. Characteristics of Reformers

4.1. Reformers Versus the Rest of the Sample

In earlier analysis of the larger enterprise sample, there were clear and discernable differences between the management styles and human resources policies of firms that had embraced reform, and those that had not (Fry, *et al.* 2002; Melbourne Institute of Applied Economic and Social Research 2002). Table 6 presents information on differences in means tests between reformist and non-reformist workplaces. A difference in means test calculates the difference in the average response of the rest of the sample to the group in question, and

determines whether this difference is significantly different from zero. As it is calculated as the rest of the sample minus the control group, a negative coefficient indicates that the control group is more likely to adopt a particular practice than the rest of the sample.

The characteristics examined cover a range of internal labour market processes, management styles, competitive strategies and industrial relations climate.³ Looking at Table 6, there are not quite as many significant differences between reform versus non-reform workplaces as there are at enterprises. Only three variables have significantly different results, training, management-employee relations and management-union relations. According to these estimates, workplaces that have embraced reform have more formal and involved training programs for new and existing employees, that is, they are significantly more likely to: provide formal training programs to teach new employees the specific skills needed to perform their jobs; provide training to help keep employees skills up-to-date; and have people regularly work at multiple jobs or receive cross-training to increase the number of skills they possess. In addition, workplaces that have embraced reform report significantly higher management-employee and management-union relations than the rest of the sample, implying that the reform process has not generated angst amongst employees. It is possible reforms were more easily introduced because relations were good at the workplace, but it is beyond the scope of this data to test such causal effects.

Table 6: Differences in Means, selected characteristics

	Reform vs. non-reform workplaces		Enterprise vs. workplace	
	Difference in mean	Standard error	Difference in mean	Standard error
Internal labour market structures				
Training	-0.418	0.213**	-0.418	0.145***
Career paths	-0.118	0.197	0.278	0.120**
Employee feedback and appraisal	-0.116	0.160	0.447	0.152***
Family friendly	-0.350	0.380	0.652	0.203***
Reinforcing human resource policies	-0.293	0.278	-0.139	0.167
Management style				
Managers riskiness in decision making	-0.059	0.296	0.068	0.155
Initiative regarding competitors	-0.340	0.282	-0.085	0.164
Flexibility in responding to market conditions	-0.027	0.232	1.011	0.135***

³ For a full description of these variables, see the Appendix.

Analysis prior to decision making	-0.190	0.291	0.032	0.186
Decisions based on experience	0.050	0.271	0.209	0.174
Competitive strategy				
Customer focus	0.116	0.272	0.009	0.154
Efficiency	0.049	0.214	-0.065	0.138
Low pricing strategy	0.115	0.276	0.142	0.147
Product quality	-0.114	0.294	-0.148	0.183
Industrial relations climate				
Management-union relations	-0.831	0.299***	-0.122	0.182
Management-employee relations	-0.600	0.220***	-0.103	0.149

4.2. *Enterprises Versus Workplaces*

Given the apparent heterogeneity between head office and the workplace in regards to industrial relations reform, it would seem prudent to see whether there are any differences in characteristics between the enterprise as a whole and the specific workplaces. Table 6 provides results of a difference in means test comparing characteristics of the enterprise and characteristics of the workplace. From the differences that exist in the opinions and policies of workplaces and enterprises, it appears there is no corporate culture that is carried over from head office to the workplace, as there is wide variability in the attitudes and human resources policies of the workplaces.

According to these estimates, there were two areas where workplaces rated themselves higher than the organisation; the extent of the training provided to employees and flexibility in responding to market conditions. It is possible that the higher response on training is due to workplace managers engaging in employee training on an as needs basis, which means that senior management may be unaware of the extent of training undertaken within the organisation. In regards to the outcome on the flexibility in responding to market conditions, workplaces are likely to be given more autonomy to react to different contingencies. It is therefore possible that workplaces are less bureaucratic than the organisation as a whole, and are therefore able to more easily respond to changing market demands.

In contrast, senior management rated the career paths and hiring mechanisms for employees higher than did workplace managers. Similarly, senior management reported that formal appraisals and feedback to address poorly performing employees and flexible working arrangements were used more often than the workplace managers thought they were. One explanation for this outcome is while there may be an official policy regarding recruitment

and promotion, employee involvement and family friendly policies, this may not be strictly adhered to at the workplace level. Additionally, it may be that workplaces are given a certain degree of autonomy regarding such matters, and have been less successful in establishing formal structures to aid employees.

5. Conclusion

This paper compares attitudes and perceptions to industrial relations reform between senior management at large Australian organisations on the one hand, and their associated workplace managers on the other. Unfortunately, our sample size for this study is relatively small. Thus, we need to exercise caution in drawing too much from the research in terms of the broad picture in Australian industry. However, our results show that that significant differences exist in the opinions and policies of workplaces and enterprises. In particular, marked differences exist in the attitudes towards human resource management and industrial relations reform. These differences are explained, in part, by the larger degree of heterogeneity present in the responses from workplaces than is present in the enterprise data. Thus, the results suggest that we may conclude that in terms of human resource management and industrial relations it appears there is no corporate culture that is carried over from head office to the workplace.

References

- Bacon, N. and Storey, J. (2000), New Employee Relations Strategies in Britain: Towards Individualism or Partnership?, *British Journal of Industrial Relations*, 38(3), 407-427.
- Covin, J. G., Slevin, D. P. and Heeley, M. B. (2001), Strategic decision making in an intuitive vs. technocratic mode: structural and environmental considerations, *Journal of Business Research*, 52(1), 51-67.
- Deery, S., Erwin, P. and Iverson, R. (1999), Industrial Relations Climate, Attendance Behaviour and the Role of Trade Unions, *British Journal of Industrial Relations*, 37(4), 533-558.
- Fry, T. R. L., Jarvis, K. and Loundes, J. (2002) Are Pro-Reformers Better Performers?, In *Melbourne Institute of Applied Economic and Social Research Working Paper 18/02* University of Melbourne, Melbourne.
- Godard, J. (1997), Whither Strategic Choice: Do Managerial IR Ideologies Matter?, *Industrial Relations*, 36(2), 206-228.
- Huselid, M. A. (1995), The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance, *Academy of Management Journal*, 38(3), 635-672.
- Melbourne Institute of Applied Economic and Social Research (2002) Management and Industrial Relations in the 21st Century: Statistical Summary, University of Melbourne, Melbourne.
- Roche, W. K. (2001), The Individualization of Irish Industrial Relations?, *British Journal of Industrial Relations*, 39(2), 183-206.
- Wooden, M., Loundes, J. and Tseng, Y.-P. (2002) Industrial Relations Reform and Business Performance: An Introduction, In *Melbourne Institute of Applied Economic and Social Research Working Paper* University of Melbourne, Melbourne.

Appendix

The variables in this paper are derived from a summated scale of questions asked in the Melbourne Institute Business Survey. All questions are seven point Likert scale responses. In Table A 1, the respondent was asked to indicate how strongly they agreed or disagreed with the following statements, where 1 = strongly disagree and 7 = strongly agree.

Table A 1

Variable	Questions
Training	<p>This workplace provides training programs to teach <u>new employees</u> the specific skills needed to perform their jobs.</p> <p>This workplace provides training to help keep employees skills up to date.</p> <p>This workplace has people regularly work at multiple jobs or receive cross training to increase the number of skills they possess.</p>
Career Paths	<p>This workplace uses hiring procedures or tests that focus on who will best “fit in” with the organisation’s cultures and values.</p> <p>This workplace selects new hires based on tested selection criteria.</p> <p>This workplace unusually fills non-entry jobs from within the organisation.</p> <p>This workplace provides clear career paths for individual employees.</p> <p>This workplace promotes employees primarily on merit, not seniority.</p>
Employee Feedback	<p>This workplace has a clear strategic mission that is well communicated and understood throughout the organisation.</p> <p>This workplace uses a number of procedures to communicate important information directly to employees.</p> <p>This workplace involves employees in decisions that directly affect their work processes.</p> <p>This workplace acts on suggestions and feedback provided by employees.</p> <p>This workplace has formal grievance procedure or formal complaint resolution system for employees.</p> <p>This workplace has transparent systems for addressing poorly performing employees.</p>
Family Friendly	<p>This workplace uses alternative work schedules, such as flexible hours, job sharing, permanent part time work etc.</p>
HR Policies	<p>This workplace has human resource practices that are mutually reinforcing and internally consistent.</p>
Analysis	<p>Our major operating and strategic decisions nearly always result from extensive qualitative analysis of the data.</p> <p>Our major operating and strategic decisions nearly always detailed in formal written reports.</p>
Decisions Based on Experience	<p>We rely principally on experience-based intuition when making operating and strategic decisions.</p> <p>Our major operating and strategic decisions are much more affected by industry experience and lessons learned.</p> <p>Our major operating and strategic decisions rely on ‘rules of thumb’ developed from</p>

	the success of past decisions.
Customer Focus	<p>To what extent to the following describe your workplace's competitive strategy?</p> <ul style="list-style-type: none"> • Tailors and shapes products/services to respond to customers needs. • Develops customer loyalty. • Has the flexibility to respond to customers needs.
Product Quality	<p>To what extent to the following describe your workplace's competitive strategy?</p> <ul style="list-style-type: none"> • Produces a continuous stream of state of the art products/services. • Is 'first to market' with new products/services. • Responds to early market signals concerning areas of opportunity. • Develops products/services which are considered the best in the industry.
Cost Focus	<p>To what extent to the following describe your workplace's competitive strategy?</p> <ul style="list-style-type: none"> • Increases operating efficiencies. • Develops new process innovations that cut costs. • Focuses on increasing productivity.
Low Pricing Strategy	<p>To what extent to the following describe your workplace's competitive strategy?</p> <ul style="list-style-type: none"> • Produces products/services at a cost level lower than competitors. • Prices below competitors. • Produces products/services for lower-priced market segments.
Union-Management Relations	<p>Unions and management work together to make this workplace a better place.</p> <p>Unions and management have respect for each others goals.</p> <p>Management and unions cooperate to settle disputes at this workplace.</p> <p>Management often seeks input from unions before initiating changes.</p> <p>Unions and management at this workplace make sincere efforts to solve common problems.</p> <p>There is a great deal of concern for the other party's point of view in the union management relationship.</p>
Employee-Management Relations	<p>At this workplace, negotiations take place in an atmosphere of good faith.</p> <p>Workers grievances are normally settled promptly at this workplace.</p> <p>The relationship between employees and management at this workplace is very good.</p> <p>Employees at this workplace generally view their conditions of employment as fair.</p> <p>Employees at this organisation are fully committed to the values if this organisation.</p>

In Table A 2, the respondent was asked to indicate how difficult it was for their organisation to adjust their strategic plan should the following contingencies arise, where 1 = not difficult at all and 7 = very difficult.

Table A 2

Flexibility	<ul style="list-style-type: none"> • The emergence of a new technology. • Shifts in economic conditions. • The market entry of a new competition. • Changes in government regulations. • Shifts in customer needs and preferences. • Modifications in supplier strategies. • The emergence of an unexpected opportunity. • The emergence of an unexpected threat.
-------------	---

The variables risk and initiative are based on a slightly different style of question.

The respondents were given two diametrically opposed statements about the organisation (rather than the workplace itself) and were asked to circle the number according to how close they thought the organisations management style was to either statement.

The variable risk was based on:

A strong emphasis on the marketing of tried and true products and services.	1 2 3 4 5 6 7	A strong emphasis on R&D, technological leadership, and innovation.
Low-risk projects with normal and certain rates of return.	1 2 3 4 5 6 7	High-risk projects with chances of very high returns.
A cautious, 'wait and see' posture in order to minimise the probability of making costly decisions when faced with uncertainty.	1 2 3 4 5 6 7	A bold, aggressive posture in order to maximise the probability of exploiting potential when faced with uncertainty.

The variable initiative was based on:

Typically responds to actions which competitors initiate.	1 2 3 4 5 6 7	Typically initiates actions to which competitors then respond.
Is very seldom the first organisation to introduce new products/ services, operating technologies, etc.	1 2 3 4 5 6 7	Is very often the first organisation to introduce new products/services, operating technologies, etc.
Typically seeks to avoid competitive clashes, preferring a 'live-and-let-live' posture.	1 2 3 4 5 6 7	Typically adopts a very competitive, 'undo-the-competitor' posture.