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Performance Indicators
Part 3.
Emerging Trends
Part 2.
Overview of Agreements
Part 1.
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Executive

Part 1. Developments in Enterprise Agreements

Agreements Continue to Supplement Rather than Replace Awards
The vast majority of agreements (86 per cent) supplement, rather than completely replace awards. Agreements continue to modify certain award conditions or deal with matters on which the award is silent.

Queensland Agreements
There is an apparent similarity between agreements from the Queensland and Federal jurisdictions. Agreements registered in these two jurisdictions are generally covering similar topic areas and are providing similar conditions.

Industry Differences
In studying the occurrence of provisions in different industries, it would appear that agreements with very detailed objectives were most common in Mining/Construction, Manufacturing and Transport & Storage.

Wages
In all, 34 per cent of agreements allow for an average annual wage increase of less than 3 per cent. Approximately 29 per cent of agreements have an average annual wage of 5 per cent or more. Agreements dealing with productivity or performance based pay were most common in Public Administration and Financial Services.

Consultation
Almost half (49 per cent) of all agreements have some provision dealing with consultative arrangements. The most common clauses relating to consultation relate to Joint Consultative Committees (JCC's) being used in the change process and clauses that list the issues to be discussed in JCC's (found in 18 per cent of agreements).

Training
In total 31 per cent of agreements have training guidelines stated and 10 per cent of agreements have provisions for ‘staff development’. Twenty-four per cent of agreements outline a training program.

Innovative Clauses
While many agreements cover “traditional” industrial issues such as wages and working hours, some agreements have been introducing innovative clauses in a wide assortment of areas. For instance, work and family issues, dispute resolution and leave entitlements have all been issues on which the parties have been introducing new and innovative approaches within enterprise agreements.
Summary

Part 2  Emerging Trends

The agreements on the database were divided into two groups: Federal and NSW agreements registered before 30 June 1993, and those agreements registered since June 1993.

Federal agreements are becoming less detailed and comprehensive. This trend is particularly noticeable in the Objectives sections of agreements. Such changes can also be noted in Flexibility, Training, Quality and Consultation provisions. However the coverage of 'bread and butter' issues in the more traditional areas such as conditions of employment, termination of employment, hours, RDO's, occupational health & safety and overtime have remained constant. On the other hand, NSW agreements are becoming broader in their aims, but there has not been the same increase in substantive provisions.

Part 3  Special Issue: Performance Indicators

Performance Indicators emerged as a by-product of the industrial relations reforms of the late 1980's. Overall, 42 per cent of all the agreements on ADAM made some reference to Performance Indicators.

Performance Indicators are most likely located in Federal and Queensland agreements, and in industries such as Manufacturing, Transport & Storage and Public Administration. In white collar, private sector agreements, Performance Indicators are less common. As well, Performance Indicators are rarely found in New South Wales registered agreements.

While agreements are less likely to mention specific indicators, the most popular Performance Indicators are Labour Costs; Absenteeism; Safety (usually expressed as a reduction in Loss Time Injuries; Customer Service (usually expressed as a reduction in customer complaints); and Quality. Input based indicators are most favoured in blue-collar industries areas such as Manufacturing and Transport, while monitoring output indicators are the favoured approach in white collar industries, such as Public Administration.

Conclusion

The second ADAM Report has identified a number of areas where significant trends have emerged. Three areas in particular have implications for the future direction of enterprise bargaining. These are: the continuation of significant differences between jurisdictions identified in the first report; a trend towards a convergence in issues addressed in state and federal agreements mainly due to a decline in the range and detail of issues covered in federally registered agreements; and a gap between the formally stated objectives in agreements and their substantive implementation.
Overview of

Introduction

In this second report we have made some changes to the layout of the ADAM Report which, we believe, makes the Report easier to read and understand. In this issue in addition to reporting on Federal and NSW registered agreements we also report on agreements registered under the Queensland Act. The expansion of the ADAM database to include the Queensland jurisdiction makes ADAM Australia’s most comprehensive source of information on what’s happening in enterprise agreements.

Based on feedback about ADAM Report 1 from our subscribers, we will now also report (where possible) on agreements in a range of industries.

ADAM Report 2 is based on a representative sample of 526 ‘enterprise’ agreements. Our database currently comprises 245 Federal, 228 NSW and 53 Queensland agreements. Federal agreements on ADAM include those registered under the old S115 and the current S134 of the Industrial Relations Act as well as consent awards. The NSW agreements are those registered with the Commissioner of Enterprise Agreements. Queensland agreements are made pursuant to the principles set out in the State Wage Case of 1992 and certified agreements that come under the Industrial Relations Act, 1990.

Basic Characteristics of Agreements in ADAM

Approximately one third of Federal and Queensland agreements in ADAM are in the Manufacturing industry. Queensland has the highest proportion of agreements in Agriculture, Mining, Construction and Transport, while New South Wales has a greater than average proportion of agreements in the Public Utilities/Public Administration/Community Services area.

Industry of ADAM agreements by Jurisdiction

<table>
<thead>
<tr>
<th>Industry</th>
<th>Total (%)</th>
<th>FED (%)</th>
<th>NSW (%)</th>
<th>QLD (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>30</td>
<td>36</td>
<td>22</td>
<td>37</td>
</tr>
<tr>
<td>Agriculture, mining, construction &amp; transport</td>
<td>18</td>
<td>19</td>
<td>13</td>
<td>33</td>
</tr>
<tr>
<td>Wholesale/retail trade, finance, recreation &amp; other</td>
<td>24</td>
<td>22</td>
<td>26</td>
<td>25</td>
</tr>
<tr>
<td>Public administration, electricity, gas, water &amp; community services</td>
<td>26</td>
<td>20</td>
<td>38</td>
<td>4</td>
</tr>
</tbody>
</table>

Based on 526 agreements in ADAM

About two thirds of agreements in ADAM are from the private sector, although in Queensland nearly all agreements (94 per cent) are coming from private sector organisations.

While there is a common belief that enterprise agreements are replacing awards, this is rarely the case. The vast majority of agreements (86
agreements

per cent) supplement, rather than completely replace awards. Invariably agreements have been used to alter a number of award conditions or to codify issues on which the award was silent. New South Wales has the highest proportion of agreements that completely replace the award (21 per cent) and Queensland the lowest (6 per cent).

Over half (55 per cent) of the agreements in ADAM have a duration of 12 months or less (although most agreements continue to operate after they have technically expired). Queensland and NSW have the highest proportion of agreements of two years or more duration (Queensland 29 per cent, NSW 38 per cent).

Contents of Agreements

In this section we examine some of the issues frequently contained in agreements and the issues that are most likely to be found in agreements in different industries.

Wage Issues

Almost all agreements in ADAM contain provisions dealing with some aspect of wages. These may include details of a wage increase, or some change to the way wages are calculated or paid.

With respect to wage increases, these are often expressed as an initial percentage increase with subsequent percentage increases over the life of the agreement. On this basis we have calculated an average annual percentage wage increase rate for agreements. In all, 34 per cent of agreements allow for an average annual wage increase of less than 3 per cent. Approximately 29 per cent of agreements have an average annual wage increase greater than 5 per cent.

Figure 1 indicates the average annual percentage wage increase allowed for in agreements by industry.

Agreements with annual average wage increases of 5 per cent or more were most common in Mining and Construction, Transport and Storage and Community Services had a relatively high proportion of agreements with wage increases of less than 3 per cent.

By jurisdiction, Queensland agreements recorded the highest average annual percentage wage increase (5 per cent), with the Federal and NSW results being 3.6 per cent and 3.3 per cent respectively. The average annual percentage wage increase across all jurisdictions was 3.9 per cent.

Apart from wage increases, there are a number of ways in which an agreement can affect payment systems at the enterprise. ADAM includes details on the incidence of the following provisions:
• No extra claims provision (41 per cent of agreements)
• Wages to be paid by Electronic Funds Transfer (34 per cent of agreements)
• Future wage increases only to be available through Federal and State Wage Cases (28 per cent of agreements)
Part 1

Overview of

- Future wage increases to be based on productivity increases (16 per cent of agreements)
- Allowances now to be included in wages, rather than paid separately (14 per cent of agreements)
- Non-output-based performance pay (12 per cent of agreements)
- Broadbanding of wages - ie. simplifying pay scales into a number of steps or bands (9 per cent of agreements)
- Annualised wages/ salaries (9 per cent of agreements)
- Gainsharing provisions (3 per cent of agreements).

The table below details the most prominent wage-related provisions by industry.

**Most common wage provisions**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining/ construction</td>
<td>EFT (47%), Allowances absorbed (19%)</td>
</tr>
<tr>
<td>Food, beverage &amp; tobacco</td>
<td>Future wage increases only through wage cases (38%)</td>
</tr>
<tr>
<td>Metals manufacturing</td>
<td>Future wage increases only through wage cases (61%), No extra claims (55%)</td>
</tr>
<tr>
<td>Other manufacturing</td>
<td>Future wage increases only through wage cases (38%), No extra claims (57%)</td>
</tr>
<tr>
<td>Public utilities</td>
<td>Wages linked to productivity increases (32%), Performance pay (23%)</td>
</tr>
<tr>
<td>Wholesale/retail trade</td>
<td>No extra claims (54%)</td>
</tr>
<tr>
<td>Transport &amp; storage</td>
<td>Wage increases based on productivity increases (36%)</td>
</tr>
<tr>
<td>Finance</td>
<td>Wage increases based on productivity increases (22%)</td>
</tr>
<tr>
<td>Public admin</td>
<td>Broadbanding (26%), wage increases based on productivity increases (28%), Performance based pay (29%)</td>
</tr>
<tr>
<td>Community services</td>
<td>EFT (48%), Allowance absorbed (26%)</td>
</tr>
<tr>
<td>Recreation</td>
<td>Allowances absorbed (24%)</td>
</tr>
</tbody>
</table>

Based on 526 agreements in ADAM

Among the most striking finding of the above table is the extent to which white collar industries such as Finance and Public Administration are introducing productivity-based wages and performance-based pay reforms often associated with more blue-collar industries. The absorption of allowances into wages is also quite common in two white collar industries (Recreation and Community Services).

The most common items in Manufacturing agreements related to no extra claims commitments.

Many of these provisions are not common and the data shows that there is considerable diversity beginning to show through in agreements. To what extent these provisions reflect pre-existing award conditions or are new developments can only be determined by comparing individual agreements with the award they replace or complement.
Consultative Arrangements

Almost half (49 per cent) of all agreements have some provisions dealing with consultative arrangements. Figure 2 shows that these were most common in Queensland and Federal agreements.

The most common clauses relating to consultation relate to Joint Consultative Committees (JCC’s) being used in the change process (31 per cent of agreements) and clauses that list the issues to be discussed in JCC’s (found in 18 per cent of agreements).

Training

In total, 31 per cent of agreements have training guidelines stated and 10 per cent of agreements have provisions for “Staff development”. Twenty-four percent of agreements outline a training program.

While many agreements do not outline training programs, or set out training guidelines, they do prepare for future training. A relatively high proportion of Federal (40 per cent) and Queensland agreements (45 per cent) gave notices of training programs to be developed. In NSW 14 per cent of agreements have such provisions.

Queensland agreements (23 per cent) are most likely to make provisions for skills analyses to be undertaken, with only 1 per cent of NSW agreements and 14 per cent of Federal agreements having similar provisions.

Agreements in different jurisdictions have different expectations about the extent of multiskilling of workers. Almost one-third of Federal agreements have provisions for employees to be multiskilled, 13 per cent of NSW agreements and 7 per cent of Queensland agreements have similar provisions.

In 8 per cent of all agreements employees can refuse training, whereas 45 per cent of agreements stipulated that employees had to undertake training. Some 22 per cent of agreements reimburse employees their costs for their efforts in training, and more than half (55 per cent) of the agreements provide for on-the-job training.

Only a minority of agreements specify specific subject areas to be included in training.

Coverage of Issues by Jurisdiction

In general there is a stark similarity in the wide range of issues being dealt with in Federal and Queensland agreements. In contrast there were only two issues, both related to working hours, which were found in more than 45 per cent of NSW agreements.
**What are the issues in different industries?**

The following table summarises the most common issues that are contained in agreements in different industries. We have indicated in the table below those issues which can be found in at least 45 per cent of agreements in each industry.

**Most popular provisions by Industry**

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company performance</td>
<td></td>
</tr>
<tr>
<td>Improved firm performance</td>
<td></td>
</tr>
<tr>
<td>Evaluation of performance</td>
<td></td>
</tr>
<tr>
<td>Reorganisation of work</td>
<td></td>
</tr>
<tr>
<td>Labour Management Cooperation</td>
<td></td>
</tr>
<tr>
<td>Workforce development</td>
<td></td>
</tr>
<tr>
<td>Improvements for employees</td>
<td></td>
</tr>
<tr>
<td>Flexibility options for employer</td>
<td></td>
</tr>
<tr>
<td>Consultative arrangements</td>
<td></td>
</tr>
<tr>
<td>OHS clause</td>
<td></td>
</tr>
<tr>
<td>Work organisation clauses</td>
<td></td>
</tr>
<tr>
<td>Non-Labour productivity improvements</td>
<td></td>
</tr>
<tr>
<td>Quality measures</td>
<td></td>
</tr>
<tr>
<td>Definitions, programs, structures</td>
<td></td>
</tr>
<tr>
<td>Rights &amp; obligations specified</td>
<td></td>
</tr>
<tr>
<td>Training providers</td>
<td></td>
</tr>
<tr>
<td>Productivity &amp; performance pay clause</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
</tr>
<tr>
<td>Mining/ construction</td>
</tr>
<tr>
<td>Food &amp; beverage</td>
</tr>
<tr>
<td>Other manufacture</td>
</tr>
<tr>
<td>Metal manufacture</td>
</tr>
<tr>
<td>Public utilities</td>
</tr>
<tr>
<td>Wholesale/ retail</td>
</tr>
<tr>
<td>Transport/ storage</td>
</tr>
<tr>
<td>Finance services</td>
</tr>
<tr>
<td>Public administration</td>
</tr>
<tr>
<td>Community services</td>
</tr>
<tr>
<td>Recreation services</td>
</tr>
</tbody>
</table>

Based on 526 agreements in ADAM
Innovative Clauses

While most agreements continue to deal with the "traditional" industrial relations issues such as wages and working hours. Some agreements have tackled non-traditional issues in original ways.

Work and Family Issues

Work and family issues arise whenever workers have to balance their responsibilities at home and in the workplace. Most agreements do not explicitly recognise and deal with the tensions this can cause. However, a small number of agreements do contain clauses designed to make changes in this area.

For example, a Federal agreement in the University sector seeks to address the problems caused when overtime is worked:

"Where an employee incurs childcare expenses as a result of being required to work overtime, such expenses shall be reimbursed by the employer upon presentation of appropriate documentation."

Sickness in the family can may cause staff to be absent from work. This is recognised in special leave provisions in a Queensland construction agreement:

"the Company will allow an employee up to five of his/her sick leave entitlements each year as special family leave. These days can be taken as required if the spouse, children or close relative of the employee’s is taken ill."

A Federal banking agreement indicates a strategic approach to work and family issues by noting that parties to the agreement are considering a variety of policies:

"Innovations being considered include job sharing, career breaks, flexible working patterns and child care. A Family Needs Survey has been conducted which provides a source of information to help structure future initiatives."

Dealing with Disputes

Many agreements contain some procedure for dealing with disputes at the enterprise. A few agreements introduced some novel ways of dealing with disputation.

For example, a NSW agreement in a Public Utility noted that the parties would negotiate further on pay levels for two classifications. The agreement continued:

"The parties further agree that should these matters remain unresolved, the decision of a private arbitrator shall be accepted by all parties without qualification."

Many agreements contained detailed dispute resolution clauses. One of the more interesting was in a Federal agreement. The agreement made provision for the parties to set up a panel to select and appoint an independent arbitrator in the event of a dispute. The agreement also described the powers of the arbitrator:
"the Independent arbitrator may convene a Disputes Settling Committee consisting of the representatives of the parties and other such persons as he or she considers necessary so that the membership is appropriate for each situation and employer and employee interests are equally represented."

Even when satisfactory mechanisms exist to resolve disputes within an enterprise, difficulties can still arise because of the effects of industrial action in other businesses. A Federal agreement in the transport industry addressed these problems. It stated that "in the event of a serious disruption to work flow caused by an industrial dispute" (elsewhere) individuals or teams could, by agreement be requested to take up to five days' annual leave, or if their annual leave entitlements were exhausted, up to five days' leave at 17.5 per cent of their normal wage.

**Flexibility Clauses**

In a NSW agreement a system of flexible working hours has been developed in consultation with the employees affected and the agreed provisions are as follows:

i. **Summary**

This programme is a system whereby employees may accrue credit (points) for extra time worked at the request of their supervisor. Points can be 'cashed in,' or 'spent' by arrangement at employees discretion on time off with pay. ii. **Points Designation**

A minimum number of points (to be called "R" points) will be built up before participants can spend additional points accrued (to be called "D" points)...

ix. **Spending of points**

D Points (Discretionary): The company will have no control or influence over the spending of D-points. Employees may choose how D-points are spent, as follows:

a. **Money conversion**

Points can be converted directly through the pay office. The money value of converted points will be added to the weekly pay, taxed accordingly, and transferred by EFT to the employees bank account.

b. **Leisure Time**

By prior arrangement with the supervisor, as for annual leave, points can be used for paid leisure time up to a maximum of 2 weeks in any one amount. The minimum unit of paid leisure time is 6 minutes (1 point).

c. **Sick Pay**

In cases of prolonged illness of where sick leave has run out, points can be used for sick pay. The usual rules covering sick leave (doctors certificates, etc.) will apply.

d. **Annual Leave**

Points can be used for paid leisure time up to a maximum of one week in connection with annual leave; or can be cashed-in when annual leave is taken, to provide additional spending money.

R-Points (Reserve): R-Points are designed to be held in reserve to overcome the disruption caused by downturns in the level of business. During slack periods, and following consultation, employees will be provided with paid sick leave by drawing upon R-points, at Company initiative...
Emerging Trends

Part 2

Introduction

In this part of the ADAM Report we examine changes occurring in enterprise agreements over time.

Agreements have been divided into two groups: those (376) agreements on our database registered before 30 June 1993, and those (150) agreements registered since June 1993. Our analysis of changing trends is limited to NSW and Federally registered agreements.

Our analysis reveals that certain changes are taking place over time in agreements in the two jurisdictions. Most apparent is the reduction in the number of issues included in Federal agreements. In NSW, the most obvious development is a significant increase in the number of objectives being included in agreements.

Federal agreements are therefore becoming less detailed and comprehensive. This trend is particularly noticeable in the Objectives sections of agreements and in Flexibility, Training, Quality and Consultation provisions. However the coverage of 'bread and butter' issues in the more traditional areas of conditions of employment, termination of employment, hours, RDO's, occupational health & safety and overtime have remained constant over time.

Amongst NSW agreements registered since June 1993 we can see an increase in the range of objectives that are being outlined compared to earlier agreements. There is however, little evidence of many of these objectives being addressed in substantive clauses in the agreements. Change in most areas, including Flexibility, Training, Quality, Consultation was erratic with no substantive change in these provisions emerging over time.

Objectives

It may be tempting to dismiss “objectives” clauses as being statements of intent, rather than of action. Many may have been included to comply with Structural Efficiency Principle guidelines demanding real and demonstrable gains in productivity, efficiency and flexibility before wage increases are granted. However, the objectives sections of agreements do demonstrate the broad intentions the parties have at the time of making the agreement, and are of interest in defining the scope of the agreement.

Since June 1993, Federal agreements have in general stated fewer objectives than was previously the case. In contrast, NSW agreements are becoming more detailed. Figure 3 demonstrates this trend. The trend was evident across the entire range of objective variables monitored (51 in total), spanning from those relating to improved firm performance and reorganisation of work, to those concerning labour-management cooperation and workforce development. The following table illustrates the developments in more detail.
Changes in Agreement objectives
(Pre June 1993/ Post June 1993)  Percentage change

<table>
<thead>
<tr>
<th>Stated Objective</th>
<th>FED</th>
<th>NSW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved firm performance</td>
<td>↓8</td>
<td>↑4</td>
</tr>
<tr>
<td>Performance objectives for employees</td>
<td>↓6</td>
<td>↑2</td>
</tr>
<tr>
<td>Evaluation of performance</td>
<td>↓7</td>
<td>↑6</td>
</tr>
<tr>
<td>Reorganisation of work</td>
<td>↓16</td>
<td>↑24</td>
</tr>
<tr>
<td>Labour-Management cooperation/ communication</td>
<td>↓26</td>
<td>↑10</td>
</tr>
<tr>
<td>Workforce development</td>
<td>↓29</td>
<td>↑3</td>
</tr>
<tr>
<td>Improvements for employees</td>
<td>↓39</td>
<td>↑8</td>
</tr>
</tbody>
</table>

Based on 526 agreements in ADAM

Flexibility
A high proportion of agreements have increased flexibility as a stated aim (see Figure 4). Substantive flexibility provisions, however, remain relatively rare, though in the past Federal agreements have typically led the way with flexibility clauses relating to such issues as Flexible Rostering, Multiskilling of Employees, and Employees doing a Range of Tasks. There has been a decline in these provisions in Federal agreements since June 1993. In NSW, there has been an increase in the use of these flexibility clauses since June 1993. The following table identifies these movements in more detail.

Changes in Flexibility provisions
(Pre June 1993/ Post June 1993)  Percentage change

<table>
<thead>
<tr>
<th>Flexibility variable</th>
<th>FED</th>
<th>NSW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer may adjust staffing levels</td>
<td>↓11</td>
<td>0</td>
</tr>
<tr>
<td>Employer may hire short term labour</td>
<td>2</td>
<td>↓1</td>
</tr>
<tr>
<td>Flexible rostering</td>
<td>16</td>
<td>↓4</td>
</tr>
<tr>
<td>Employer may use contractors</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Employer may hire part time labour</td>
<td>9</td>
<td>↑2</td>
</tr>
<tr>
<td>Employee to do range of tasks of flexible nature</td>
<td>9</td>
<td>↑5</td>
</tr>
<tr>
<td>Employees to be multi-skilled</td>
<td>8</td>
<td>↑5</td>
</tr>
<tr>
<td>Agreement may be reached to alter RDOs</td>
<td>6</td>
<td>↑4</td>
</tr>
</tbody>
</table>

Based on 526 agreements in ADAM

Training
In the area of training there has also been a reduction in these provisions in Federal agreements. The number of Federal agreements that made some reference to developing a training program fell by 19 per cent
in Agreements

since June 1993 (Figure 5), whilst the number of Federal agreements stating more explicit training guidelines dropped by 15 per cent. A similar pattern has emerged with respect to clauses dealing with: Procedures for defining and accrediting skills and training; Subjects/issues dealt with by training; and Training providers. No consistent and significant changes in training provisions were apparent in NSW agreements.

Changes in Training provisions
(Pre June 1993/ Post June 1993) Percentage change

<table>
<thead>
<tr>
<th>Training</th>
<th>FED</th>
<th>NSW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedures for defining &amp; accrediting training</td>
<td>↓9</td>
<td>↓3</td>
</tr>
<tr>
<td>Subjects/Issues dealt with by training</td>
<td>↓19</td>
<td>↑8</td>
</tr>
<tr>
<td>Training providers</td>
<td>↓8</td>
<td>↓3</td>
</tr>
<tr>
<td>Resources devoted to training</td>
<td>0</td>
<td>↑4</td>
</tr>
<tr>
<td>Staff appraisal</td>
<td>↑6</td>
<td>↑5</td>
</tr>
<tr>
<td>Training rights and obligations of employees and employers</td>
<td>↑1</td>
<td>↑13</td>
</tr>
</tbody>
</table>

Based on 526 agreements in ADAM

Consultation

There has been similar developments with consultative arrangements. Amongst Federal agreements, consultation as an objective has dropped significantly (55 per cent pre June 1993 to 16 per cent of post June 1993 agreements). There has been a similar decline in the use of Joint Consultative Committees.

Changes in Consultative arrangements
(Pre June 1993/ Post June 1993) Percentage change

<table>
<thead>
<tr>
<th>Consultation variable</th>
<th>FED</th>
<th>NSW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team work</td>
<td>↓25</td>
<td>↑11</td>
</tr>
<tr>
<td>JCC to meet regularly</td>
<td>↓7</td>
<td>↑5</td>
</tr>
<tr>
<td>JCC’s composition listed</td>
<td>↓20</td>
<td>↓3</td>
</tr>
<tr>
<td>Employer &amp; Employee to regularly review productivity improvements</td>
<td>↓26</td>
<td>↑5</td>
</tr>
</tbody>
</table>

Based on 526 agreements in ADAM
Quality

Quality as an issue in agreements had been addressed mainly in Federal agreements. However, since June 1993 it appears that quality is not being addressed as often in newer Federal agreements.

Quality as a performance indicator is perhaps the clearest indicator of substantive change. Federal agreements are now far less likely to have such provisions, with 21 per cent of pre June 1993 agreements having such clauses compared to only 6 per cent of more recent Federal agreements with such provisions. NSW has remained at its low levels (2.0 per cent and 2.5 per cent) on this issue.

Changes in Quality provisions

(Pre June 1993/Post June 1993)

<table>
<thead>
<tr>
<th>Quality variable</th>
<th>FED</th>
<th>NSW</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employees to be responsible for quality</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Employees to contribute to job design</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Continuous improvement process adopted (quality)</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td>Opportunities provided to employees to participate in improvement</td>
<td>20</td>
<td>0</td>
</tr>
</tbody>
</table>

Based on 526 agreements in ADAM

Wages

There are large differences by jurisdiction in the number of agreements containing wage increases. Federal agreements are much more likely to give percentage wage increases than those registered in NSW. This situation is changing in NSW where recent agreements now provide for percentage wage increases. Thirty seven per cent of NSW agreements now provide for such wage rises, as compared to only 10 per cent before June 1993.

Jurisdictional trends in annual percentage wage increases between the two periods contained in agreements are illustrated in Figure 8. In Federal enterprise agreements, average annual wage increases are on the way up since June 1993 (from 3.4 per cent to 4.3 per cent), whilst in NSW, the average annual wage increase contained in agreements has remained relatively constant around 3.3 per cent.

Change & Constancy

The general decreases noted in provisions in Federal agreements may reflect the fact that the parties may be realising that agreements do not have to be overly complicated or detailed to become registered by the tribunal. This approach to enterprise bargaining may reflect the limited role the tribunals now have in scrutinising enterprise agreements. This is
in Agreements

the result of the High Court's recent decision that the AIRC must certify s.134 agreements if it is satisfied that employees will not be disadvantaged, and that the agreement contains dispute settling procedures (Nos. M43 and M46 of 1993).

While there has been change at the Federal level in the areas identified above, there are a number of issues where there has been no appreciable change in NSW and Federally. It was noted earlier that agreements are still dealing with 'bread and butter' or traditional industrial relations issues.
Introduction

The major objectives of enterprise bargaining have been micro-economic reform and productivity enhancement. One way in which enterprise bargaining can assist productivity enhancement is through the establishment of Performance Indicators.

Performance Indicators are quantitative measures or targets which monitor performance. Often they are used in determining performance based pay increases. Indicators may measure firm or individual performance in a wide variety of ways. For example, Inputs, Outputs, Non-Economic Performance and a firm's Economic/Financial Performance have all been used as indicators.

Indicators may be very exacting and firm-specific, providing output targets or specifying areas of improvement such as absenteeism rates, time lost due to injuries or number of customer complaints.

Three broad areas of specific indicators can be identified in ADAM a) Ratio-Based Indicators, b) Input Indicators and c) Output Indicators. Our coding of performance indicators focuses on labour-related indicators.

Performance Indicators and Recent Industrial Relations Developments

While Performance Indicators and Performance-Based Pay have become widely discussed in recent years, they do have a long history in Australian industry. However, the end of CPI-linked pay adjustments and the move to performance-based settlements under the two-tiered and award restructuring processes saw a renewed and widespread interest in the area. The development of Performance Indicators was assisted by National Wage Cases where the Federal Commission directed parties to establish mechanisms for consultation around productivity issues. With performance as the basis for pay adjustments, firms and unions saw the need and the opportunity to develop Performance Indicators.

Developments in enterprise bargaining have seen a diminished role for tribunals and a reduced need for parties to demonstrate productivity improvement. This is likely to continue as the Federal Industrial Relations Reform Act 1993 does not require the parties to demonstrate productivity improvements to have an agreement with pay increases registered. Similarly, enterprise agreements in New South Wales and Queensland do not require pay adjustments to be linked to productivity. With enterprise bargaining becoming increasingly deregulated, the parties are being left to determine their own productivity improvement measures.

Many employers believe that enterprise agreements provide excellent opportunities for the establishment of Performance Indicators. Indeed, establishing Performance Indicators has been seen as a key element in "best practice" enterprise bargaining.
Indicators

Where are Performance Indicators being developed?

Productivity enhancement measures remain high on the enterprise bargaining agenda. In total, 42 per cent of agreements pursue productivity enhancement through such measures as the establishment of Performance Indicators and the linking of pay increases to improved performance. If anything the move to enterprise bargaining has increased interest in the use of performance indicators in the workplace.

Notable variations, especially between jurisdictions and industries do, however, exist.

Jurisdiction

It would appear that Performance Indicators are more likely to be present in agreements registered Federally or in Queensland. (See Figure 9.) Nearly two thirds of these agreements make some reference to Performance Indicators.

Fewer NSW agreements (14 per cent) refer to Performance Indicators. As noted in the first ADAM Report, NSW agreements focus more heavily on conditions. Quite often these agreements have been restricted to "traditional industrial matters" such as wages, working hours and leave.

Industry

Agreements in certain industries are also more likely to mention Performance Indicators.

Agreements in Metals Manufacturing (88 per cent) are the most likely to contain a reference to Performance Indicators. Industries such as Non-Metals Manufacturing (55 per cent), Public Administration (48 per cent), Transportation & Storage (53 per cent) and Mining & Construction (47 per cent) are also quite likely to make reference to Performance Indicators.

On the other hand, agreements in white collar service industries such as Financial & Business Services (31 per cent), Community Services (13 per cent) and Recreation & Personal Services (24 per cent) mention Performance Indicators far less frequently. (See Figure 10.)

How Performance Indicators are Developed

There appear to be three basic methods for establishing Performance Indicators: within the process of enterprise bargaining itself, within a Joint Consultative Committee (JCC) or at the employers' discretion.

A small proportion of agreements (16 per cent) involve JCC's in the development of Performance Indicators. An example of the type of clause contained within Federal agreements which leave the details of establishing Performance Indicators to the JCC, is as follows;
Part 3

Performance

"The agenda for each Workplace Reform Committee will be endorsed by the Joint Consultative Committee. Agendas should include, but not be limited to the following:

i) The requirement for processes and functions.
ii) The level, quality and relevance of output.
iii) Work methodology
iv) Development of agreed indicators of productivity and quality improvement, and increased relevance.
v) Economy and cost effectiveness of operations and/or layouts.
vi) Resource allocation and usage
vii) The application of activity based accounting/costing to all areas
viii) The adoption of international best practice
ix) The monitoring and benchmarking of progress in respect of the above.
x) The identification and development of training recommendations relevant to each program area."

Provision for JCCs as the forum for establishing Performance Indicators are more likely to appear in Federal and Queensland agreements. Overall, 27 per cent of Federally registered and 21 per cent of Queensland registered agreements have the JCC involved in establishing Performance Indicators. In contrast only 4 per cent of NSW agreements involve the JCC in this process.

Types of Performance Indicators Used

The Performance Indicators most often included or considered in Enterprise Agreements are: Labour Output, Labour Costs; Absenteeism; Safety; Customer Service; and Quality. Clearly, while Performance Indicators are referred to in a relatively high proportion of agreements, only a small percentage of agreements specify the form Performance Indicators should take. (See Figure 11.)

An example of an agreement which contains most of the commonly used popular Performance Indicators is a Manufacturing agreement registered in Queensland:

"2.3 Measurements & Monitoring of Gains in Productivity, Efficiency and Flexibility

The following performance indicators will be monitored in order to demonstrate the gains made:-

- Kilograms (of output) per direct attendance hour;
- Assembly and deliver of cases per attendance hour;
- Customer Service - Number of customer complaints per million packets...
- Packet Weight Loss (wastage): Measure to budget
- Baked Scrap Loss (wastage): Measure to budget
- Wastage (various types): Measure to budget
- Lost Time (Machine Down Time) - Measure to budget
- Quality Assurance Factor - (Quality audit assessment improve standards 10% improvement in quality assurance levels)
- Absenteeism - (Reduction of overall figure by 1% from 4.2% to 3.2%)
- Occupational Health & Safety - (Reduction in number of days lost)
- Energy Usage (Reduction of power usage by 2%)

Budgeted figures based on historical data and new target figures have agreed between the parties as the basis upon which gains are to be measured."
Indicators

It is also apparent that many of the indicators are designed to reduce negative performance (i.e. reduce costs and wastage, reduce absenteeism, reduce customer complaints) rather than attempting to reward improved productivity or performance.

How elaborate the measurement of performance is ranges dramatically between agreements. Some agreements set targets that are easily quantifiable for instance absenteeism or days lost through injuries. Others involve precise targets or complex grids. For example, a Federally registered agreement covering a factory lists a half-dozen very detailed Performance Indicators. Below are the performance indicators used in that agreement.

"4. The performance objectives are:

a) Inventory accuracy of all raw materials, finished goods, intermediates, including heavy duty, industrial powder etc. cans, lids, labels and all other consumable items shall be greater than 98%.

b) All batches shall be manufactured to achieve the following:- 75% of batches will be manufactured to specifications and to planned yield with no adjustments.

- A further 15% of batches will be manufactured to specification and be within 2.5% of planned yield after 1 adjustment.

c) All colour plant batches shall be manufactured to within plus or minus 2.5% of planned yield and be within all specifications after 1 adjustment.

d) Filling yield shall be:

- For pack sizes greater than or equal to 4 litres within 0.5% of target weight.
- For pack sizes less than 4 litres within 1% of target weight.

e) Scheduled performance on a daily basis in manufacturing, filling and including on time dispatch in the warehouse shall be:

- Manufacturing and filling performance greater than 95%. On time dispatch = 100%.

The performance objectives will be considered to be achieved when they can be maintained for a period of one month. These will become the minimum acceptable performance required.

Performance Indicators are very much central to the intent of this agreement. It further notes that "no new agreement replacing this Agreement will be signed until the performance objectives of this Agreement are achieved".
Industry
The Performance Indicators used varies between industries. The following table notes the Indicators that have proven popular in each industry.

**Most popular Performance Indicators for selected industries**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Absenteeism</th>
<th>Rejects/ wasteage</th>
<th>Customer service</th>
<th>Delivery performance</th>
<th>Safety</th>
<th>Labour costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining/ construction</td>
<td>:</td>
<td>:</td>
<td></td>
<td></td>
<td>:</td>
<td></td>
</tr>
<tr>
<td>Food, Beverage</td>
<td>:</td>
<td>:</td>
<td></td>
<td></td>
<td>:</td>
<td></td>
</tr>
<tr>
<td>Metals manufacture</td>
<td>:</td>
<td>:</td>
<td></td>
<td></td>
<td>:</td>
<td></td>
</tr>
<tr>
<td>Other manufacture</td>
<td>:</td>
<td>:</td>
<td></td>
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<tr>
<td>Public utilities</td>
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<td></td>
<td></td>
<td>:</td>
<td></td>
</tr>
<tr>
<td>Wholesale/ retail trade</td>
<td>:</td>
<td>:</td>
<td></td>
<td></td>
<td>:</td>
<td></td>
</tr>
<tr>
<td>Transport &amp; storage</td>
<td>:</td>
<td>:</td>
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<tr>
<td>Finance</td>
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<tr>
<td>Public administration</td>
<td>:</td>
<td>:</td>
<td></td>
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<td>:</td>
<td></td>
</tr>
</tbody>
</table>

*Indicates the most often mentioned performance indicator(s) in the particular industry
Based on 526 agreements in ADAM

Absenteeism is an indicator formed in most industries. Rejects/Wastage is most popular in Food & Beverage Manufacturing and Wholesale & Retail Trade, while Customer Service is most likely to be used as an Indicator in Financial Services and Other Manufacturing. On the other hand, while Labour Output and Quality are Indicators used in agreements, they are not concentrated in specific industries.

**Endnotes**
Conclusion

The second ADAM Report has identified a number of areas where significant trends have emerged. Three areas in particular have implications for the future direction of enterprise bargaining. These are: the continuation of significant differences between jurisdictions identified in the first report; a trend towards a convergence in issues addressed in state and federal agreements mainly due to a decline in the range and detail of issues covered in federally registered agreements; and a gap between the formally stated objectives in agreements and their substantive implementation.

Differences in Jurisdiction

It remains true that agreements continue to reflect parent awards, nonetheless the jurisdiction in which an agreement is registered remains a significant predictor of the issues being addressed in agreements. In general, Queensland agreements are similar to Federal agreements, with notable exceptions in the substantial number of Queensland agreements (23 per cent) which require skill analyses to be undertaken but the low proportion (7 percent) with multi-skilling provisions. Queensland also recorded the highest average annual percentage wage increase with federal agreements again recording on average higher increases than those in NSW.

Convergence between State and Federal agreements

Notwithstanding the continuation of significant differences of approach and the issues covered in state and federally registered agreements a trend appears to be developing where agreements registered in different jurisdictions appear to be converging. The major reason has been a decline in the range of issues and provisions covered by Federally registered agreements. While there has been an increase in the range and detail of objectives in NSW agreements, particularly objectives associated with work reorganisation such as training provisions, team work and consultative arrangements, this has not compensated for the reduction in the detail covered by federally registered agreements. As a result there has been an average decline in the range of issues and provisions addressed.

Stated objectives and Substantive Implementation

The first Adam report drew attention to the trend in early NSW agreements, particularly non-union agreements, to push towards annualised hours and other provisions which increased managerial ability to make unilateral decisions regarding working time and (overtime) pay rates. More recent NSW registered agreements however have included a wider range of issues in areas such as work reorganisation labour/management
Conclusion

communication, team-work and training, although NSW agreements are in general still much less likely to address these issues than Federal agreements. However, in both state and federal jurisdictions it is noticeable that there has been a decline in the range and detail of substantive clauses intended to support stated objectives.

The implications of these changes for the future remains an open question. Enterprise bargaining has been advocated as a means of furthering industry restructuring and enhancing the process of micro-economic reform. The trend at present, although relatively small, is that objectives and provisions which support micro-economic reform are declining in number and detail. It may be that experience with enterprise bargaining has led to the view that it is not necessary to describe, in detail, the intentions of the parties. The requirement in early agreements to provide demonstrable productivity gains to comply with the Structural Efficiency Principle may also have lead to the inclusion of objectives and substantive clauses in greater detail than would otherwise occur. However, if the trend continues and reflects actual workplace concerns and practice, there may be implications for continued productivity growth through further changes in work practices.
ADAM Services

Customised reports
Subscribers may wish to obtain additional information quickly on issues of immediate concern. This information can be provided by commissioning customised reports prepared by ACIRRT. These reports will indicate the extent to which particular issues have been dealt with:
• in Federal, NSW and Queensland Agreements
• in particular industries.

These reports include
• tables
• brief descriptive commentary
• sample clauses of the issues examined.

The Breadth of ADAM
ADAM has information on over 800 different issues covered in enterprise agreements. These are grouped under the following headings:

• fundamental features of agreements such as
  - jurisdiction of registration
  - negotiating parties
  - industry of agreement
  - period of operation

• agreement objectives
• methods to achieve objectives
• flexibility arrangements: functional and numerical
• training and skills formation
• productivity and efficiency improvement measures
• quality and performance indicators
• termination, dispute settling and grievance procedures
• hours and flexible work arrangements
• shift work
• overtime
• wages
• juniors, traineeships and apprenticeships
• allowances
• leave entitlements
• change redundancy and severance pay
• employee representation and consultative arrangements
• superannuation and miscellaneous
• equal employment opportunity.

Further Information
To discuss your requirements and for an obligation free quote contact Brad Pragnell, ADAM Systems Manager (02) 519 9400 or fax (02) 519 9263