University of Sydney
AUSTRALIAN CENTRE FOR INDUSTRIAL RELATIONS RESEARCH AND TEACHING

PROGRESS OR DECLINE? RECENT DEVELOPMENTS OF WORKLIFE POLICIES IN SWEDEN AND AUSTRALIA

Olle Hammarström & Ruth Hammarström

ACIRRT Working Paper No. 14
July 1991
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Olle Hammarström and Ruth Hammarström

Rut Hammarström is a Senior Executive with Folksam, a major cooperative insurance company in Sweden. Olle Hammarström is Research Director of the Swedish Union of Technical and Commercial Employees (SIF). Both were Visiting Fellows in ACIRRT during 1991. This is an English version of the report to the Swedish Work Environment Fund.
PREFACE

Sweden and Australia are among the smaller industrialized countries, though large if measured by geographical area. Although they share a common historical background as raw materials-based economies, the two countries have developed different traditions. Yet there are now in each country many aspects of working life which share similar aims and aspirations. Both countries also have to solve some major problems in structural aspects of working life. This is one of the principal observations from our ten months' visit to Australia.

We were given the opportunity to study industrial relations and worklife policies in Australia in 1976-77 and returned for a second long-term visit in 1990-91. We have been Visiting Research Fellows at the Australian Centre for Industrial Relations Research and Teaching (ACIRRT) at Sydney University, and have been funded by the Swedish Work Environment Fund and the Swedish Institute. The main purpose of the visit has been to write about worklife, and particularly workplace reform in Australia, for a Swedish audience. But we also wish to share our impressions with interested parties in Australia.

This paper contains facts, analysis and reflections on development in worklife in Sweden and Australia. We are writing for Australians who are interested in the field and have some knowledge of Sweden and of Australia. We use material and sources from our main report, which deals with Australian worklife issues. Our sources drawn from written information, impressions from interviews, seminars, lectures and from discussions with friends and colleagues.

This paper is not a comprehensive comparative study. We merely reflect on some differences and some similarities, and the purpose is to describe the current situation in Sweden and to give ideas, raise points for discussion and inspire others to continue the debate.

We wish to thank all our friends, old and new, and helpful acquaintances who have offered their time and shared their views and experiences with us. In particular we wish to acknowledge the assistance of our host at ACIRRT, Russell Lansbury, as well as Bill Ford and Winton Higgins who gave a lot of their time and helped us to find other key persons who have assisted us in our work.

Ruth and Olle Hammarström
Sydney, May 1991
CONTENTS

PREFACE

ECONOMY, LABOUR MARKET AND INDUSTRY STRUCTURE 2

Background 2
Structure 2
Research and Development and Foreign Investment 4
Reflections 5

UNIONS, EMPLOYERS AND GOVERNMENT 5

Unions 5
Employers 7
Role of Government 8

WAGE FORMATION 9

Developments in Sweden 9
Trends in Wage Formation in Sweden and Australia 11

REFORM OF LIFE IN THE WORKPLACE 12

Developments in Sweden 12
Parallel developments in Sweden and Australia 13
Trends in the 1980s 14

MANAGEMENT STRATEGIES 15

Background 15
Comparing Management Styles between Sweden and Australia 16

SKILL FORMATION AND TRAINING 17

CONCLUDING REMARKS 19
ECONOMY, LABOUR MARKET AND INDUSTRY STRUCTURE

Background

Sweden and Australia have, over the last hundred years, both developed economies heavily dependent on raw materials. Australia began as a producer and exporter of agricultural products and later became an exporter of minerals. Wheat, wool and minerals are still the dominant export items. Swedish industrial development has been based on iron ore, water power and products from the forests. Since the second world war, however, the engineering industry has become the dominant industry in the manufacturing sector.

Today, both countries are advanced industrialised economies. The service sector is large and growing, the manufacturing sector important but shrinking in relative terms, while agriculture and mining only employ a small proportion of the work force.

Sweden has traditionally given high priority to employment policies and maintained a low level of unemployment. During the latter half of the 1980s unemployment has been below 2 per cent, but stands at 2.3 per cent in early 1991. Australia has traditionally enjoyed a shortage of labour and full employment. Yet it has experienced high levels of unemployment since the mid 1970s. During 1985-90 the unemployment rate has been in the 6 to 8 per cent range, and exceeded 10 per cent in early 1991. During the same period, inflation has been fairly similar in the two countries, around the 6 to 8 per cent per year. During 1990, however, the Swedish inflation reached 9 per cent, which was two per cent above the rate of inflation in Australia. The high inflation rate in Sweden is partly due to the effects of recent tax reforms.

Structure

The Swedish population is 8.5 million, or approximately half that of Australia. But the Swedish labour force is 4.5 million compared to 6.7 million for Australia. The difference is primarily explained by the high proportion of women in the labour force in Sweden and the fact that Australia has a higher proportion of young people. Some 22 per cent of the population in Australia is under 15 years of age compared to 17 per cent in Sweden. The Swedish population has been basically unchanged during the 1980s. The birth rate is low, and immigration is in the main limited to some 20,000 refugees per year. By contrast Australia is the fastest growing of the industrialized countries with a population growth rate of 1.7 per cent (compared with 0.5 per cent for Sweden) and a growth rate total employment of 18 per cent since 1980. The annual immigration rate during the second half of the 1980s has been 130,000. We found that these statistics were often overlooked in the discussion about economic progress in Australia.

The Swedish economy is distinguished by two main features: a large public sector, which often is referred to as the welfare state, and a large group of major Swedish-owned multinational companies in the private manufacturing sector. Government expenditure as a proportion of GDP is 62 per cent in Sweden compared with 34 per cent in Australia. Public spending is proportionally higher in Sweden on social security, welfare, health and education. These areas, in Australia, are privately funded to a larger extent than in Sweden. There is also a larger percentage of unpaid labour in Australia because of the lower participation rate for women. There are subsequently large differences between Sweden and Australia in regard to tax structures. Australians often refer to themselves as a high tax country. This is not correct if compared with the OECD average. Total tax as a
per centage of GDP is 57 per cent for Sweden, well above the OECD average of 39 per cent. Australia is at the low end of the ranking in the OECD statistics with a tax rate of 31 per cent.\(^1\)

The public sector represents a large part of the service sector in Sweden. The care of the young, the old and the sick is, to a large extent, organized as a public sector activity. In Australia this type of work is, to a high degree, performed unpaid at home or as private activities. In Sweden, women participate to a higher degree in the labour force. Some 80 per cent of all women in Sweden age between 15 and 64 years are in the labour force compared with 59 per cent of all women for the same age group in Australia.

The Australian service sector has a large proportion of the workforce engaged in tourism. Approximately 17 per cent of the Australian service sector is employed in the wholesale and retail trades, restaurants and hotels compared with only 10 per cent in Sweden.

The Swedish private sector is dominated by large multinational enterprises. Like Australia the overwhelming number of Swedish companies are small. However a small number of very large enterprises account for almost half the private sector employment as shown in Table 1, some 53 per cent of private employees in manufacturing industry work in companies employing more than 200 persons.

### TABLE 1

**MANUFACTURING INDUSTRIES IN SWEDEN AND AUSTRALIA (1988)**

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Sweden has about 20 international companies with well known brand names such as Ericsson, Electrolux and Volvo. The majority of Swedish multinational companies are in the engineering industry, particularly in the transport sector (cars, trucks, conveyers etc). However, some of the more recent and fastest growing multinational companies, like IKEA and Hennes and Mauritz, belong to the retail sector. Around 400,000 persons are working for Swedish companies outside of Sweden, twice as many as the number of Swedes

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1. These statistics are from the *OECD Observer*, June - July 1990.
working for foreign owned companies in Sweden. The majority of foreign owned companies operating in Sweden are medium sized companies owned by parent companies in other Nordic countries. Unlike the situation in Australia, very few of the large US and Japanese multinationals have any significant operations in Sweden.

Large Australian companies are primarily producing non-brand bulk products such as steel and minerals or are domestic oriented companies such as banks, insurance and retailing. The main Australian exports to Sweden are aluminium and nickel. Sweden is also a major purchaser of Australian wine and Systembolaget is the largest single customer to the Australian wine industry.

During the 1980s both Sweden and Australia have pursued industry policies aimed at developing "industries of the future" such as computer industry, biotechnology and industries based on new materials. The aim has been to develop new "knowledge-based" export industries. These policies has not proved particularly successful. The Australian economy is still predominantly based on the export of raw materials. Swedish industries have been more successful in forward integration and adding value to their traditional industries than in developing new industries. Steel companies have changed from basic steel to specialized steel, and pulp and paper companies have moved into consumer products based on paper. But there are very few cases of new large companies in Sweden which are built on totally new technology.

Full employment has been the overriding economic objective in Sweden for a long time. In the beginning of the 1980s unemployment peaked at almost 4 per cent. In 1983 unemployment started to fall and has been below 2 per cent during the later half of the 1980s. This has resulted in a considerable shortage of people in many regions and occupations. The shortage of people has lead to inflationary wage drift which has caused inflation to rise above the OECD average and well above that of Sweden's main trading partner, Germany. The fight against inflation has become a major government concern during the 1990s.

Research and Development (R & D) and Foreign Investment

The role of Sweden as host country for large multinationals has been, and still remains, a national asset from many points of view. It provides stability and government finds it easy to deal with large resourceful companies. But Sweden's dependence on large internationally-oriented companies has also become a problem. During the later half of the 1980s out-going investments from Sweden have increased dramatically. Several reasons lay behind this trend. One was that Sweden's relation to the European Community (E.C.) was unclear. In order to get maximum benefit of the expected effects of the inner market in 1992, companies decided to establish themselves within the E.C.

Another reason was related to the dominant management strategy of customer orientation. Customer orientation takes different forms in different industries, but a common trend is to produce goods closer to the market. It is therefore logical for many Swedish multi-national enterprises to expand their production capacity where their markets are rather than in Sweden.

Other reasons which led to large out-going investments were domestic problems such as shortages of labour, high labour costs and uncertainty about the energy and transport

policies. The high outgoing investments led to high interest rates which, in turn provided further disincentive for investment in Sweden.

Sweden's role as a home country for large multinationals also has implications for research and development (R & D) activities which tend to be located near the corporate headquarters. Sweden has a high level of R & D expenditure, and ranks among the highest in the world in terms of R & D as a proportion of GDP 3. Australia, which is primarily a host country for foreign owned multi-national enterprises, has a low level of private sector funded R & D expenditure. In Australia, this is mainly financed by government whereas R & D in Sweden is mainly financed by industry. The low level of R & D investment in Australia is also due to the fact that agriculture and mining traditionally have a lower level of R & D activities compared with advanced engineering companies. R & D expenditure in Sweden as a per cent of value added is 6 per cent compared with only 1 per cent in Australia. Approximately 15 per cent of Swedish export of manufactured goods are rated as technology intensive, compared with only 4 per cent in Australia.

Reflections

Comparing Sweden and Australia in the fields mentioned above, we conclude that while there are differences in terms of economic structure, unemployment and foreign investment, the two countries do share problems of high interest rates and a low level of investment in production capacity. Australian industry is strongest in agriculture, mining and tourism, whereas the strength of Swedish industry are in engineering and forest industries. Australia is reducing industry protection in order to force the manufacturing industry to become more competitive and to build a strong manufacturing sector which will attract foreign investment. Sweden has to expand its manufacturing exports to balance the cost of outgoing investments and is struggling to cope with the challenges of the European Community. Cost structures related to wages and interest rates are major problems in both the Swedish and the Australian economies.

UNIONS, EMPLOYERS AND GOVERNMENT

Unions

Trade unions developed late in Sweden and were still insignificant at the turn of the century, by which time Australian unions had already established themselves both industrially and politically. By the 1930s, approximately half of the blue collar workforce in Sweden was organized, a level which had been reached in Australia in the early 1920s. After the Second World War, union membership increased dramatically and since the 1970s Sweden has had the highest union affiliation rate in the world, with 86 per cent union membership. Union affiliation is almost as high in the white collar area as in the blue collar area. Unlike Australia and the majority of European countries, union membership in Sweden has not declined during the 1980s. But the unions have experienced recruitment problems throughout the 1980s, not least in newer areas of employment such as computing and consultancy. Union affiliation remains strong in the north of Sweden and in small and medium sized communities. Recruitment problems are particularly apparent, however, in the main urban areas of Sweden.

Sweden has three peak union councils: LO, TCO and SACO. The LO is traditionally the largest and most dominant organization with over 2.2 million members among the 20 affiliated blue collar unions. The LO unions are mainly organized on an industry basis and there is only one LO affiliated union per workplace.

The TCO is the peak council for 20 white collar unions with a total of 1.2 million members. The larger affiliates are organized on an industry basis (manufacturing, service, banking, local government etc) but there are also a number of unions based on professional groups such as nurses, journalists, teachers etc).

The smallest of the peak councils is SACO with 27 affiliated unions, it organises graduate employees on the basis of their academic education. The SACO unions have 325,000 members and include some self-employed professionals and student members.

The high affiliation rate of unions in Sweden has several historical explanations. One is that trade unions initiated the unemployment benefit funds in Sweden. These are now funded up to 90 per cent by government but are still administered by the trade unions. They are therefore seen as part of the trade unions' services and this assists recruitment of members. Another factor is the role assumed by unions during the long period of Social Democratic Party (SAP) government 1932-76. The close links between the LO and the SAP and the active role of unions in developing the welfare state have given the unions a high degree of social acceptance and standing in society.

The growth of the white collar union movement during the past two decades can partly be explained by the fact that there are separate unions for the white collar employees. It appears that these employees are easier to recruit to separate unions rather than to unions where they are a minority group in a union dominated by blue collar workers.

The LO and the affiliated unions have close links with the SAP and, like the ACTU, regard the party and the unions as two branches of the general labour movement. TCO and SACO have no formal political affiliations but seek support for their policies from all parties. TCO and LO often find common standpoints whereas SACO, which is generally led by persons associated by the conservative and liberal parties, often take different positions on issues.

Unions in Sweden and Australia have some common ambitions and policies. But there are a number of important differences in their backgrounds and traditions. Swedish unions have never achieved the same degree of control over work organization and job content as the Australian unions. In the so-called 'December Compromise' between LO and SAF in 1906, the LO acknowledged the employer's right to hire and fire and to manage production in return for the right for unions to organize. This contrasts with the Australian unions which have tried to control how work is performed through awards and agreements despite the strong tradition of managerial prerogatives which have been established within the arbitration system. The fact that industry unions became the dominant trend at an early stage in Sweden meant that they did not seek to preserve crafts and maintain demarcations in the same way as has been traditional among Australian unions. There is also a significant difference in attitudes towards productivity and international competitiveness. Australian unions developed an ideology of "labourism" at the turn of the century which included protection and arbitration. This meant a very weak relationship between wages and international competitiveness. Labourism has not been seriously reconsidered until the 1980s with The Accord and the ACTU-TDC report Australia
Reconstructed. By contrast the Swedish LO in the 1930s took the view that international competitiveness was paramount and through agreements in the 1940s committed the union movement to pursuing productivity improvement.

Swedish unions are better funded than Australian unions. Membership fees are in the range of 1.0 to 2.5 per cent of gross earnings. The white collar unions have lower fees than the blue collar unions. Like unions in Australia, Swedish unions enjoy government support for trade union training. Union training has a longer tradition and greater utilisation in Sweden compared with Australia. Approximately 10 per cent of the membership in Sweden takes part in some form of training annually. Swedish unions also have a more elaborate local union structure compared with Australia. The local branch of the Swedish union have an elected executive with an number of office bearers, including occupational health and safety representatives. Around 10 per cent of the union membership hold an elected position in their union. In Australia the average figure is around 3 per cent.

The union structure in Sweden appeared to be effective during the 1950s and 60s. But during the 1970s and 80s growing tensions indicated that the structure was less compatible with the emerging trends in working life. The demarcation between blue and white collar work was becoming increasingly blurred, with new technologies requiring an integration of operative tasks with planning and administration. The dimensions have traditionally been used to differentiate between the workforce in Sweden. This trend is reinforced by the desire to upgrade manual jobs and to offer more varied and qualified work to everyone. There are systematic efforts by blue collar unions to transfer tasks from the white collar areas to their members. White collar unions are not objecting to this development in principle. However, they insist on the right to recruit employees whose work is mainly concerned with administrative tasks. As white collar work offers better conditions in some respects, it is common for employees to want to transfer from the blue collar to the white collar union when the opportunity arises.

The traditional lines of demarcation between public and private sector are also changing as a growing number of public services are offered in private or cooperative forms. Privatisation and corporatisation, whereby public utilities are organized in the form of companies with limited liability, are strong trends in the public sector.

In Sweden, different unions have traditionally organized in the manufacturing and service sectors. These boundaries are also becoming increasingly blurred as manufacturing companies transfer some of their services such as cleaning, catering, computing and travel to separate wholly owned companies. Another trend is for manufacturing companies to offer services as part of their manufactured products.

Employers

There is one main employer organization in Sweden for the private sector, the Swedish Employers' Confederation (SAF). It has some 44,000 affiliated companies which employ approximately 1.3 million people. In addition to the SAF there are some smaller employer organizations covering banks, newspapers, state owned industries and cooperative companies. Companies affiliated to SAF are organized into 35 industry employers

5. Agreement on Joint Consultative Councils in 1946 and Agreement on Time and Motion Studies in 1948.
organisations. The largest is the Engineering Employers Association (VF), with members employing some 325,000 persons. The public sector employers are organized in three sectors, state government (Statens Avtalsverk) regional government (Landstingsförbundet) and local government (Kommunförbundet).

SAF and its affiliated organizations deal only with industrial matters. Another organization, Sveriges Industriförbund, represents the private industry in matters of industry policy, trade policy etc. SAF has traditionally had a strong position and, compared with its Australian equivalent, the Confederation of Australian Industry (CAI), has a much stronger authority over its affiliated companies. This can partly be explained by the fact that Swedish employers have a conflict or strike fund and compensate members involved in industrial actions. SAF can also fine members who enter into collective agreements outside of the guidelines issued by SAF.

During the 1980s, private employers worked towards a more decentralized bargaining structure. Since 1983, a number of industry wide agreements have been achieved and the scope for local bargaining has increased. In 1990, SAF went through a major reorganization. The number of SAF central office staff was reduced and the regional SAF offices were strengthened. Some SAF members service were organized as fee-for-services activities in separate companies. SAF decided to withdraw its representatives on a number of government agencies such as the Labour Market Board in which unions and employers have traditionally played a major role. Other bodies from which SAF withdrew included the Swedish Work Environment Fund and the Swedish Centre for Working Life. In February 1991, SAF announced an 'in principal' decision to no longer engage in central wage negotiations with LO or other union confederations.7

Role of Government

Industrial relations in Sweden is dominated by employers and unions while government has a limited role. There are no legal obligations to belong to unions or employers' organizations. Sweden has nothing like the Australian state awards system which brings all employers into the award through the concept of a common rule. The high rate of affiliation to unions and employers organizations depends not an law but of the ability of these organisations to service their members and the risks they run by not being protected.

Government has no formal role in collective bargaining. The government regularly tries to convince unions and employers to reach agreements within the limits of the government's economic policy. This is done through private and public discussions but the government can not intervene directly. Formally, the government can request parliament to pass special legislation. But this is a last resort and is not normally available to government for political reasons.

Sweden differentiates between conflicts of rights and those of interest. There are two public institutions available to assist with conflict resolution. The Labour Court handles conflicts of rights, that is conflicts over the interpretation of laws and agreements. No right of strike or lockout exists in these situations and the court can fine employers, unions and individual members.

Where there are conflicts of interest, that is over new collective agreements, there is the full right to pursue industrial action provided notice has been given (normally one week). A small government-run mediation office offers voluntary mediation services. This comprises one full-time mediator and 8 part-time mediators. With major conflicts, the government can appoint special mediators or mediation commissions.

During the later half of the 1980s, the Swedish wage bargaining system came under increasing strain and criticism. The common understanding between employers and unions gradually eroded as the employers attempted to break down the centralised bargaining system against union opposition to this move. Unions have agreed to greater scope for local bargaining, but they want to keep it within a centrally established framework. This has partly to do with the union concern about inflationary pressures which can emerge from localised bargaining. The unions' position is that they can only be party to wage restraint in a centralised situation. Employers are more concerned with providing scope for market forces than to fighting inflation. The government has been increasingly frustrated by the fact that an inflationary wage-price spiral has accelerated, while the parties have been unable to do anything about it. The government has tried various ways of establishing some form of social contract that would break the deadlock. A Nordic labour movement committee proposed a new tripartite bargaining structure in 1988. The proposal gained some support from the LO, but was totally rejected by the TCO and SACO as well as SAF. In February 1990, the government attempted legal intervention in a review of the existing two-year contracts. The proposition would have made wage increases above the set limit illegal, and a no-strike period was stipulated. However, the proposition was withdrawn as a result of widespread opposition and never reached parliament. A recent initiative from the government was the Rehnberg Commission, a special commission appointed to try to mediate a new bargaining structure. The Commission, which comprised senior public servants and former union and employer leaders, managed to find a solution for 1991 where the wage bargaining is complicated by a major tax reform. In a formal sense, the Rehnberg Commission is not very different from a mediation commission apart from the fact that it started its work well ahead of the 1991 wage round and had particularly strong support from the government.

WAGE FORMATION

Developments in Sweden

Since the 1950s Sweden has developed a tradition of centralized wage contracts supplemented by industry and enterprise negotiations, within a centrally agreed framework. Central agreements determine the wage cost increases incurred by employers and define the contract period during which no strikes are allowed. Local negotiations determine the distribution of wage increases within the centrally agreed framework. This system has always included a certain proportion of “wage drift”, that is, wage increases above the central agreement. The wage drift can occur as a result of local negotiations or as a result of a management decision to respond to market forces. Traditionally, wage drift in the private sector has been in the order of 15 to 25 per cent of total wage increases. During the latter half of the 1980s wage drift has increased. In 1989, wage drift was almost 100 per cent above the actually negotiated wage increase.

It is not only the increasing incidence of wage drift that has changed the wage scene in Sweden throughout the 1980s. Following a major strike and lockout in 1980, the SAF decided to break with the centralized wages system. SAF advocated a decentralized
model with industry bargaining as the first step, and enterprise or plant bargaining as the ultimate goal. This policy has been driven primarily by the largest industry wide employer association, the Engineering Employers Association (VF). They have not given SAF a mandate to bargain on their behalf since 1983. This move towards decentralization has been resisted by the trade unions. While the unions acknowledge the need for more local influence over wages formation, they argue that the fight against inflation is more important. The unions maintain that they can only exercise wage restraint in a system where there is a centralized agreed framework within which the local negotiations can proceed. Another major concern of the union movement is to maintain their solidaristic wages policy.

The employers have, in the main, been successful in introducing a more decentralized wages system. Apart from wage drift, the employers have introduced various forms of incentive payment systems. It is estimated that 30 to 40 per cent of private sector employees participate in some form of incentive payment system. Traditional piece rate systems are becoming less frequent. However, bonus payment systems, which are related to performance or profits, are growing. These systems are usually locally designed and no common model exists. The incentive pay is normally in the range of 5 to 10 per cent of total pay. The majority of systems are paid out monthly or yearly, but there are also profit sharing systems that are payable on retirement. The latter systems are often combined with employee shareownership systems where profits are invested in company shares.

Another new feature in wages area is employee share ownership schemes. They have flourished since the early 1980s and more than a quarter of the employees in companies quoted on the Stockholm stock exchange are currently covered by these systems. However, employee share ownership schemes are not formally part of the wage structure, as the company’s money is not directly involved. Rather, it is an arrangement between the old shareholders and a group of new shareholders, the employees. Most systems operate in the following manner. The company arranges for a bank to lend money to the employees who wish to participate. The employees pay normal interest on the loan. The employees then lend the money to the company at a slightly lower (usually one to two per cent) interest rate. The loan is convertible and gives employees the option to convert the loan to shares after 3 or 4 years at a fixed price. This is generally 25 per cent above the current price. If the shares increase in value, the employees stand to gain a profit. At the time of conversion the employees can either sell all shares and repay the loan or retain all or part of the shares. The system is designed to give an immediate incentive to the employees as well as encourage employee share ownership. The rationale for the old shareholders is that the hope that it will encourage a more dedicated and enthusiastic workforce.

All of the novel elements on the wages scene, wage drift, incentive payment systems and convertible loans are designed to introduce incentives to work harder and to foster closer relationships between the company and its employees. There has been considerable union scepticism and sometimes resistance towards these systems. Some unions support incentive payment systems, but others prefer individually bargained wages or wage scales. Many unions suspect that these systems will undermine union solidarity and the willingness of employees to join and take an active part in unions. So far there is no evidence to support these fears. Union membership, currently at 86 per cent, has not declined in Sweden. Despite major recruitment problems in some areas, such as the high technology industries, there is no substantive evidence of a lower level of support for unions or union activities, caused by the new payment systems.
Trends in Wage Formation in Sweden and Australia

Sweden and Australia share a tradition of centralized bargaining. The Swedish system, however, has always included an element of local bargaining in the private sector, and during the 1980s this has spread to the public sector. Some aspects of local bargaining has always existed in Australia, through over-award payments in some of the more profitable sectors and where unions have strong bargaining power.

A significant difference between the two countries, however, is that in Sweden unions and employers have dominated the industrial relations scene. In Australia the industrial tribunals and the award system have been prominent feature of the industrial relations scene.

Nevertheless, both countries have experienced a strong trend towards local wage formation in the last decade. In each case, the development has been primarily driven by the employers. In Sweden, the unions have tried to retain a certain degree of centralized control. The dominant union view is that the central agreement should set a framework for local negotiations. This is in order to avoid strong influences by market forces in local bargaining. Unions also hold the view that unions can only participate in wage restraint through centrally controlled bargaining.

In Australia, the unions have assumed a dominant role in the wages policy. Through the Accord, the unions have gained strong influence over the wage setting process. The economic problems of the nation have made real wage improvements difficult to attain. Instead, the unions have taken a broader view and used the situation to improve the social wage and to assist in restructuring industry. What is impressive about the Accord and the subsequent development of the structural efficiency principle and award restructuring, is that wage formation, industry restructuring and workplace reform are linked together in a unique way. Through its initiative, the ACTU has turned the industrial relations structure, traditionally regarded as a major hindrance, into a vehicle for reform. The experience of recent developments in Australia indicates a readiness of unions to change their traditional behaviour. While this is a clear trend at the central union level, it remains to be seen whether the unions can establish the same attitude on the local level.

By contrast, it seems that the Swedes, while internationally praised for their industrial relations during the earlier decades, have not yet managed to renew their system or to find one that is mutually acceptable to unions and employers.

In the 1988 and 1989 National Wage Cases, the Australian Industrial Relations Commission accommodated the Accord propositions and have focussed their decisions on productivity related wage increases. By contrast, the April 1991 National Wage Case Decision has been opposed by both the federal government and the ACTU, creating a period of instability in industrial relations.

Enterprise bargaining is a term which is frequently discussed. Yet there is considerable confusion as to what it actually means. In general terms, there are four levels of wage setting, all of which are related: national, industry level, company and plant levels. "Centralized" appears to mean the first two, and "enterprise" the last two. In Sweden, "local" usually means company level. In a local agreement it is common to define decisions can be taken at what level in the bargaining structure.
The Australian Industrial Relations Commission and the award system has often been conservative influences in Australian industrial relations. If unions and employers agree to move towards enterprise bargaining the role of the Commission may diminish in the future. It seems appropriate that the role of the Commission should be reduced and that unions and employers will be required to take a more direct control over industrial relations. But this means that the unions will need to have greater resources not only at the national level but also at the local level. The tradition in Sweden is that the unions build up their own research departments so that they are able to deal with complex matters such as enterprise and industry-wide bargaining. There are also trade union consultants who operate at the local level. This type of development would be useful in Australia.

REFORM OF LIFE IN THE WORKPLACE

Developments in Sweden

Worklife reform became a major issue in Sweden in the 1970s. Increasing union concern occurred during the 1960s about the deterioration of working conditions, monotonous jobs in rigid and fragmented types of work organization. A major program was developed by LO and TCO which included legal reforms, massive training efforts and collective agreements as the main ingredients. The reforms had a dual focus. They aimed at reforming the individual's daily lives on the job through changes in work organization, as well as providing for collective influence by employees through their unions.

The legal reforms included security of employment, occupational health and safety, trade union rights, union representation on company boards and a revised industrial relations act. The Act on Joint Regulation of Working Life 1976 expanded the traditional role of unions beyond bargaining about wages and conditions. The unions were given full rights to company information, as well as extensive consultation rights. Management was not allowed to change any part of the operation of significance to the employees without prior consultation with the local trade unions.

The new laws were designed as framework laws, intended to be supplemented by collective agreements to regulate the procedures for union-management cooperation. The union strategy included supplementing the new industrial relations act with collective agreements that would expand the union rights beyond the act. Some progress was made in the public sector but, in the predominantly private SAF-sector, it took until 1982 before an agreement could be reached. The negotiations were characterised by high union ambitions following their success with the legal reform program. But the unions were confronted by strong employers resistance, fuelled by economic recession and the changing political climate of the late 1970s and early 1980s. In 1976, the Social Democratic Party lost the election and, for the first time in 44 years, a non-socialist government was formed in Sweden.

The return of the Social Democrats to government in 1982 coincided with a new epoch of labour-management cooperation. The reform efforts of the 1970s had led to increased union activity at the level of the workplace. Despite the union's disappointment over their lack of real power over decisions, union involvement in managerial decision making had improved considerably. Union board representation and rights to information and consultation made a significant difference compared with the situation in the 1960s. But

the reforms did not filter down to the daily life on the job in any significant way. Work organization was still very much an outcome of managerial considerations rather than trade union policies to stimulate and develop work content. A new generation of labour-management cooperation was initiated in the form of joint development programs, research and experimentation. These programs did have some impact. But with the economic upturn that followed the devaluation of 1982, managerial strategies came to again dominate the workplace. Significant elements in these strategies were corporatisation, decentralisation, increased flexibility, capital rationalisation and customer orientation. The managerial thinking included many of the demands that were expressed by unions in the 1980s. While it is fair to say that some of the union policies of the 1970s were introduced in the 1980s, they were the result of management rationalisation rather than concessions to union demands.

Parallel developments in Sweden and Australia

Worklife reform in Sweden and Australia have several common elements. Socio-technical systems theory, developed by the Australian social scientist Fred Emery, has had significant influence on work reform in both countries. Swedish reform policy was a major source of inspiration for the Whitlam government in the years 1973-75. Sweden and Norway pioneered worklife reform in the 1970s, and the developments in South Australia under Don Dunstan can be seen as an example of a reform initiative which was heavily influenced by Scandinavian thinking. The Trade Union Training Authority (TUTA) was one of the most significant worklife initiatives under the Whitlam government. TUTA was partly modelled on Swedish trade union training experiences. It boosted trade union training in Australia, though it has not yet reached the volume of training organised by the Swedish unions.

After the fall of the Whitlam government in 1975, workplace reform was linked more directly to productivity. A strategy of tripartite consultation was pursued under Ian MacPhee, the Minister for Productivity and later for Industrial Relations in the Fraser government. Apart from a few shining examples, nothing much came out of these reform initiatives. The return of Federal Labor to government in 1983 brought new initiatives in workplace reform. The first Minister for Industrial Relations, Ralph Willis, expanded board representation by union officials in some government instrumentalities and joint consultative councils in the public sector. After several years of deliberation, however, the government decided to adopt a voluntaristic policy and not legislate for industrial democracy in any prescriptive form. The main pressure for change during the early years of the Hawke Labor government came as a product of the Accord. The Accord was originally mainly a trade off between wages and social benefits as an element in economic policy during a difficult financial and economic period. But as the Accord developed it became clear that the economy depended on an improvement of the manufacturing industry. This required micro-economic reform, which included workplace reform. The Accord agreements since 1987 have linked workplace reform with industry reforms in a forceful way. It has sought to reform life on-the-job in Australia, while simultaneously improving productivity and performance of Australian industry.

A common element between Sweden and Australia is the recognition of the importance of reforming of the way work is organised. Workplace reform in Sweden was initiated as part of policy on industrial democracy. Improved health and safety was a major concern, but the main arguments for reform were idealistic. Proponents of work reform took their inspiration from political democracy and humanitarian values. Workplace reform was attempted in Australia along the same lines in the 1970s but with very little success. The
political support was weaker and there was never the strong union backing for workplace reform as was the case in Sweden. Australian unions were locked into limited horizons by craft boundaries and traditions. They were also limited in their resources and without systematic contacts with worklife researchers. They found many of the ideas alien and threatening or even irrelevant to their main concerns: the struggle for improved working conditions and wages.

Trends in the 1980s

During the 1980s the picture changed. In Sweden the unions lost the control over the major debates in society. Employer values, based on competition and individual opportunities, dominated discussions. Traditional union values, such as solidarity and common solutions, have been pushed in the background. During the 1970s, Swedish society was dominated by a debate based on vision and political will. During the 1980s, the debate has been based primarily on what has to be done in order to cope with market forces, the European Community, energy policy etc. Workplace reform is now primarily linked to efficiency and productivity and is therefore regarded as representing more the employer agenda rather than the union policies.

By contrast, Australia has seen the unions taking the major initiatives. The Accord of 1983 and the subsequent publication of Australia Reconstructed in 1987 represented major shifts in union positions. The new 'strategic unionism' brings together, in a integrated way, major problems for society as a whole (such as economic growth, export and productivity) with important union interests (such as social wage, training, improved work organization).

Australia has more of a common union-employer agreement on the structure of the wage formation system. Although the Accord has so far been an agreement between the ACTU and the ALP, it has became a principal element in the award system through the arbitration tribunals. During 1991, two major employer organizations: the MTIA and CAI, indicated their interest in participating in the next round of Accord discussions. Unions as well as employers agree that wage formation should be determined to a greater extent at the local level and be linked to productivity and economic performance of the enterprise of industry. There are, however, different views regarding the extent of the local control and the relationship between enterprise, industry and national level of wage determination. The role of the Australian Industrial Relations Commission in the future is also an issue of contention, particularly since the National Wage Decision of May 1991.

Developments during 1980s have also seen worklife issues related to other policy areas in an integrated framework. Trade and industry policy is increasingly linked with wage policy and workplace reform. Training and education has been given a central role in the current discussions. The youth training system is being reviewed and it seems possible there will be moves towards a national educational system rather than the present system which is often dominated by differences between states. The role of adult education and continuous skill formation have at last been recognised as major policy issues, which are of critical importance to the economy. Many new initiatives relating to training and education have been taken with the establishment of skills centres, new forms of apprenticeship training and traineeship schemes. The reforms include changes in the structure of training institutions, new provisions for the funding of training, and measures to influence union and management attitudes to training. Particularly significant is award restructuring. Award restructuring includes new award structures with fewer and more broadly defined job categories. A major element is the introduction of career paths. The old award and training systems discouraged or prevented employees from learning new skills. Award
restructuring provides incentive for all employees to learn more, both on the job and off the job, and thereby achieve pay increases related to skill and productivity.

The existing framework for workplace reform in Australia is also very promising. The federal government has identified the major obstacles and formulated a reform strategy which includes major incentives for both employers and employees. In February 1991 a major conference was held on workplace reform, entitled *Designing the Future*. The conference attracted some 700 participants including 70 overseas visitors. The conference had an unusual and original design and a large proportion of the participants were union-management delegations from individual workplaces. The conference was the initiative of a small group of enthusiasts, but they managed to muster a remarkable amount of institutional and financial support for the event. The success of the conference signifies the prominent role of workplace reform in Australia today.

One of the major differences between the current reform program in Australia and previous attempts is that the workplace reform program is now integrated into a policy framework, which includes micro as well as macro issues. It also is linked to changing the traditional award and arbitration systems.

The links between wages policy and workplace reform mark a significant difference between Australia and Sweden. During the 1970s the Swedish trade unions made a point of not mixing the "new" industrial relations issues with the "old" issues of wages and conditions. The new policies were not meant to interfere with the old system, which was seen as rational and effective. When the employers, perhaps partly as a result of the success of union policies in the 1970s, decided to change the wages system in the 1980s, the unions made no connection between the two sets of policies. The effect was that the struggle over wages policy took its own course. The wages issue was dominant and workplace reform was given a lower priority. It therefore declined in significance.

**MANAGEMENT STRATEGIES**

**Background**

Managers all over the world are currently involved in strategic challenges. Some are moving manufacturing to new places in search of lower costs, others are rationalising product lines and are introducing quality circles and Just In Time (JIT) production systems. In the growing service sector, the emerging focus is customer or client services. Many service companies (both private and public) struggle with the balance between cost effectiveness and the quality of service.

These trends are universal in the industrialized world, of which Sweden and Australia are part. The main trends and methods come from USA, and many managers draw their inspiration from the same sources. One example is the recent discussions on strategies and competitive advantages which draw heavily on the writings of Michael Porter from Harvard University. In the following section we concentrate on some of our impressions of management strategies, thinking and attitudes in Australia and Sweden.

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Comparing Management Styles between Sweden and Australia

Cost of labour: Sweden and Australia are both high labour cost countries. But management has chosen different ways of responding to this problem. While the Swedish industry seeks areas where it can compete with qualified labour and technologically advanced products, there is a tendency in Australia to compete in areas where cost structures create major problems. The tradition of protection and high customs in Australia has encouraged many managers to think in this way. While there is an emerging awareness of the need to find markets and products to match the cost structure, there are still many managers who talk in terms of "cheap labour" instead of finding a competitive advantage which requires higher skills.

Internal versus external orientation: In most management literature there is discussion about the internal versus the external orientation of management. Often the external orientation is recommended and internal management orientation is regarded as hazardous. But the issue is more complicated. First, the external orientation can have different directions. One direction is towards the legislation and the formal conditions of the industry. Another is towards the competitors and companies producing or providing the same or similar goods or services. Second, the internal orientation can be narrow and shortsighted. But it can also be innovative and looking for opportunities using existing resources. Our impression is that the discussion in management circles in Australia deals a lot with the macro perspective; that is, the rules and the conditions for the industry. Examples are the manufacturing sector lobbying for protection and the mining industry lobbying for new mining rights. Swedish management have a long tradition of being "production" oriented. The most common background among the managers of major corporations is in engineering and have a natural interest in production and production problems. It is common for Swedish managers to have both business administration and engineering qualifications. By contrast, top managers in Australia seem to have limited involvement in internal production issues. In many cases we get the impression that managers have left the field of internal management because of complex industrial relations problems. Rather than addressing these problems, they leave it to the 'experts' and devote their time to external issues.

Service management: Recent thinking in Scandinavian management thinking has been formulated in terms of 'service management'. In a service organisation, the production and the consumption of the service occur at the same time. Every single activity can therefore be related to the moment where the customer interacts with the organisation. The whole organisation has to be focussed around these occasions and all activities must have this direction. In practice, this means that customer service, and service in general, get a higher priority in the company. The manager's role is to arrange the resources in such a way that the production/consumption link is as positive and as efficient as possible. It also leads to formulating roles for different departments and areas in terms of external and internal customers. Every activity in a company has a customer and the challenge is to service that customer well and efficiently. In many Swedish organisations, this way of thinking has also lead to unifying of different interests in an organisation. Many companies in service industries like banking, insurance and retailing are big organisations where a major problem for management is to find common goals in terms other than simply profits and returns. The customer focus is something that all parts of the organisation, at least theoretically, can agree on. One company which has developed a service management philosophy and practice is Scandinavian Airlines System (SAS). Our impression is that customer orientation and integration of service in the business strategy is less common in Australian. But our impression also is that there is a growing interest in this area. Another
more subtle observation is that the service concept is more complicated in Australia. The tradition of "mateship" is strong and there seems to be a tendency of extending the mateship concept to the producer-customer relationship.

**Participation:** The internal orientation in Sweden also led to a tradition of consultation and cooperation. We have described the different traditions in Sweden and Australia in other parts of this report, and we think it is important also in the context of management thinking. Even if Swedish managers strongly opposed the legislation on co-determination in the late 1970s, there is (and has been since the second world war) a tradition of consultation which has a major impact in the way work is carried out. The influence of this tradition can be seen not only in the direct consultation process, but also in the way that managers and employees appear to be closer and more aware of common interests to solve problems. A strong production orientation, combined with the recognition of the need to be internationally competitive, has been a common ground for unions and management since the 1930s. This is in sharp contrast to the Australian tradition of low level of union-management at the company level cooperation and a union tradition of pursuing the interest of labour with little regard for the interests of overall production. It is fair to say that cooperation with the local unions is an important part of overall management strategy in Sweden, whereas it is relatively uncommon in Australia.

**SKILL FORMATION AND TRAINING**

The Swedish education system is based on a nine years in the general school (which is compulsory) and a two to three years in the upper secondary school (gymnasium) which offers both general education and vocational training. Traditional apprenticeship training still exists in several trades, but the main part of vocational training is done in the gymnasium. The school retention rate is higher in Sweden, with 90 per cent of students completing gymnasium compared with 61 per cent who complete year twelve in Australia. Another indication of the greater emphasis on vocational orientation in Sweden is the fact that 75 per cent of post general school places are in vocational areas compared with only 20 per cent in Australia.¹⁰

During the 1970s, a comprehensive system of adult education was developed in Sweden. An important element in this system is labour market training. This is an important part of the Sweden's active labour market policy. The objectives of this policy are to minimize the number of people receiving cash benefits for unemployment and try to offer either relief work or training. Other important aspects of adult training policy are a broad based program of general introduction to computers, which was launched in the mid 1980s, and special training funds which were established 1988. A law was passed in 1988 which requires that 20 per cent of company profits before tax that year had to be set aside in special accounts which can only be used for training and research. The money could not be spent unless a program was agreed to by both the local unions and the employer. This reform strengthened management - union discussions about training and will hopefully have implications even after the funds have been exhausted.

Vocational training and skill development have been at the centre of debate on worklife in Sweden during the past few years. Virtually all conferences and congresses have "competence development" on the agenda and policies relating to technological

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development, work organization, business strategy and productivity all emphasise the importance of training.

Two major issues have become central to the debate on training. One is the question of how much training is required? Several unions have tried to negotiate agreements specifying minimum amounts of training for the individual. Commonly, unions seek an average of two weeks training per year for their members. Employers do not disagree about the importance of training, but have been very reluctant to commit themselves to any definite time period. They argue that training needs differ from company to company and from one time to another. A common experience is that in boom times everybody is in favour of training and the funding is available, but no one has time to take part in training. When business is in decline there may be ample time for training but no money is available. Some form of funding is therefore required that can overcome these problems.

In Sweden, the general rule is that training required as a part of the job is paid for by the employer. Training for promotion to another job in the company is also often supported by the employer. It is common that the employer pays part of course fees and offers some hours per week of paid time for training. For education outside of the area of interest to the employer, there is a legal right of leave for training and a general study grant may be provided by government. The study grant is particularly aimed at persons with a limited basic schooling, although this right has been exercised more by white collar employees.

The training system in Sweden has traditionally comprised public schools run by local governments, labour market training conducted by the Swedish Labour Market Board, (AMS) non-profit study organizations established by unions or political parties and private training institutions. During the 1980s, a number of changes were introduced. The labour market training is now under the jurisdiction of a separate organization, the Labour Market Education Board (AMU). This organization sells its services to AMS as well as on the open market. Local government schools and the non-profit study organizations are also changing their orientation and is trying to compete on the growing training market. These organizations are primarily focussed on basic education and offer standardized training courses. The smaller private training providers are primarily offering high level, tailor made training for specialists and managers.

Another problem has emerged in the relationship between education and on the job training. There is a considerable knowledge about how to identify training needs and how to plan and conduct training in traditional ways. This type of training is well developed in relation to functional skills. What is less well understood is the transfer of skills, which can only be achieved through practical work and on the job training. This is partly related to social and strategic skills. These two types of skills often constitute a major part of a company business strategies or goals. A company cannot hope to achieve its strategic goals unless a large proportion of its employees have a good understanding of the company's business strategy. This understanding should not be limited to a passive knowledge, but include an active understanding which allows the employee to act in line with the company's strategy in day-to-day situations.

As in Australia, there is considerable debate about the relationship between training and wages in Sweden. In some cases the relationship is direct and wages are increased upon an individual completing specified training activities. But it is more common to rely upon an indirect relationship, where pay is related to job content and performance. It is only when training is translated or applied to performance that rewards are achieved.
CONCLUDING REMARKS

Sweden and Australia have different backgrounds and traditions but are currently facing similar problems. The two countries have many similar aims and aspirations. Active labour market policy, a growing commitment to education, and continuous training linked to changes in work organization are common trends. These characteristics are evident in the policies of the national governments and the trade union movements in each country.

However, the legal framework and the policies and aspirations of management and employer organizations have less in common. Furthermore, Swedish laws and legal traditions leave more degrees of freedom and responsibility to employers and unions and involve less direct intervention by government.

In our view, Swedish labour market currently has two major weaknesses. One is the lack of common agreement regarding how wages should be determined. This disagreement has led employers to engage in a number of activities that have fuelled inflation far beyond what is healthy for the nation. It is obvious that employers are giving a very high priority to increasing wage differentials and changing wage relativities. At the same time, however, they are paying less attention to total wage costs. These priorities are linked to the economic situation in Sweden during the second half of 1980s, which was characterised by high profits and over-full employment. The economic downturn during the 1990s may pave the way for a new agreement on bargaining structures.

The other major weakness in the Swedish situation is the lack of integration between wages policy, as a part of economic policy, and workplace reform. The reform programs of the 1970s provided a good foundation. But the reform strategy was dislocated by the political changes and the economic downturn during 1976 - 82. Since then no comprehensive strategy has been developed either by the government or by the trade union movement. Reform initiatives relating to technological change, education and training, and work environment have been well-intended but, in the absence of a integrated policy, the long term outcome is uncertain.

By contrast, policies pursued by the Australian labour movement with the Accord, award restructuring and industry policy have provided a useful framework. The question is, however, whether there are enough administrative and operational skills at the workplace level to execute the policy. There is reason for concern regarding the gap which exists between policy rhetoric and local operational ability in Australian.

Ironically, one may say that in many ways Australia has developed an appropriate policy framework at the national level in recent years, but still lacks the means to implement that policy at the workplace level. By contrast, Sweden has effective workplace practices but currently lacks a coherent strategy at the national level.
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