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**RECENT TRENDS IN INDUSTRIAL RELATIONS AND**  
**HUMAN RESOURCE POLICIES AND PRACTICES:**

**THE AUSTRALIAN EXPERIENCE**

**Russell Lansbury and John Niland**

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HUMAN RESOURCE POLICIES AND PRACTICES:  
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## INTRODUCTION

Australia has traditionally been viewed as having a centralised system of industrial relations. Yet, in common with most industrialised countries, Australia has been subject to strong economic, social and political influences in recent years, which have had a marked impact on traditional structures, policies and practices. Pressures for change have focussed particularly on industrial relations and significant measures have been taken to encourage greater flexibility at the enterprise level, albeit within a predominantly regulated system. Unlike many other market economies during the past decade or so, Australia has maintained a form of incomes policy through an agreement between the federal Labor government and the trade union movement, known as the Accord (Lansbury, 1985). At the same time, however, the industrial relations system has become more decentralised without the degree of labour market deregulation which has characterised many other industrialised countries.

The argument advanced in this chapter is that the Australian system of industrial relations is in transition towards a less centralised approach and that, as might be expected, developments are uneven across various sectors of the economy. The system could not be described, at this stage of the transition process, as having undergone a complete transformation, although the past five years have witnessed significant changes. As in many other comparable countries, Australia has faced increasing international competition which has exposed serious structural weaknesses in the economy. A decline in the nation's terms of trade, a growing current account deficit and chronic foreign debt have acted as catalysts to wide-ranging reforms. Deregulation of the financial markets and other areas of economic activity has drawn attention to perceived rigidities in the labour market and other aspects of the industrial relations system. Yet the labour market institutions have proved to be remarkably resilient, despite widespread criticisms of their operations. However, recent trends towards greater enterprise bargaining by employers and unions, reinforced by legislative support from governments of both political persuasions, may yet result in a profound transformation of the system. For the time being, however, the dominant trend has been towards a process of 'managed decentralism' (Evans, 1989).

The centralised character of Australian industrial relations has been achieved through a network of arbitration tribunals, which exist at the federal level and in all six states of the Commonwealth, and which have quasi-judicial status. Throughout the period since 1904, when the federal tribunal (now known as the Australian Industrial Relations Commission) was established, the predominant forms of dispute settlement and wage determination have been conciliation and arbitration. More than 80 per cent of the Australian workforce are covered by awards of arbitral tribunals which set out the terms and conditions of employment. Yet collective bargaining, of a particular Australian variety, does occur within the conciliation and arbitration system to quite a marked degree. This has caused

some observers to remark that the Australian system might more accurately be described as a hybrid of arbitration and bargaining.

Another feature of Australian industrial relations is the relatively high level of unionisation. The establishment of the federal arbitration system in the early years of this century encouraged the rapid growth of unions and employers' associations. By 1921, approximately 50 per cent of the Australian labour force were unionised and a peak of 65 per cent was achieved in 1953. However, union density has suffered a decline in recent years and had fallen to 41 per cent (45 per cent of males and 35 per cent of females) by 1990. In the private sector, unionisation is now less than 30 percent. The deterioration in union coverage has sparked a vigorous debate on reform of the labour movement and the current strategy pursued by the ACTU is to create fewer but larger unions, organised along industry lines (ACTU 1987). Union organisation in Australia, however, continues to be comparatively weak at the workplace level, reflecting the reliance of many unions on the arbitration system to achieve their objectives (Lansbury and Macdonald, 1992). In contrast to the ACTU's strategy of pursuing mergers of existing unions to create larger industry-wide unions, opposition parties and employer associations have advocated the formation of enterprise-based unions (BCA, 1989).

Employers were initially hostile to the establishment of the (then) Commonwealth Court of Conciliation and Arbitration in 1904 since it forced them to recognise trade unions registered under the relevant Act of Parliament. Despite their initial opposition to the system, however, employers subsequently discovered that they could use the arbitration procedures to their advantage (see McIntyre and Mitchell, 1989). However, it has been argued that the employers and their associations 'vacated centre stage to unions in determining the structure of awards and the patterns of bargaining' during this early period, because their energies were directed mainly at opposing arbitration rather than shaping the structures which emerged from it (Plowman and Rimmer, 1992, p.134).

The Australian situation thus became one in which the state imposed union recognition on employers but limited the role of unions to seeking improvements in 'industrial' matters. This has largely remained the case until the present time, so that reform of industrial relations structures has been initiated by the state rather than by the bargaining partners. Under the current federal Labor government, however, the ACTU has played a dominant role in recent legislative reforms. Although various employer organisations have expressed views about the directions for change, they have lacked a single unified voice to match the ACTU and have thereby proved less influential in achieving their desired reforms.

The past decade has been a period of significant change in industrial relations and human resources policies and practices in Australia. There was considerable economic turbulence during the 1980s with uneven progress in attempts to reduce high levels of inflation and unemployment. Australia elected a Labor government in 1983, which is still

in office, as the longest serving Labor government at the national level since federation in 1901. Strong economic growth from the mid to the late 1980s enabled the labour market to expand and levels unemployment were reduced. However, deteriorating economic circumstances, including severe balance of payments deficits, caused the consumer price index to rise to 8 per cent in 1989-90. During the early 1990s the government reacted by tightening fiscal policy, thereby achieving lower levels of inflation but, in turn, creating a sharp downturn in the economy, causing real wages to decline and unemployment to rise above 11 per cent. Both the rate of wage increases and days lost through industrial disputes continued to decline, the latter being the lowest for several decades (Beggs and Chapman, 1987).

Economic outcomes were strongly influenced throughout the past decade by an Accord on wages and prices, signed by the Australia Labor Party (ALP) and the ACTU just before the election of Labor in the federal election of March 1983. The original Accord envisaged the Labor government's support for full wage indexation in return for the union movement pledging to make 'no extra claims' for wage increases. Although the Accord has been modified a number of times since 1983, as a result of negotiations between the ACTU and the Labor government, the terms of the agreement have been honoured by the unions. There has been little movement in wages beyond the national pay rates determined by the Australian Industrial Relations Commission. Following a severe economic crisis in 1985/86, which saw a dramatic fall in the exchange rate of the Australian dollar and an accompanying stimulus to inflation, the ACTU agreed to abandon its demands for full wage indexation after negotiations with the federal government. This ushered in a new era in which a 'two tier' wages system was introduced by the Australian Industrial Relations Commission in the National Wage Decision of March 1987.

Following a lengthy national wage case, the Commission promulgated a new set of wage determination guidelines which ended the indexation system. The new guidelines provided for wage increases in two tiers. The first tier provided a \$10 wage increase for all affected workers and the possibility of a further 1.5 per cent increase in October 1987. The second tier, with an increase of up to 4 per cent, was conditional on improvements in work practices to achieve greater efficiency and productivity. The significance of the March 1987 Decision was that it promoted a productivity bargaining element which was based on unions and employers agreeing to minimise costs through the removal of inefficient and restrictive work practices. According to Niland and Spooner, an important component of the decision was the understanding that 'such efficiency (had to) be sought at a decentralised industry and enterprise level' (Niland and Spooner, 1991, p.153).

The National Wage Case Decision of August 1988 continued the process of reform. It introduced the Structural Efficiency Principle whereby wage increases were granted only if unions and employers pursued 'restructuring and efficiency'. The Decision provided for a 3 per cent wage increase to be paid not earlier than 1 September 1988 and a further \$10 a week no earlier than six months after the receipt of the 3 per cent. The granting of

these increases were made conditional upon unions making a commitment to formal reviews and/or restructuring of their awards, taking into consideration such issues as skill-related career paths, wage relativities, flexibility and any cases where award provisions discriminated against sections of the workforce. The Decision reinforced the central role of the Commission while also supporting moves towards the establishment of enterprise agreements between employers and unions.

In the next major National Wage Case Decision of August 1989, the Commission reviewed progress under the Structural Efficiency Principle. The Commission made it clear that the second instalment of the structural efficiency adjustment would only be available if it was satisfied that the principle had been properly implemented. The Commission also re-affirmed that in restructuring their awards, unions and employers would be required to 'improve the efficiency of industry and provide workers with access to more varied, fulfilling and better paid jobs'. (Macken, 1989, p.142)

In the National Wage Case Decision of October 1991, the Commission further refashioned the principles governing wage policy to encourage enterprise bargaining. This was another major change in the direction of a more decentralised approach to industrial relations. The Federal Minister for Industrial Relations explained the government's support for enterprise bargaining, despite previous caution on this matter, as follows: 'Encouraging and facilitating more bargaining at the workplace level is a logical extension of (the) reform process... Such bargaining must be done freely and jointly, however, and in ways which do not damage the public interest'. (Cook, 1991)

Although the Commission had earlier expressed reservations about the ability and maturity of the parties to effectively engage in enterprise bargaining, it reluctantly agreed to such a development occurring and issued a series of principles to be followed. In the words of the National Wage Case Decision of October 1991: 'In all the circumstances confronting us, we are prepared, on balance, to determine an enterprise bargaining principle. In deciding the best way to proceed, we have taken account of views of the parties and interview and the need to limit the risks inherent in the approach chosen'. (National Wage Case Decision, 1991b, 6)

Currently, Australia appears to be in transition from an industrial relations system which was one of the more centralised of the market economies to one of a dualistic character. While the majority of unions and employers remain in the more highly regulated area of arbitrated awards, an increasing minority are moving towards a more decentralised bargaining approach at the enterprise level. In keeping with its Accord commitments, the federal government has ensured that all enterprise-based agreements continue to be subject to some scrutiny by the Commission, although special amendments to the Industrial Relations Act in 1992 weakened the Commission's vetting role. The opposition Conservative parties, however, are pledged to further reduce the role of the Commission

in order to develop a less regulated approach to enterprise bargaining. The wage and price movements from 1983 to 1991 are shown in Table 1.

**TABLE 1: NATIONAL WAGE CASE DECISION  
PRICE MOVEMENTS, 1983-91**

QUARTERS BY YEARS	PERCENTAGE CHANGE IN THE CPI	INCREASES GRANTED BY NATIONAL WAGE DECISIONS CASE	DATES FROM WHICH WAGE INCREASES WERE OPERATIONAL	
1983	March/June	4.3	4.3%	Sept 1983
	Sept/Dec	4.0	4.1%	April 1984
1984	March/June	-0.2	-	-
	Sept/Dec	2.7	2.6%	April 1985
1985	March/June	3.8	3.8%	Nov 1985
	Sept/Dec	4.3	2.3%	July 1986
1986	March/June	4.0		
	Sept/Dec	5.5		
1987	March/June	3.5	\$10.00	March 1987
	Sept/Dec	3.4	\$ 6.00* & 4%	Feb 1988 Varied
1988	March/June	3.5		
	Sept/Dec	4.0	3%	from Sept 1988**
1989	March/June	4.0	& \$10.00	
	Sept/Dec	4.2	3%	from Aug 1989***
1990	March/June	3.3	& 3%	
	Sept/Dec	3.4		
1991	March/June	-0.1%	2.5%	from April 1991
	Sept/	0.6%		

- \* Taking the \$10.00 and \$6.00 together, this represented a 3.6% increase for full-time adult males.
- \*\* The date for the initial 3% payment depended on the finalisation of agreement between employers and unions, on structural efficiency. The \$10.00 was to be paid as a second instalment at least six months later.
- \*\*\* The Commission determined that again there should be a six month interval between instalments.

Sources: Australian Bureau of Statistics, **Consumer Price Index**, Cat. No. 6401.0 and National Wage Case Decisions 1983-91..

Since the mid 1980s, proposals to change Australia's industrial relations arrangements can be divided into three competing groups. The first has advocated the maintenance of the centralised system. The second has proposed radical decentralisation. The third has argued for greater decentralisation within a centralised framework, or 'managed decentralism'. The argument for retaining and consolidating the existing system, albeit with certain modifications, was put by the Committee of Review into Australian Industrial Relations Law and Systems (known as the Hancock Report), in 1985, which was commissioned by the Labor government soon after it assumed office in 1983. At the heart of the Hancock Report was a conviction that the relatively centralised system in Australia facilitated the enforcement of incomes policies. This was seen to be an important factor in achieving the wider objective of reducing both unemployment and inflation. The Hancock Report was unconvinced that dismantling the existing system and placing greater reliance on collective bargaining would be of long term benefit to the economy and described it as a "leap in the dark". The findings of the Hancock Report were supported by the ACTU two years later in *Australia Reconstructed* (ACTU/TDC, 1987) which advocated the retention of a centralised wages system but also argued that wages policy should be linked to taxation and social welfare policies. Furthermore, the ACTU was concerned that wages policy should take into account the necessity of achieving greater skills development, productivity and international competitiveness as a means to achieving greater wealth creation and equity. The ACTU has since shifted its position on centralised wage determination to become a significant advocate of greater decentralisation and is seeking to develop more effective enterprise bargaining strategies among its affiliated unions.

A leading advocate of more radical change to the current system towards enterprise-based bargaining has been the Business Council of Australia (BCA). Membership of the BCA comprises the chief executive officers of Australia's largest business organisations. It was established in 1983 partly as a result of dissatisfaction with adherence by the Confederation of Australian Industry (CAI) to the centralised approach of the arbitration system. The BCA has argued that the key to improved competitiveness is a shift to enterprise based agreements which emphasise the mutuality of employee-management

interests and enhance flexibility (BCA, 1989). In recent years, the CAI has moved closer to the BCA position, although it still sees a role for the Australian Industrial Relations Commission. The view presented by the CAI is that there must be "greater cooperation between management and employees (together with) a greater degree of negotiation in the workplace" (CAI, 1991 p.30). There has also been some academic support for this position. In a far - reaching report on industrial relations reform for the state government of New South Wales, Niland argued for the need to "lower the centre of gravity" in industrial relations decision making through more enterprise bargaining (Niland, 1989). A number of the provisions advocated by Niland have subsequently been adopted by the federal government, both in policies and legislation.

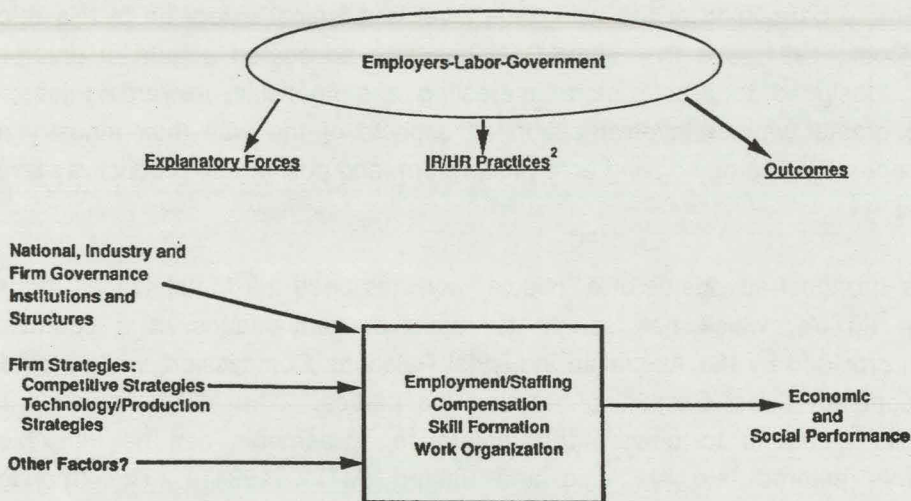
Although some of the more extreme arguments for enterprise bargaining have been criticised for seeking to reduce or eliminate the role of trade unions (Dabscheck 1990, Easson and Shaw 1991, Frenkel and Peetz 1990), the mainstream of reform has moved towards greater decentralisation within a centralised framework. The Australian government's position, expressed by the Minister for Industrial Relations (17 October 1991) is that "there is a place for bargaining beyond the existing conciliation and arbitration framework for those who are able to do so responsibly... Encouraging and facilitating more bargaining at the workplace level is a logical extension of this reform process" (Cook, 1991, 6 & 8). The ACTU has also advocated a form of enterprise bargaining "designed to create more interesting and financially rewarding jobs, by stimulating greater worker involvement in all aspects of the way their industry and workplace operates, thereby driving enterprise reform and pushing up productivity levels" (Kelty, 1991, 1).

One of the strongest advocates of a "middle way" has been the Metal Trades Industry Association (MTIA), which has sought to retain the advantages of a centralised framework, provided by the Australian Industrial Relations Commission, while providing broader scope for direct bargaining between the parties. The MTIA, however, has cautioned its members to beware that enterprise agreements can be inflexible if arrangements entered into are rigid and untried (MTIA, 1991). The "managed decentralism" approach of the MTIA has gained widespread support, as reflected in the National Wage Case Decision of October 1991 when the Commission endorsed movement towards a more devolved system and issued a series of enterprise bargaining principles. This led commentators to remark that the latter months of 1991 were "the most dramatic in modern times (in Australia) for shifting industrial relations policy" (Niland et al, 1991, 2).

## INDUSTRIAL RELATIONS/HUMAN RESOURCE POLICIES AND PRACTICES: DOMINANT PATTERNS, CHANGES AND DIFFUSION

In order to gain a general perspective on the ways in which key IR/HR policies and practices have changed since the mid 1980s, data was gathered from nine large Australian organisations. Interviews were conducted with senior IR/HR managers at the corporate level and, in some cases, also at the plant level. The nine organisations were drawn from both the private and public sectors in the following industries: automobiles, chemicals, food, communications, financial services, airlines, white goods and water supply.

**FIGURE 1: INITIAL FRAMEWORK FOR ORGANIZING THE COMPARATIVE IR/HRM RESEARCH PROJECT**



- Notes:
1. We appreciate the inputs of H. Duke and Russell Lansbury to this framework.
  2. Within any single country IR/HR practices vary across industries, firms, and over time and all the variables in the model may be shaped by different combinations, employer, Labour, and government influence.

Source: MIT (1991) Working Paper on the Comparative IR/HRM Research Project.

The cases were selected on the basis that they represented organisations and industries which had played key roles in shaping IR/HR policies and practices in Australia during the past decade. The interviews focussed on the five IR/HR practices specified in the MIT project outline (Kochan, 1991) but also included some additional questions which reflected current concerns in Australia, particularly in regard to productivity and enterprise bargaining. The relationship between the five IR/HR practices and broader variables are outlined in Figure 1. However, these organisations should not be seen as representative of Australian industry as a whole. For this reason, reference is also made to data from the Australian Workplace Industrial Relations Survey which examined more than 2,000 workplaces with 20 or more employees in 1989-90 (Callus et al, 1991).

While it is acknowledged that IR/HR activities cannot be treated in isolation from the broader issues, such as the economic environment in which the firm or industry operates, it was necessary to examine specific policies separately in order to gain an overall perspective. It was clearly apparent, however, that many of the individual IR/HR components are inter-related (such as work organisation and skill formation) and are influenced by other policies (such as business strategies) developed in other areas of the enterprise.

Nevertheless, to provide a means of discussing the data in an orderly fashion, the following section of the paper will examine: work organisation, skill formation, compensation, employment security and staffing arrangements, and corporate governance. Productivity and several other important issues which emerged in the survey will also be discussed. The relevance of the framework presented in Figure 1, to the changing pattern of IR/HR policies and practices in Australia, will be discussed in the concluding section.

## **WORK ORGANISATION**

During the past decade, there has been a general movement from rigid and closely defined job specifications to broader and more flexible forms of work design. This has been assisted by the process of award restructuring, referred to in the introduction to this paper, which has reduced the number of job classifications in many areas and broadened the range of activities undertaken by particular categories of workers (see Mathews, 1989). For example, greater emphasis is being placed on the need for employees to be multi-skilled in order to undertake a wider variety of tasks and assume a wider range of responsibilities. Significant progress has been made in this regard in many of the so-called 'blue collar' areas, particularly in the manufacturing sector. As the chemical company in our survey explained 'we now define jobs on the basis of skills rather than tasks ...'

Several organisations in our survey claimed that they had moved away from general duty descriptions towards defining the outputs required from the work area or work group. According to one of the automobile companies surveyed 'we now focus on outputs and the quality requirements of the job rather than being concerned about specific job content.' However, other firms also noted that many jobs had been so poorly or inaccurately defined in the past that individual employees had been uncertain about what was required of them. This had exacerbated demarcation disputes as workers sought to defend the boundaries of their jobs and preserve their job security. Most of the organisations in our survey, however, reported fewer demarcation disputes as a result of award restructuring and work redesign.

Although demarcation problems persisted between some trades or craft areas, new areas of friction had developed between blue and white collar workers, especially as the scope of blue collar jobs expanded to absorb tasks previously performed by clerical, supervisory and even professional staff. As one manufacturing company noted: 'While blue collar jobs are becoming more flexible, white collar and supervisory jobs have remained rather rigid ... supervisors feel threatened as blue collar workers are able to manage their own areas.'

The role of the first line manager or supervisor was perceived as undergoing significant change as organisational structures became flatter and the number of managerial levels were reduced. The role of the supervisor was also changing from a traditional custodial or 'policing' function to more of a team leader or facilitator, especially as team-oriented approaches became more common. This was not a new phenomenon (see Gilmour and Lansbury, 1984). However, some organisations mentioned difficulties which they had encountered in seeking to implement such changes. According to one banking representative: 'The banks are still very hierarchical, even though the levels have been reduced and the boundaries have become blurred ...' Other organisations reported uneven progress: 'the supervisor issue is often the last to be tackled ... it is just too hard ... there are still major status differences between supervisors and workers.'. One automobile manufacturer noted that the recession had provided a set-back to reform of the supervisory function as it had caused greater reliance on supervisors, who were being required to undertake increased work loads.

The general view, however, was that the role of the supervisor was irrevocably changing as organisations became more decentralised and important decisions were increasingly undertaken by work groups. As one chemical company representative noted: 'Up to one third of the supervisors in our major plant have been removed and ultimately the teams will manage themselves.'

Although team-work was a major objective or strategy, in almost all of the organisations surveyed, progress was uneven. Team-work was well advanced in certain areas, such as the engine and plastics plants in both of the automobile manufacturers, but had

encountered difficulties in other areas, particularly where continuous process operations were involved. In some cases, there was resistance to team-work on the grounds that it undermined existing work practices. In other cases, however, the concept of team-work was simply not understood by those who were required to implement the new strategies. Not infrequently these were designed by management who were often located beyond the relevant workplace.

Employee involvement in decision making appeared to be most advanced where there was extensive team-work, requiring workers to be well informed and equipped to take decisions. Consultative committees were used in most of the organisations surveyed and were often required under provisions of award restructuring. Yet the effectiveness of these committees varied. Not surprisingly, successful consultative committees tended to be correlated with high levels of employee involvement, although some organisations commented that they had moved beyond consultation towards greater direct involvement in decision-making by their employees. Several respondents noted that success in this area required strong commitment by management to genuine forms of consultation and employee involvement. It is interesting to note that the Australian workplace Industrial Relations Survey found that only 14 per cent of workplaces, covering 40 per cent of the total workforce, had formed consultative arrangements (Callus et.al, 1991, 135).

There appeared to have been few major changes in working hours since the mid 1980s, when a shorter working week was introduced. Several companies had introduced twelve hour shifts as a result of award restructuring, thereby expanding the span of hours. However, the recession of the early 1990s meant that some organisations followed a survival strategy of placing their workforce on shorter working weeks for less pay. In the automobile industry, for example, employees had been requested to take unpaid leave to reduce the levels of production during periods of low demand. This had generally been voluntarily agreed between management and the unions in order to assist the companies through difficult economic times.

## **SKILL FORMATION**

The expansion of training opportunities to promote greater skill formation has been a major priority of the Australian government and a key element in award restructuring during recent years. Various government inquiries have identified low percentages of young people undertaking post-secondary education, in relation to other OECD countries, and low levels of spending on training at the industry and enterprise levels, as major impediments to Australia's economic growth and competitive advantage (Carmichael, 1992). While there have been significant improvements in the proportion of young people completing twelve years of schooling (rising from approximately 40 per cent in 1981 to 71 per cent in 1991), Australia is still well short of the target of 90 per cent set by the Federal government by the year 2001. Expenditure on training has also increased since the

government established a compulsory levy on companies, rising to 1.5 per cent of gross wages by the end of 1992. However, a national survey in 1989 found that while the average employer spent 2.2 per cent of gross wages on training, there was a wide discrepancy between employers according to size and industry sector. The OECD Economic Outlook Report on Australia for 1992 also claimed that 'Australia's system of education and training (has) not been capable of keeping up with increases in educational attainment overseas and (has) been biased against vocational skills - producing too few skilled workers and training them too narrowly' (Australian Financial Review, 15 May 1992, 16).

Employers in our survey indicated that until recently most skills were still acquired by experience on the job, without a planned program of skills training and development. In general, however, industry was now demanding higher levels of education and skills before a job was offered. Once hired, an employee was now likely to be required to undertake formal training on the job to acquire necessary competencies. Progress within an enterprise or industry was increasingly based on skills acquired and demonstrated levels of competency. This trend had been enhanced by award restructuring which placed greater emphasis on skills-related wage systems. It may also have been enhanced by the economic recession when employers have had a wider range of employees from which to choose.

In some industries, such as automobiles and chemicals, specific industry certificates have been introduced, with the support of both management and the unions, to formalise the training process and recognize skills acquired. It is anticipated that progression by individuals to higher levels within industry will ultimately depend on having passed stages of the certificate courses (such as the Vehicle Industry Certificate). Several organisations in the survey commented, however, that these requirements had been applied only to the blue collar workforce at this stage, and that white collar employees lagged behind in this regard.

Since embarking on more extensive formal training at the workplace level, several companies reported that they had discovered significant problems of literacy and numeracy among their workforce. This required extensive remedial education programs to raise the level of basic education before skills development programs could be introduced. Even when this had been undertaken, there were residual groups of employees who simply could not cope with the learning demands which were placed on them.

It was also noted that despite the efforts being made to upgrade skills, progress was not keeping pace with increased requirements, particularly as new technologies introduced higher levels of complexity. While some companies felt that they were keeping pace in the blue collar areas, they were having to 'buy in' more highly qualified professional and managerial employees from the external labour market. The nature of skills required

were also changing, in some organisations, from narrow and specific kinds to broader and deeper skills which required strong tertiary-level qualifications rather than on-the-job learning.

The increased emphasis on skills formation has exposed weaknesses in other organisational aspects. One manufacturer commented:

'We have realized that we are not a good learning organisation ... We have found that we need to revise our skills acquisition program every twelve months ... We have also had to change our work organisation to ensure that new skills are fully utilized.'

## COMPENSATION

During the latter part of the 1980s, the wage system in Australia moved away from a relatively centralised approach towards a greater emphasis on enterprise-level bargaining, albeit still within the framework of arbitration. It is widely believed that from 1983, when wage indexation was re-introduced as part of the Accord, until the latter 1980s, pay differentials became progressively compressed. However, according to respondents in our survey, with the introduction of the two-tier approach to wages in 1987, pay differentials appeared to widen again.

Gregory (1992) has argued, however, that the widening gulf between higher and lower wage earners has been occurring in Australia over the past fifteen years. Since 1975, the number of male middle income earners has fallen by 25 per cent, relative to the size of the population, while the ranks of the low-paid workers have expanded by 15 per cent. In the past, argues Gregory, Australia was able to create a more egalitarian society by increasing the lowest wages, maintaining full employment and making transfer payments. In recent years, however, rising levels of unemployment have caused the lowest wages to fall, and pressure on government budgets have reduced the amount of welfare income redistribution. Gregory also describes the trend to a surge in real wages during the mid 1970s, early retirement and structural changes associated with manufacturing.

Considerable international debate has occurred in recent years concerning the desirability of performance related pay and other variable or contingent forms of compensation (see Milkovich and Wigdor, 1991). The Australian Workplace Industrial Relations Survey reported that 39 per cent of workplaces, with 5 or more employees, covering 34 per cent of the Australian labour force, had performance related pay schemes operating for non-managerial employees. The highest proportion of workplaces with such schemes were in the wholesale and retail sectors, while less than 1 per cent of workplaces in public administration provided performance related pay. The most

common schemes were those in which pay was explicitly linked to measured output, such as payment by results (Callus et al, 1991, 44).

While elements of performance related pay have been introduced at senior executive levels in most of the organisations in our Australian survey, this did not extend very far down the organisational hierarchy. Among senior managerial and professional employees, in both the private and public sectors, there has been a trend towards employment contracts, whereby complex compensation packages are negotiated for a fixed term of years and their renewal depends upon a number of factors, including the achievement of agreed performance targets (Lansbury and Quince, 1989). However, this approach has not been applied to the unionised workforce.

In many organisations, the number of levels between senior management and the worker at the shop floor has been reduced. In several companies in our survey, for example, the number of levels in the organisational hierarchy had been significantly reduced. This has not meant a reduction in salary differentials. In some cases, however, there has been a change in the way compensation is paid in order to reduce the differences between managerial and non-managerial employees. In the chemical company, for example, annualised salaries were introduced for all production employees. Among former weekly-paid workers, the movement to annual salaries also involved the absorption of overtime and other penalty rates. This was part of the company's philosophy to move towards 'single status' employment for all. This approach to compensation has not yet been followed by many other companies although it was under consideration by several participants in our survey.

Although various non-wage benefits were common among managerial employees, such as the provision of a company car, a fringe benefits tax introduced by the federal government in the mid 1980s curtailed the spread of such benefits to other levels of employees. The extension of occupational superannuation has increased significantly during the past decade due to trade union demands, supported by the federal government.

Profit sharing and other share ownership schemes have not been widely used within Australian organisations. The Australian Industrial Relations Workplace Survey (Callus et.al, 1990, 244) indicated that in workplaces with 20 or more employees, 8 per cent of workplaces covering 7 per cent of employees, had profit sharing schemes. Share ownership schemes were somewhat more popular, being present in 13 per cent of workplaces, and covering 17 per cent of employees. These schemes were most prevalent in the finance and related sectors where they were present in 19 per cent of enterprises covering 21 per cent of employees. Furthermore, a quarter of larger firms with 200 or more employees operated either profit sharing or share ownership schemes. Only two of the organisations in our survey, however, operated such schemes and these were introduced during the past five years.

However, Callus (1992) has argued that the degree to which the wage system in Australia is regulated has been overstated. He points out that while 85 per cent of wage earners are covered by awards, the award rates and conditions, particularly in the private sector, only specify the minimum requirements. Earnings are often supplemented by over award rates and incentive bonuses. Drawing on the results of the Australian Workplace Industrial Relations Survey, Callus has shown that overaward payments applied to 68 per cent of all Australian workplaces with five or more employees. These were highest in manufacturing where they covered 88 per cent of all workplaces. Similarly, incentive payment systems were found in 61 per cent of all Australian workplaces, the highest coverage being in the wholesale and retail sectors, followed by financial and business services. Callus argued that extensive use of overaward and incentive payment systems were largely outside the control of the tribunals (or regulated system). They were generally paid in response to product and labour market conditions or for management reasons, rather than as a result of workplace bargaining, even though they were introduced 'under the shadow' of the arbitration system.

## **EMPLOYMENT SECURITY AND STAFFING ARRANGEMENTS**

The rise in unemployment to more than 11 percent by 1992 has placed concern about job security high on the IR/HR agenda in recent times. Most of the organisations in our survey had retrenched employees during the past five years. Following the experience of widespread redundancies during previous economic recessions, particularly in the mid 1970s and early 1980s, most unions negotiated redundancy agreements and had clauses inserted in their awards by the industrial relations tribunals. As part of its commitment to the Accord with the trade union movement, the Federal government supported the ACTU in a lengthy test case before the Australian Industrial Relations Commission to expand employee rights to information and consultation over technological change which could result in loss of jobs. Under the terms of the *Termination, Change and Redundancy Decision of 1984* by the Commission, employers were required to consult their employees and unions before introducing major changes to production methods or to organisational structures. In addition, where redundancies were contemplated, the length of the required advance notice was increased. While many employers were opposed to the Commission's decision as impinging on their managerial prerogatives, it did help to more firmly establish employee rights in regard to redundancies (see Deery, 1987). It did not, however, stem the rising tide of redundancies during the early 1990s.

In all of the organisations surveyed, voluntary redundancy programs were used where labour force reductions were undertaken. In most cases, unions accepted the rights of the employer to implement a redundancy program as long as natural attrition was used, where possible, and the process was voluntary. The focus of union action was mainly on

ensuring that agreed procedures were followed and that redundancy payments agreed under the award were adhered to by employers.

A variety of procedures were used by employers to adjust labour requirements to a decline in demand for goods and services during the recession, including shorter working hours and longer holidays, with commensurate reductions in pay. In some cases, managerial and other non-unionised staff were requested to work without pay on their rostered days off. Extensive job transfers and redeployment of staff were also used to fill positions vacated by former employees. Employers noted that cooperation by unions in these matters was much greater in recent years than previously. Union representatives commented that this was due, in part, to the willingness of their members to take the redundancy payments rather than risk losing their jobs without compensation at a later stage, should their employers close down entirely. There was little enthusiasm among employees for resisting redundancies as long as the programs were voluntary and there was adequate compensation. Most companies in our survey conducted their redundancy programs in cooperation with the unions, and followed the agreed award provisions, but sought to avoid arbitration if possible.

There has been a steady increase in the number of part-time, casual and temporary workers in the Australian labour market in the past decade (see Bray and Taylor, 1991). In 1992, approximately 23 per cent of the Australian labour force worked less than 37 hours per week (which is defined as full-time employment). This represents an increase of 25 per cent over the past 5 years. The impact of increased numbers of part-time and casual employees has helped to reduce the average working week to 31.6 hours. The shift away from full-time employment was exacerbated by the mini-economic boom of the mid 1980s when increasing numbers of women with children returned to the workforce, often on a part-time basis. Between 1983 and 1990, the number of part-time jobs increased by 55 per cent compared with an increase of 20 per cent in full-time jobs. In 1991, women accounted for 75 per cent of all part-time workers and 42 per cent of the female workforce was engaged in part-time work, compared with 10 per cent of the male workforce. Total part-time workers can be further divided into 66 per cent casual part-time and 34 per cent permanent part-time (Affirmative Action Agency, 1992).

In most of the organisations in our survey, however, more than 90 per cent of the workforce were classified as regular, full-time employees. The main exception to this situation was the bank which had negotiated a change to its award to permit 17 per cent of its workforce to be employed on a part-time basis. The bank was also using casual employees on a trial basis. Most of the organisations surveyed indicated that a small but increasing range of jobs were being 'contracted out' and that they were seeking to have these arrangements included in enterprise awards. Although only a few per cent of current positions were classified in this way, they included office services, catering, accounting, sales, and various engineering and technical activities. Several companies noted that

they were investigating which 'non-core' functions of their businesses could be assigned to contractors.

## CORPORATE GOVERNANCE

The election of the Hawke Labor government in 1983 revived interest in the issue of industrial democracy and employee participation in management, which had briefly flourished in the early 1970s and then declined as the result of political and economic changes (see Lansbury and Davis 1991). The mid 1980s witnessed the creation of a more favourable framework than had existed previously. The Accord stated that there must be 'continuous consultation and cooperation between the parties involved over economic, industrial and social matters'. It also noted that 'consultation is a key factor in bringing about change in industry. This consultation will be extended to industry, company and workplace level' (ALP/ACTU, 1983, p.9). By the late 1980s these statements had been endorsed by the main national employers body, the Confederation of Australian Industry, had joined with the ACTU in issuing a *Joint Statement on Participative Practices* (CAI/ACTU, 1988).

At the enterprise level, however, progress on industrial democracy and employee participation was less encouraging. The Australian Workplace Industrial Relations Survey, reported that consultation appeared patchy and sporadic. With the exception of committees on occupational health and safety, less than 20 per cent of private sector workplaces engaged in joint consultation, task-force committees, quality circles or employee representation at board level. The situation was more positive in public sector workplaces, where more than 40 per cent of workplaces engaged in some form of participation. Yet the survey concluded that 'in nearly three quarters of workplaces, unions were not consulted or even informed about organisational changes which would affect employees' (Callus et.al, 1991, 135).

A more detailed analysis of the results of the Australian Workplace Industrial Relations Survey by Marchington (1992) revealed that while only 14 per cent of workplaces operated joint consultative committees, these covered 30 per cent of employees, indicating the greater propensity to establish formal schemes in larger workplaces. Furthermore, the proportion of workplaces with formal consultative committees nearly doubled in the five years prior to the survey, approximately five times the number which it was reported had been discontinued. However, only 7 per cent of workplaces reported that they had worker representatives on their board of directors.

Among the organisations in our survey, unions played little or no role in strategic decisions. With the exception of one of the public sector firms, there were no employee or union representatives on boards of directors. Some of the organisations claimed that senior union officials were consulted on major decisions which had implications for the

workforce; this occurred only when management chose to do so. There were no formal mechanisms, in the private sector organisations, for consulting unions or their representatives on strategic decisions. Other stakeholders, such as banks which had a major financial interest in the company, and other significant shareholders, were more likely to be consulted about strategically important issues than were employees or their unions.

Although a number of commentators have noted that the status and influence of the IR/HR function has risen within both the private and public sectors in recent years, conclusive evidence of this has been difficult to establish. The Australian Workplace Industrial Relations Survey, however, revealed that approximately 34 per cent of all organisations surveyed had a specialist manager for industrial relations. This rose to 87 per cent for organisations with 500 or more employees. The survey also sought to gauge the influence of the IR/HR function within the workplace. Managers at workplaces where there was at least one person with specialist IR/HR responsibilities were asked: 'If a major new product line or service was introduced at the workplace, involving a change in the way that work was organised, what role would the industrial relations area at that workplace play?' In total, 16 per cent of workplaces had an industrial relations area or department. Of these workplaces, 55 per cent claimed they would be consulted before the decision was made, a further 30 per cent indicated that consultation would take place before the product change was introduced, and in 12 per cent of the cases the IR/HR area would be involved only when there was a problem. This led the authors of the survey to conclude that 'these results indicate that a workplace with a clearly defined area of industrial relations expertise used it for more than 'fire fighting' ... it was actively involved in the process of change.' (Callus et al, 1991, p.89) While such workplaces are still in the minority, it would appear that the IR/HR function is enlarging its range of influence and expertise, particularly in larger organisations.

The organisations in our survey generally argued that the influence and status of the IR/HR function had increased in recent years, although the most senior IR/HR manager was a member of the board in only half of the companies surveyed. In most cases, however, the executive committees responsible for day-to-day management of the organisations included a senior IR/HR manager. The influence of the IR/HR function was regarded as having waned in some of the organisations surveyed as a result of devolution and decentralisation, whereby line managers had become more accountable and responsible for industrial relations matters. In several other cases, the most senior IR/HR managers commented that although they were members of the executive committee, other functions such as finance and production had more influence over major strategic decisions. It was also noted that the role played by the IR/HR function in the management hierarchy depended a great deal on the influence wielded by the individuals who occupied the most senior IR/HR position.

## FACTORS INFLUENCING THE DEGREE OF STABILITY OR CHANGE IN INDUSTRIAL RELATIONS/HUMAN RESOURCE POLICIES AND PRACTICES

TABLE 2

### BUSINESS SECTOR PRODUCTIVITY GROWTH (Average Annual Percentage Change)

	Total factor productivity <sup>a</sup>			Labour productivity <sup>b</sup>		
	1960-73	1973-79	1979-88	1960-73	1973-79	1979-88
<b>Australia</b>	<b>2.9</b>	<b>1.2</b>	<b>1.0</b>	<b>3.2</b>	<b>2.0</b>	<b>1.1</b>
United States	1.6	-0.4	0.4	2.2	0.0	0.9
Japan	6.4	1.8	1.8	9.4	3.2	3.1
Germany	2.7	2.0	0.7	4.6	3.4	1.9
France	3.9	1.7	1.5	5.4	3.0	2.4
United Kingdom	2.2	0.5	1.9	3.5	1.5	2.6
Austria	3.4	1.4	0.7	5.8	3.3	1.8
Finland	3.4	1.7	2.3	5.0	3.4	3.2
Spain	4.2	1.7	2.1	6.1	3.8	3.4
OECD Europe	3.3	1.5	1.2	5.0	2.7	2.1
OECD	2.9	0.6	0.9	4.3	1.4	1.7

Notes: a) TFP growth is equal to a weighted average of the growth in labour and capital productivity. The sample-period averages for capital and labour shares are used as weights.

b) Output per employed person.

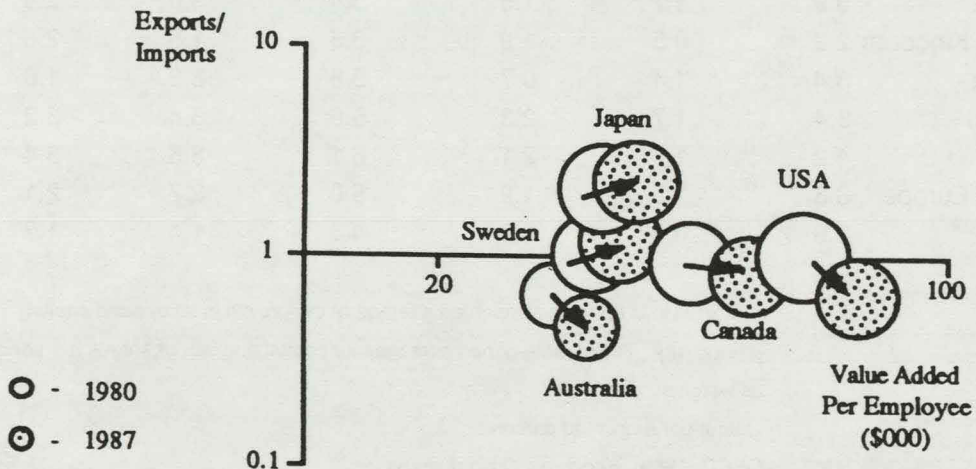
Source: OECD (1989), *Economic Outlook*, Paris.

A major concern expressed by economic commentators, politicians, business executives and trade union leaders in recent years has been the decline in productivity levels and competitiveness of Australian industry compared with our trading partners. As indicated in Table 2, while there has been a significant slow-down in labour productivity throughout OECD countries since the 1960s, Australia's relative position has steadily deteriorated (except for a brief period from 1973-79) and stood at just over 60 per cent of the OECD average by the end of the 1980s. Furthermore, the growth in Australia's total factor

productivity has been persistently less than the OECD European average and far below the best performers (see Blandy and Brummitt, 1990).

The Australian Workplace Industrial Relations survey reported that, despite the considerable debate about productivity, half of the workplaces surveyed did not measure productivity in a quantifiable manner, while more than one third indicated that they did not monitor productivity at all (Callus et.al., 1991, p.94). Another survey by Hilmer (1992) reported that the most common labour productivity measure used by Australian firms were productivity schedules, which rarely captured aspects of value and time. The performance of Australia's manufacturing industry as a whole is shown in Figure 2. It can be seen from this figure that the value added per employee (ie labour productivity) in manufacturing is low compared with the other countries shown. Although there was some improvement between 1980 and 1987, this was not in relation to other countries' performances. Furthermore, the competitiveness of the Australian manufacturing sector has been falling. Finally, Australia's manufacturing sector has shrunk more, as a proportion of GDP, than any other country listed in Figure 2.

**FIGURE 2: ALL MANUFACTURING INDUSTRIES, 1980 AND 1987  
(1987 \$A at Purchasing Power Parity)**



Note: Circle size is proportional to contribution to GDP

Source: Pappas, Carter, Evans and Koop/Telesis analysis in Australian Manufacturing Council (1989), *What Part Will Manufacturing Play in Australia's Future?*, Melbourne.

All of the organisations in our survey used some measure of productivity and most claimed that their productivity levels had risen in the past decade. Yet most also expressed dissatisfaction with the productivity indicators which were used. They were particularly critical of measures used at the enterprise or workplace level on the grounds that such measures were often not well understood by the workforce. Some also commented that much of the recent increases in productivity was attributable to workforce reductions and it would be difficult to make future gains in this area. There was also a need to use more international benchmarks to compare their performance with best practice overseas and that Australia had long been too inward looking in this regard.

New technologies were regarded as having been very significant in the late 1970s and early 1980s, when their impact had been all pervasive, but it was felt that quantum increases in productivity had not generally been as great as anticipated. In some cases, however, new technology had enabled organisations to overcome their competitors' advantage based on cheaper labour costs. However, it was noted that internationalisation and globalisation of business, in recent years had been to Australia's disadvantage in many fields.

Some of the manufacturers in our survey were critical of the Australian government's plans to significantly reduce the level of tariffs during the coming decade. This had unleashed competitive pressures on many Australian companies which had long been protected by high tariff barriers. Several organisations, however, were seeking to expand their production and to develop niche markets with the objective of exporting to other parts of the world. Increased competition and deregulation had caused some of the companies in our survey to reduce the range of their products and services to concentrate on fewer core businesses, after having diversified during the 1980s encountering financial difficulties in the 1990s. They were now seeking to enter more specialised and differentiated markets in which they had a comparative advantage.

Although some aspects of IR/HR policies were regarded as playing a significant role in improving the levels of productivity and competitiveness, many respondents to our survey focussed on other factors such as international competition and government regulations as the major determinants of their future success. This was somewhat surprising given the emphasis which has been placed on micro-economic reform in recent years and the significant changes which have occurred at the workplace level. This is supported by the Australian Workplace Industrial Relations Survey which reported that 84 per cent of workplaces had experienced some form of change in the previous twelve months. Among the most significant changes were: reorganisation of management structures, the restructuring of workplaces and the introduction of new technology (Callus et.al., 1991, p.186-187). It would seem that the IR/HR function has generally taken the role of reacting to changes from external sources rather than initiating change from within organisations. Thus, rather than engaging in strategic approaches to HRM or industrial

relations, the IR/HR function in many Australian organisations has tended to be reactive to changes in the wider environment.

## CONCLUSIONS

The key objectives of this paper were firstly, to analyse the extent to which the five IR/HR practices listed in Figure 1 have changed in the course of the past decade; secondly, to determine the factors which have been driving or causing the degree of change in these practices; and thirdly, to assess the economic and social impacts of these changes. The longer-term objective of the project, of which this paper is one part, is to test the viability of the framework, presented in Figure 1, for analyzing various cross-national and intra-national variations in IR/HR policies and practices.

Within the literature, two alternative visions of how to understand recent changes in IR/HR policies and practices have emerged (see Kochan, 1991). One view has focussed on the changing competitive environment and new technologies which are causing firms to experiment with a variety of new production systems and IR/HR practices. The second view has emphasized the roles of national institutional arrangements and public policies in defining new patterns of IR/HR practices in particular national contexts. These two approaches have provided useful competing explanatory hypotheses. In summary, the first hypothesis argues that competitive strategies pursued by firms in key sectors determine changes in IR/HR policies and practices; the second hypothesis assigns the dominant role in creating changes in these areas to public policy and legal-institutional arrangements.

The Australian experience, as outlined in this paper, has shown that the degree of change in the IR/HR practices has varied considerably between different organisations and industries during the past decade. The factors driving the changes have been far from uniform and quite uneven in their impact on different organisations. For example, the reduction by the Australian government of tariff protection for manufacturing industries has meant that many firms have been forced to undertake immediate and drastic changes to their IR/HR policies. Other firms, however, which are still sheltered from competition, have seen little need to implement significant reforms.

The survey of Australian organisations presented in this paper suggests that neither competitive strategies pursued by firms or industries acting to protect or enhance their positions in the market place, nor changes to legal-institutional arrangements created by governments can alone explain why IR/HR policies and practices have changed in the past decade. In most cases, it has been a combination of actions at the enterprise, industry and national levels, including both government and private firms, which have led to significant changes in IR/HR practices in Australia during recent years.

As outlined at the beginning of this paper, the election of the Federal Labor Government in 1983 ushered in the era of the Accord between the trade unions and the government which initially strengthened the centralized wages system. Yet changes in the international economy, which undermined Australia's trading position, caused both the federal government and the trade union movement to reconsider their commitment to full wage indexation. Furthermore, the determination of the Business Council of Australia, representing large firms in key sectors of the economy, to pursue enterprise based bargaining, was influential in persuading both the ACTU and the federal government, as well as other leading employer bodies, to modify their positions on the centralised approach to wage determination.

It should be noted, however, that Australian system of industrial relations achieved an unusual combination of flexibility and decentralisation in wage determination while maintaining a largely centralised framework. This was made possible by the Accord, which proved to be remarkably durable despite fluctuations in the economy, as well as by the agility exhibited by the Australian Industrial Relations Commission which generally achieved an accommodation between the often conflicting demands of the employers, unions and governments. The Commission has also displayed a capacity for policy modification when pressures have built up to do so, as in the National Wage Case of October 1991.

It is too early to predict whether the "managed decentralism", which is currently being pursued by the major unions, employer groups and federal government to industrial relations, at the national level, will result in long-term improvements in economic and social outcomes. Not all of the participants in the Australian industrial relations arena are satisfied with the rate of change or the outcomes so far. The major conservative opposition political parties, and some significant employers, have indicated that they wish to implement a far more radical deregulated approach. Some trade unions would also like to move away from the centralised system, which they feel has hampered their freedom to bargain directly with employers and the extract higher wages and conditions. The Australian Industrial Relations Commission has found itself at odds with all of the parties at various times in recent years and reluctantly consented to enterprise bargaining in the National Wage Case Decision of October 1991, on the grounds that the parties adhered to a set of principles governing this area.

It is difficult to summarise the dominant patterns which are emerging in IR/HR practices at the enterprise and industry level, in Australia, due to wide variations. However, work organisation appears to be undergoing significant change as companies move away from formerly rigid job definitions to more flexible approaches to work design, and increasingly utilise team-work. Similarly, skill formation is an issue of major importance in all of the organisations surveyed and had been assisted by the process of award restructuring. However, greater progress has occurred among blue collar employees, who have been more the focus of workplace reform, than among white collar workers.

Although there has been a transition from a relatively centralised system of determining wages to one which is related more closely to productivity levels, progress at both the industry and enterprise level is still uneven. Performance-related pay is confined mainly to senior management and there is little evidence of gain sharing or similar programs being implemented. The rise of unemployment has meant that considerable attention has been devoted to implementing redundancy schemes, especially in the early 1990s. There has been some growth in non-regular forms of work contracts, and an expansion in casual and part-time work, but these have yet to make a major impact on mainstream IR/HR practices. Finally, although the Accord provided a framework for consultation between unions and the government at the national level, and a number of tripartite advisory bodies were established in the 1980s, consultation and employee involvement at the workplace level has remained sporadic. A key determinant in the degree to which change has been successfully introduced appears to have been the degree to which employers have emphasized a 'cost minimisation approach' or a 'productivity enhancement approach' (Curtain and Mathews, 1990). The latter has been a longer-term strategy which has necessitated involvement and commitment by all the parties, while the former has stressed short-term gains for management. Furthermore, despite a great deal of workplace reform, the IR/HR function still does not appear to play a major role in strategic decisions at the level of the enterprise.

The framework outlined in Figure 1 has been useful in providing a map of the forces which have had significant impact on IR/HR practices in the past decade. Our survey has indicated that, in the Australian context, public policy and institutional arrangements have interacted with strategies pursued by firms seeking improved levels of productivity and competitiveness within a turbulent economic environment. The resilience of the industrial relations institutions in Australia, particularly the Australian Industrial Relations Commission, has meant that their influence has been maintained, albeit to a lesser degree. Moreover, the parties and the institutions have demonstrated a willingness and ability to adapt to changing economic circumstances through adopting new processes such as enterprise bargaining, and by developing new initiatives such as award restructuring, to facilitate the process of change.

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## ACIRRT

The Australian Centre for Industrial Relations Research and Teaching (ACIRRT) at the University of Sydney was established as a Key Centre of Teaching and Research in 1989 through a grant from the Commonwealth Department of Employment, Education and Training. The Centre is closely linked with the University's Department of Industrial Relations, which has a long and distinguished history of teaching and research in this area.

ACIRRT's main brief is to improve the quality of industrial relations teaching and research in Australia. This goal will be pursued through a range of activities including a national review of industrial relations teaching, conferences and seminars, research projects conducted by members of ACIRRT and scholars from other institutions, secondments of staff, and publications.

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