Alban Gillezeau
Shannon O'Keeffe
John Buchanan, Ron Callus, Shannon O'Keeffe, Brad Pragnell
Betty Arsovksa, Jodie Bonner, Cassandra Burke, Gabrielle Sullivan, Andrew Vidler, Murray Woodman
Murray Woodman
University of Sydney

KOPYSTOP

The information in this publication is the property of and confidential to the Australian Centre of Industrial Relations Research and Teaching, University of Sydney. The information is supplied to subscribers for their own use and is not to be reproduced in any form (electronic or otherwise) without prior written permission.

This publication is copyright. Other than for the purposes of and subject to the conditions prescribed under the Copyright Act, no part of it may in any form or by any means (electronic, mechanical, microcopying, photocopying, recording or otherwise) be produced or stored in a retrieval system or transmitted without prior permission.

Requests and enquiries concerning reproduction and rights should be addressed to the Director, ACIRRT, LO2L, University of Sydney, 2006, or telephone (02) 519 9400, or fax (02) 519 9263.

Every effort has been made to ensure that the material in this report is accurate. ACIRRT, however, accepts no responsibility for errors or omissions or loss or damage resulting from the use of information contained in this report.

ISBN: 0 86758 865 9
Contents

Technical Appendix
Recent Developments
The Year in Review
Features of Registered Agreements
Executive Summary
Executive

Part 1: Features of Registered Agreements

Agreements this year contain average annual wage increases of 4.1 per cent, although some agreements allow income to be supplemented by bonuses and performance pay. Training, changes to working time arrangements and the implementation of consultative committees continue to be the most common provisions in agreements.

Part 2: The Year in Review-Myths and Realities of Agreements

While politicians, the media and policy analysts remain preoccupied with the formal system of enterprise agreements a great deal more bargaining is going on in the privacy of Australian workplaces. Indeed the number of informal unregistered agreements far exceed those that have been registered to date. Where formal registered agreements are being negotiated these continue to:

- Complement rather than replace awards
- Follow rather than facilitate change
- Reward retrospective as well as future productivity increases
- Reflect labour market conditions, not allegedly unique enterprise circumstances.

Part 3: Recent Developments

Enterprise Flexibility Agreements (non-union agreements)-EFAs

Recent legislative changes federally have promoted non-union agreements (EFAs). These agreements generally have lower average annual wage increases, although additional pay is possible on a performance related basis in many of these agreements. In other ways EFAs are not particularly different to union negotiated agreements. In addition EFAs:

- Are generally not ‘cost cutting’ in nature but attempt to enhance productivity through consultation and training provisions
- Are not appearing in traditionally non-unionised industries. Rather they are covering small and medium workplaces in traditionally well unionised industries or in large firms that were previously unionised.

Second Generation Agreements - Deepening not Broadening the Agenda

An increasing number of enterprises are now negotiating and registering their second and in some cases third generation agreements. Second generation agreements appear not to be as extensive as their predecessors, providing further evidence that firms do not see the agreements totally replacing the award as a high priority. These agreements are however dealing with issues in more detail, especially those matters that allow firms greater flexibility in labour use. Second generation agreements appear to build on the lessons learnt in implementing
Summary

earlier agreements and address more effectively a limited range of enterprise specific matters.

Features of High Wage Increase Agreements
The size of wage increases provided for in agreements has become a matter of considerable interest. An analysis of agreements that provide for wage increases in excess of 10 per cent reveals:

- The average annual increase in high wage agreements drops dramatically if the duration of the agreement is taken into account.
- The unions and industries involved in these high wage agreements are not traditional wage leaders. The largest increases have been in an hospitality agreement in the Northern Territory and a factory in South Australia.
- Major trade offs have been associated with high wage agreements, especially on the issue of working time arrangements. Management expects significant changes if it is to grant large wage increases. Common changes in such agreements have been the abolition of overtime or redefining traditional ideas of ‘ordinary hours’.

Conclusion
This annual review of developments in enterprise agreements has challenged a number of myths surrounding the enterprise agreements system. While there is more and more enterprise bargaining occurring much of it is informal and does not result in a registered agreement.

The spread of enterprise agreements to the non-union sector has been slow and the evidence suggests that this will continue to be the case. Non-union agreements, while providing for smaller annual wage rises than union negotiated agreements, in other ways are no different to certified agreements.

The parties are negotiating about less but in more detail in second generation agreements. It also seems that the much publicised agreements that provide for large wage increases have significant offsets that reduce labour costs and provide for increased labour efficiency.
Part 1

Features of Regis

Spread of Agreements
The number and coverage of agreements in the various jurisdictions as of October 1994 is summarised in Table 1. As is evident from the table the Federal jurisdiction is the most significant in terms of both the absolute number of agreements and employees covered by them. The NSW system has the next largest number of agreements but these do not cover as many employees as agreements registered in Queensland or federally. This is partly explained by the higher proportion of non-union agreements in NSW that cover only a small number of employees. Care needs to be taken in interpreting these figures as the number of agreements include many that have technically expired. The proportion of employees covered in each jurisdiction is, at best, an informed estimate.

Table 1
Number of Registered Agreements and Employees Covered- October 1994

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Number of Agreements</th>
<th>Percentage of employees in Jurisdiction covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>2700</td>
<td>56</td>
</tr>
<tr>
<td>NSW</td>
<td>887</td>
<td>8</td>
</tr>
<tr>
<td>Victoria</td>
<td>307</td>
<td>N/A</td>
</tr>
<tr>
<td>Queensland</td>
<td>418</td>
<td>14</td>
</tr>
<tr>
<td>South Australia</td>
<td>175</td>
<td>N/A</td>
</tr>
<tr>
<td>Western Australia</td>
<td>253</td>
<td>8</td>
</tr>
<tr>
<td>Tasmania</td>
<td>81</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Office of Federal Minister for Industrial Relations and Registrar's offices in various jurisdictions.

Major Provisions in Agreements
The commentary on registered agreements provided in this report is based on 766 agreements selected on a stratified random basis.

Wage increases
The average annual wage increases in the agreements registered since January 1994 is 4.1 per cent, a slight increase from the average yearly wage increase (3.9 per cent) contained in agreements registered prior to January 1994.

Looking at all agreements on the data-base the average annual wage increase is 3.9 per cent per annum. The percentage average increases varied by jurisdiction with Queensland agreements containing the highest wage increases of 4.4 per cent, New South Wales agreements had an average annual increases of 3.8 per cent and Federal agreements tended to contain the lowest average percentage increase of 3.7 per cent. The industry increases are to be found in Figure 1.
Duration of Agreements
The majority (51 per cent) of agreements registered prior to 1994 were of 12 months or less duration. More recently registered agreements tend to be of longer duration with the vast majority having a duration of between 13 and 24 months. The longest span of a registered agreement on our data-base is a transport industry agreement of 88 months.

Most Common Issues in Agreements
*Table 2* confirms the earlier trends for agreements to complement and not replace awards. The most common issues dealt with in agreements continue to be wages, working hours, grievance procedures and training.

*Table 2*

<table>
<thead>
<tr>
<th>Major Provisions in Agreements</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grievance Procedures- workplace specific dispute resolution process</td>
<td>87</td>
</tr>
<tr>
<td>Worktime arrangements</td>
<td>68</td>
</tr>
<tr>
<td>Training</td>
<td>63</td>
</tr>
<tr>
<td>Consultative Committee</td>
<td>49</td>
</tr>
<tr>
<td>Agreement replaces award</td>
<td>14</td>
</tr>
</tbody>
</table>

*Source: ADAM, November 1994*

Innovations in Agreements
The general subject areas covered in agreements has not changed much disguises the many innovations that have been included in recently registered agreements. The following are examples of some innovative clauses that have appeared in such agreements.

The inclusion of investment plans in an agreement
While not common, a number of agreements contain references to investment plans associated with issues contained in the agreement. An example is a battery manufacturer's agreement:

"To become world class we need to upgrade. This will require significant investment. A capital equipment development plan for the medium and long term has been identified. It involves investing potentially seven million dollars on state of the art machinery and processes, over a period of up to three years. This will be phased according to financial management criteria, determined by the parent company (refer to Appendix B). Should significant revision to this plan, or additions be necessary, the normal consultative provisions shall apply. Integral to this investment program is the assurance of conditions for adequate return on investment. Major equipment investments will occur in several operating departments. As they occur, they need to be staffed and operated to world best practice levels to attain sufficient productivity to warrant the investment."
Part 1

Features of Regis

Mobility provisions
A number of agreements include clauses codifying the restructuring of occupations. Associated with such restructuring are provisions concerning labour mobility. An example of a fairly distinctive provision of this type is taken from a Federal hospitality agreement.

"Levels of activity, skills and responsibility with commensurate pay scales, are included in each [new occupational grouping]. Mobility in either direction can occur. Upward mobility depends on skills, diligence and application to work and the requirements of the enterprise taking into account commercial activity.

Downward mobility depends on maintenance of skills, diligence and application. ...it is understood and accepted by the parties to this Agreement that possession of skills and experience alone is not justification for promotion but rather the use of skills and experience is. Downward mobility shall only be initiated after counselling and after consideration by the Consultative Committee.

Linking wage increases to safety
A manufacturing agreement has developed indicators to allow wages to be linked to productivity/performance through the use of matrices for each indicator. In this case the indicator is safety and wages and will be adjusted according to the firm's safety record over a specified period:

"The company uses the NSCA 5 star safety system to monitor and improve safety and occupational health. The number of 'stars' achieved at each site is the Key Performance indicator.

Safety Matrix

<table>
<thead>
<tr>
<th>Number of Stars</th>
<th>Award Rate Increase for Next 3 Quarters</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>0.5%</td>
</tr>
<tr>
<td>3</td>
<td>1.0%</td>
</tr>
<tr>
<td>4</td>
<td>1.5%</td>
</tr>
<tr>
<td>5</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Job design and the scheduling of work
Clauses dealing with the restructuring of the organisation of work are also appearing in a growing number of agreements. An example of how wide ranging this restructuring can be is provided in the following clause from a manufacturing enterprise:

"The new organisational structure in the Maintenance Department is designed around the concept of using a number of small work groups each with its own team leader being primarily responsible for a distinct trade area. The team leader in each group is the main contact person for that group and is responsible for administrative processes within his/her group.

Scheduling of Work can be broken up into a number of stages:

a. An Annual Plan for Preventive Maintenance:
This plan which is provided to the team leader shows all preventative
maintained within his department for the year together with frequency and time estimates.

b. Annual Capital Plan
This plan would show when major projects would be commenced and completed over the year. The team leader may be involved in these projects.

c. Weekly schedules
This schedule will show the plan for the week for all personnel in his work group. It will show estimated times allowed for the jobs and be a record of actual time given to the job. It must be remembered that it is strictly a plan and quite obviously will need to be interrupted should breakdowns etc occur during the week.

d. Daily work schedule
This schedule is really an enlarged version of the Weekly Schedule and allows for changes which occur during the week. It will also highlight where and why the plan had to be changed."

Provisions increasing management discretion
Not all new clauses involve skill upgrading and participative decision making structures. A clause which enhances the discretion open to management is taken from a non-union NSW manufacturing agreement:

"Termination
Termination of employment by the employer shall be at the sole discretion of the company and many happen without prior warning or counselling. Termination may arise from but may not be limited to
- unsatisfactory attitude
- unacceptable work quality
- lack of work
- unsatisfactory work proficiency."

While some of the elements of this clause would be unenforceable given the recent changes to Federal law they give an indication of the changes that some enterprise agreements are seeking to implement.
The Year in Revise

It is just on twelve months since the release of the first ADAM Report. In this section we provide a critical assessment of developments in enterprise bargaining to date.

Unregistered Agreements: The Neglected Dimension of Bargaining.

Expectations, at least Federally, have been high anticipating that "workplace bargains" will soon be the norm. The Prime Minister in August 1992 predicted that:

"By this time next year we will have half the workforce under workplace bargains, and within a few years it will be the characteristic, the usual, the normal way in which our industrial relations are conducted"

While the spread of formal agreements have not materialised to the extent hoped for by the Government, a more literal reading of the quote indicates that the expectations expressed in 1992 have been fulfilled. Workplace bargaining is in fact quite common. Indeed it has always been a part of our industrial relations system.

Long before politicians and some peak employer groups began taking an interest in enterprise agreements, individual managers, union representatives and employees were negotiating their own workplace agreements. These were often verbal or written, but unregistered agreements.

The advent of legally sanctioned enterprise agreements has not changed this important dimension of industrial regulation. The parties are just as busy bargaining - in the privacy of their own workplaces - as ever. Most agreements remain unregistered and perhaps even unknown to union officials and corporate office managers. While most interest by the parties and the media is on developments with registered agreements, little is known about the deals that are being made outside the formal system.

Research conducted by ACIRRT for the Department of Industrial Relations in 1992-93 indicated that unregistered agreements are far more prevalent than agreements registered with an industrial tribunal. Table 3 summarises how the incidence of both registered and unregistered agreements varies by workplace employment size.

These figures confirm that much more is happening than could be gleaned by concentrating on developments in formal enterprise agreements. In concentrating on the developments in the formal sector we may be overlooking some important developments. What are these unregistered agreements dealing with? Why do the parties prefer to leave them unregistered? What is the future of this form of informal bargaining in Australia? Future ADAM Reports will examine these issues in more detail.
Table 3

Percentage of Workplaces with Agreements 1993

<table>
<thead>
<tr>
<th>Employment size</th>
<th>Percentage of workplaces with registered agreement</th>
<th>Percentage of Workplaces with any agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-49 employees</td>
<td>9</td>
<td>39</td>
</tr>
<tr>
<td>50-99 employees</td>
<td>11</td>
<td>50</td>
</tr>
<tr>
<td>200-499 employees</td>
<td>32</td>
<td>82</td>
</tr>
<tr>
<td>500 plus employees</td>
<td>25</td>
<td>56</td>
</tr>
<tr>
<td>All workplaces</td>
<td>11</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: Workplace survey undertaken by ACIRRT for DIR (N=700)

Myths and Realities of Enterprise Agreements

There are currently a number of popular views about enterprise agreements which our research indicates are not supported by the evidence. We examine some of these:

Agreements are an alternative to awards

There is a common view that agreements are replacing awards. This is simply not true in the majority of cases. Currently, and this has been a consistent trend since our reporting on agreements began, 86 per cent of agreements do not completely replace awards. The parties are generally using agreements to change a number of terms and conditions in the award or they are complementing the award by regulating issues that the award is silent on. The fact that there are relatively few comprehensive agreements may of course be a sign that the parties are still "feeling their way" with enterprise agreements. In time agreements may become more comprehensive and the award may indeed be completely replaced by an agreement. The evidence from second generation agreements analysed for this report indicates that this does not appear to be the case, with the parties opting to deal with a limited range of issues in more detail rather than expand the scope of agreements to replace awards.

In addition, as new issues are codified in agreements we may see awards being updated. With the requirement of S150A in the Federal Act the parties may be able to argue that on the basis of developments in a number of agreements the award needs to be widened or made more consistent and relevant.

Agreements are necessary to facilitate change

Many commentators and industrial relations professionals believe that an enterprise agreement is the principal vehicle for change in an organisation. The reality, our research shows, is that most change occurring at Australian workplaces is not negotiated. Case studies undertaken by ACIRRT over the last year indicate that not much has changed since the Australian Workplace...
Industrial Relations Survey (AWIRS) found that most decisions about organisational change rarely involved input from employees. That survey of 2,300 managers found that only about one third of them consulted employees affected by major change such as the introduction of new technology or organisational restructuring. In many organisations that have introduced enterprise agreements consultation begins after the agreement has been settled.

Agreements link wage increases to productivity improvements
It has often been suggested that enterprise agreements would facilitate the introduction of more flexible wage payment systems such as performance based pay systems, gainsharing and profit sharing schemes. However, despite the interest in such schemes, relatively few agreements actually have such provisions. In total 16 per cent of agreements base future wage rises on productivity increases and 11 per cent of agreements have performance pay provisions. Gainsharing is only present in 4 per cent of agreements on our data-base. In many cases agreements grant increases in recognition of past improvements in performance. In this sense many wage increases in agreements follow and do not necessarily lead productivity improvements.

Agreements are unique to the enterprise
One of the alleged benefits of enterprise agreements for management is that they are based on the needs of particular organisations and its employees. It was believed by many that common conditions contained in multi-employer awards would no longer be the dominant force in industrial relations. Enterprise agreements were seen as the means of ending comparative justice principles. Enterprise bargaining, it was believed, would break long standing traditions of pay and conditions for employees doing similar work being comparable irrespective of the organisational or industry context of employment. As the ADAM Report 3 showed pattern bargaining is emerging quite strongly in different industries and the latest analysis indicates that this is still the case. While some agreements are unique, the differences are less apparent on issues such as hours, wage increases, consultative and training provisions. In making sense of enterprise agreements it appears that the state of the labour market and wider economic considerations are better indicators of future wage movements than understanding the allegedly unique problems confronting each firm or organisation.

Conclusion
An analysis of experiences over the last year shows that while considerable bargaining is occurring between the parties in the privacy of their own workplaces much of this is not resulting in formally registered agreements. Moreover, many of the changes occurring in workplaces are not subject to any bargaining at all: management is simply introducing change as it sees fit.

More significantly many of the common assumptions about the nature of agreements and the bargaining process appear to be erroneous. This is because they underestimate the difficulties, costs and complexities involved with enterprise agreements. In this context it appears that the parties are adopting a pragmatic approach to bargaining by focusing on the issues of greatest concern to them. They are not pre-occupying themselves with the alleged need to totally replace
awards or with linking wage increases to prospective productivity gains. On the contrary most agreements complement awards and grant wage increases on the basis of established productivity improvements.
In recent months a number of topics have emerged as critical issues in current debates about enterprise bargaining in Australia. This section provides a commentary on three of these: non union agreements in the Federal jurisdiction, second generation agreements and agreements that provide for relatively high wage increases.

**Enterprise Flexibility Agreements (EFAs): The State of Play in Federal Non-Union Bargaining**

In March of 1994 the *Industrial Relations Reform Act 1993* came into effect. This legislation amended the *Industrial Relations Act 1988*, by introducing far reaching changes to the Commonwealth system of industrial relations.

One controversial aspect of the *Industrial Relations Reform Act 1993* was the introduction of non-union Enterprise Flexibility Agreements (EFAs). This change was introduced by the government, according to the Minister of Industrial Relations, Mr Brereton, “to accelerate the spread of enterprise agreements and make formal workplace bargaining more widely accessible”. EFAs were expressly designed “to provide access [to formally registered agreements] to the non-union sector”.

Though initially opposed by the trade unions, “safeguards” were introduced to allay fears that non-union agreements would be used by unscrupulous employers. These included requirements to notify the appropriate union of an EFA being negotiated, as well as the application of a “public interest” test by the AIRC before registering such agreements.

Our tracking of EFAs has found the following:

- As of November 1994, just on 20 EFAs covering about 3000 employees nationwide had been approved.
- EFAs are emerging in traditionally unionised industries such as metal manufacturing and among large national employers
- EFAs appear to be encouraging a “productivity enhancing” approach to enterprise bargaining.

**EFAs: Employer and Employee Coverage**

As of November 1994, 20 EFAs had been approved by the Australian Industrial Relations Commission (AIRC). In addition, according to Mr Brereton, a further 23 EFAs are under consideration for approval by the AIRC. Of the approved EFAs, 14 have been entered onto ADAM.

We estimate that the approved EFAs cover approximately 3 000 employees, although one EFA covers 2 500 employees nationwide. This level of coverage compares quite favourably to the spread of non-union agreements in NSW. Currently about 5 000 employees are covered by a NSW non-union agreement.

A few patterns are beginning to emerge amongst EFAs, especially when compared to non-union agreements in the NSW jurisdiction. One difference is that
ments

many of the NSW non-union agreements are located in non-metropolitan areas. In contrast practically all of EFAs are in enterprises which operate in or near capital cities.

The limited number and coverage of non-union agreements in the Federal and NSW jurisdictions raises questions about how widespread such agreements are likely to become. In this context it is important to remember that over 95 per cent of Australian businesses employ less than 20 employees (or about one third of the workforce). The take up of the registered enterprise agreement option amongst this predominantly union free sector is likely to remain low for a number of reasons. First, a number of small business surveys have found that the award system is not a major constraint for small business and few businesses have any real complaints about awards. Second, the cost and time involved in registering agreements are seen as disincentives by some. Another source of future EFA's, however, could be larger organisations wishing to become non-unionised establishments. Given the complexities associated with this form of agreement it is unlikely that there will be a large number of these type of agreements in the future.

**EFAs: Industry Coverage**

While EFAs can be found in one or two large national enterprises they are more common in smaller businesses employing less than 100 people in the manufacturing industry.

Of the 14 EFAs on ADAM, nearly half (6) are in metal manufacturing. EFAs have also been approved in Wholesale and Retail Trade, Communications, Financial and Business Services, Community Services and Non-Metal Manufacturing. The majority of EFAs are to be found in traditionally highly unionised sectors of the economy.

**Table 4**

**EFAs by Industry**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metal manufacturing</td>
<td>6</td>
</tr>
<tr>
<td>Other manufacturing</td>
<td>4</td>
</tr>
<tr>
<td>Wholesale and retail</td>
<td>1</td>
</tr>
<tr>
<td>Communications</td>
<td>1</td>
</tr>
<tr>
<td>Financial and business services</td>
<td>1</td>
</tr>
<tr>
<td>Community services</td>
<td>1</td>
</tr>
</tbody>
</table>

*Source: ADAM database, November 1994*

In comparison, NSW non-union agreements are more heavily concentrated in industry which have traditionally had low rates of unionisation such as Recreational, Financial and Community Services. Indeed, 46 per cent of NSW non-union agreements are in these three industry groupings. In contrast to the EFA
trend, only 2 per cent of NSW non-union agreements are in metal manufactur-
ing.

Contents of EFAs
With the exception of annual wage increases the content of EFAs are not strik-
ingly different to provisions contained in union-negotiated Federal collective
agreements. On their face, the approved EFAs remain "conservative" docu-
ments that mirror developments within certified agreements.

For example, a major non-union agreement in communication, differs little in
content when compared to the 1992 certified agreement that the organisation
had previously negotiated with the Communication Workers Union (CWU). In
areas such as contract of employment, hours of work, penalties, overtime and so
forth, the provisions are almost identical. The only differences, other than wage
increases, include a new performance related pay system, abolition of the con-
sultative committee and removal of the union from the dispute settling proce-
dure.

For the most part, the content of many EFAs reflect a "productivity enhance-
ment" approach to enterprise bargaining. This stands in contrast to a "cost
minimisation" approach that can be found in many NSW non-union agreements.
For instance 5 of the 14 EFAs on ADAM (36%) contained provisions concern-
ing the development of a training program. On the other hand only 10 per cent
of NSW non-union agreements do so. Similarly, half of the approved EFAs
establish a consultative committee, while only 5 per cent of NSW non-union
agreements do the same.

In regards to flexible approaches to hours of work, an area which has been
popular in NSW non-union agreements, few EFAs have considered similar
changes. Averaging hours over a period of several weeks has been a popular
measure within NSW non-union agreements. Overall, 41 per cent of these agree-
ments average an employee's weekly hours over a period of between 2 to 52
weeks. Among the 14 EFAs on our database, none had a provision for averag-
ing weekly hours.

Table 5
Annual Average Percentage wage increases in EFAs

<table>
<thead>
<tr>
<th>Percentage increase</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 2.0%</td>
<td>1</td>
</tr>
<tr>
<td>2.0% - 2.9%</td>
<td>3</td>
</tr>
<tr>
<td>3.0% - 3.9%</td>
<td>1</td>
</tr>
<tr>
<td>4.0% - 4.9%</td>
<td>2</td>
</tr>
<tr>
<td>5.0% - 5.9%</td>
<td>2</td>
</tr>
<tr>
<td>Above 6.0%</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: ADAM Database, November 1994
On the provision of annual wage increases the 10 EFAs that provided for a percentage wage rise had an average annual wage rise of 3.4 per cent, which is 0.7 per cent lower than the average wage increase overall in agreements registered since January 1994.

Conclusions

While the initial progress of EFAs has been slow, the Optus EFA represents a potentially significant turning point in non-union bargaining. As a non-union agreement which covers thousands of employees nationwide, the Optus Agreement has given the EFA mechanism both "numbers" in terms of employee coverage and a national profile.

The Optus EFA, as well as the emergence of EFAs in metal manufacturing, raise a number of policy issues.

First, EFAs are appearing in industries and where certified agreements have traditionally operated. Optus previously had a certified agreement and, while the small metal shops with EFAs may not have had a certified agreement, the metal industry has in recent times been a core area of unionised bargaining. The Federal Government's claims that EFAs will "provide access to the non-union sector" stands in contrast to this observation. EFAs may in time serve to replace certified agreements rather than facilitate bargaining where it had previously not existed.

In terms of their content the first few EFAs have generally taken a "productivity enhancement" approach. The legislative requirements and scrutiny of the AIRC may be ensuring that EFAs are not used to bring about a short term "cost minimisation" approach. While annual wage increases in EFA agreements tend to be lower than the overall agreement average for 1994 agreements many EFA also allow for other income supplementation through performance pay schemes and bonuses.

What are the long term implications of EFAs? If EFAs are merely replacing certified agreements and doing little to change the conditions of employment, what role do they play within public policy?

Being early days, the jury is still out on what impact EFAs will have on the industrial landscape. Future ADAM Reports will provide in-depth coverage of EFA developments.

Second Generation Agreements

Enterprise agreements have become an increasingly important part of the formal industrial relations system since amendments to the Act in 1988. Many of the initial agreements have now expired and a small proportion have been renegotiated. Little is known about the nature of these second generation agreements.

It is often assumed that first generation enterprise agreements laid the basis for bargaining that could be developed in later enterprise agreements. The relatively small percentage of agreements that have completely replaced awards
suggest that the parties have been cautious in their approach to enterprise agreements. It could be suggested that as the parties become more familiar with enterprise bargaining the next generation of agreements may become more comprehensive and inclusive. ADAM data, however, suggests that rather than expanding the agenda for negotiations into new areas second generation agreements are dealing with a narrower range of issues.

Sixty enterprise agreements were sampled for this analysis: thirty first generation agreements and their thirty corresponding second generation agreements. These agreements were a random sample of agreements that had expired and the second generation agreements that replaced them. The agreements came from the Federal and New South Wales jurisdictions.

Deepening not Broadening the Agenda
An examination of the 60 agreements found that the key areas that dominated negotiation in first generation agreements were also prominent in the second generation agreements. The range of bargaining issues had not expanded in the second generation agreements. Second generation agreements were however dealing with issues covered previously in greater depth. In the areas of training and consultative arrangements, however, it would seem that second generation agreements were less likely to deal with these issues. The following table summarises the most common issues dealt with in first and second generation agreements.

**Table 6**

<table>
<thead>
<tr>
<th>Bargaining issue</th>
<th>First Generation Agreements</th>
<th>Second Generation Agreements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract of employment</td>
<td>100% (30 agreements)</td>
<td>93% (28 agreements)</td>
</tr>
<tr>
<td>Wages</td>
<td>93% (28)</td>
<td>93% (28)</td>
</tr>
<tr>
<td>Training</td>
<td>83% (25)</td>
<td>63% (16)</td>
</tr>
<tr>
<td>Consultative arrangements</td>
<td>73% (22)</td>
<td>53% (16)</td>
</tr>
</tbody>
</table>

*Source: ADAM, November 1994*

**Duration of Second Generation Agreements**
Second generation agreements appear to be operating for slightly longer periods of time than their predecessors. The average duration of the first generation agreements was 11 months. The average duration of second generation agreements was slightly longer - 16 months.

**Wages**
Wages were one of the most popular issues addressed in both first and second generation agreements, with 93 per cent of first and second generation agreements in the sample addressing this issue. The average annual wage increase awarded in the first agreements was 4.1 per cent. Agreements registered as
second generation agreements had an average annual wage increase of 4.4 per-
cent.

Second generation agreements were seen as an opportunity of altering the
remuneration system for some enterprises. A typical example of this can be
seen by comparing the first and second generation agreement from a metal manu-
facturer. The first agreement outlined weekly wage rates set at various levels
with the wage increase paid 'subject to the demonstrated commitment to the
achievement of measured goals'. The agreement did not state specifically what
these goals were or how they were to be measured and achieved. The second
agreement, however, included a more detailed version of the productivity based
remuneration system to be used.

"Basis of Productivity Payments
Productivity Payments paid during the life of the Agreement shall be in
recognition of the commitment of the parties to achieve work group
and individual targets of the productivity performance requirements.

‘Each work group will set absenteeism and overtime targets and mile-
stones for achievement together with individual targets and will have
the opportunity based on productivity achievement to secure payment
of up to 1.7% in 1993/4 and an additional 1.7% in 1994/5.

Each target is weighted with a percentage of the award wage. The
bonus will be calculated by multiplying the achieved percentage bases
by the weighting of each target and then summing the percentages and
multiplying the ordinary hours worked and extended overtime hours by
the employee's hourly award rate.'"

The second generation agreement, awarding the highest wage increase across
the sample, was in the manufacturing sector. The potential 8 per cent wage
increase was to be paid on condition that employees reached the specific pro-
ductivity goals detailed in the agreement.

Grievance Procedures
Grievance procedures were amongst the most common issues dealt with by both
first and second generation agreements. Agreements tend to deal with grievance
procedures either through reference to the parent award or by establishing an
enterprise specific method of handling disputes. A typical example of changes
of this nature is provided by the experiences of a food manufacturing enterprise.
The first generation agreement did not address dispute resolution at all. The
second generation agreement, however, established a four stage enterprise spe-
cific procedure designed to avoid industrial disputes.

Training
While 83 per cent of first generation agreements contained a commitment to
providing employees with training only 63 per cent of second generation agree-
ments had a similar provision. Agreements tended to rely on initiatives devel-
oped as a part of the first agreement. A good indication of the type of changes
occurring is provided by the experience of a public sector agency. The first
agreement combined a number of general provisions dealing with training. The
second agreement acknowledges initiatives of the first agreement and their re-

ADAM REPORT 4e17
"The parties agree that commitments and goals of the main elements of the 1992 [Enterprise Agreement] have been achieved. From a broad perspective this has resulted in;
'Development of a formalised training system.
'Appointment of Team Training Coordinators and the heavy involvement in the development of Job breakdown sheets for the majority of production jobs.
'The commencement of formalised competency assessment against job breakdown sheets.
'Training of 71 production employees in the NBB module basic Power hand Tools.'"

**Consultative Arrangements**
One of the most interesting findings of the comparison between first and second generation agreements is the decrease in second generation agreements containing provisions for consultative committees. 73 per cent of first generation agreements contain clauses for consultative committees compared to only 53 per cent of second generation agreements. A communications industry agreement is an example of where the second generation agreement removed the opportunity for employees to participate in consultative committees. The agreement states the reason for this.

"Practices and procedures already followed by [the firm] make it unnecessary/inappropriate for this agreement to establish a formal process for consultation about matters involving changes to the organisation of work or the performance of work"

This movement away from formal consultative provisions at the enterprise stands in contrast to the first generation agreement which provided for on-going consultation between the firm and the union.

**Innovations in Second Generation Agreements**
Even though many second generation agreements were not as comprehensive as the first agreement, several contained a number of innovative provisions.

**Home Based Work**
Of the second generation agreements only one had the provision for home based work. This agreement, from the Finance Services Industry, also had one of the most comprehensive Equal Employment Opportunity clauses. The agreement does not recognise home based work as a right for employees but provides them with an alternative in the event of misfortune. The agreement stresses that home based work is not a substitute for dependent care. Conditions placed on home based work include:

'Unless otherwise agreed, home based work will be on the basis that the employee spends at least two-fifths of his/her usual weekly hours of duty at the office based site. If an alternative arrangement is proposed the Chairman/ Managing Director will initiate negotiations with the ....[union].

'The Chairman/Managing Director shall ensure home based employees have the same opportunities for career development and training as office based employees.
'An employee working at the home based site will be expected to undertake appropriate work-related training, occupational health and safety training and staff development...such training should occur in work time, at either the office based suite or in a recognised training centre.

'The employee must...agree to take all reasonably practicable steps to ensure that his/her duties under the Occupational Health and Safety (Commonwealth) Act 1991 are complied with.'

Remuneration
While many enterprises have used their second generation agreements to introduce remuneration systems based on productivity increases measured against established performance indicators, a metals manufacturing agreement outlined a system for evaluating the skills that an employee possesses and rewards them on this basis by locating them on the skills table. The skills are divided into three categories, primary skills, key skills and basic skills.

<table>
<thead>
<tr>
<th>Wage rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

Flexibility in Work Organisation
Provisions dealing with work organisation were found in 67 per cent of first and 50 per cent of second generation agreements. A second generation metals manufacturing agreement replaced the work organisation system established in the first agreement to a totally flexible system as described in the second agreement:

'Improved flexibility between sections would enable staff to move between departments as is required. This would mean the removal of the flying squad [introduced in the first agreement] and greater and fairer participation by employees. People unable to move for medical reasons would need to provide a doctor's certificate detailing the function they cannot perform. All employees beginning at [the company] accept that they may work in any department, this should be no different for current employees.'

It is interesting to note that this agreement gave one of the highest wage increases amongst the second generation agreements.

Managing Industrial Action
Whilst many agreements allow for local trade union representation of employees a manufacturing industry agreement contains an unusual provision for union officials in the event of a national industrial issue arising. This clause is an innovation found only in the second generation agreement.
ion officials in the event of a national industrial issue arising. This clause is an innovation found only in the second generation agreement.

‘Should National Industrial Issues arise requiring stoppage, [the Company] will pay for the Shop Steward and two representatives to attend union meetings providing all remaining employees continue working their normal hours. Should any recommendation arise from the offsite meeting, the Shop Steward would bring that back to a Stop work meeting by the shop floor at which a vote could be taken in regards to any industrial action.’

Conclusions
Second generation agreements do not appear to becoming more comprehensive than their predecessors. They do, however, raise some important issues for bargaining. The issues that are being developed in second generation agreements are those that allow the firm greater flexibility. The fact that these agreements still do not to cover all conditions of employment indicates that firms remain reluctant to operate completely outside the award system. Second generation agreements are in fact often narrower than their predecessors concentrating on a smaller range of issues, but dealing with them in a more precise and thorough way. As such the agreements appear to build on the lessons learnt in implementing earlier agreements and address more effectively a limited range of enterprise specific issues.

Large Wage Rises and Enterprise Agreements
The size of wage increases being discussed in the next round of enterprise agreements has become a matter of general interest in recent months. Much of this interest has arisen from large union wage claims, something not seen in Australia for many years. The concern is that large wage rises could be inflationary.

Much of the discussion on this issue has given no consideration to how large wage increases have been handled in the industrial relations system in recent times. This section of the ADAM Report analyses where these claims have come from, how they have been handled and what changes have been agreed to as a result. The analysis reveals that wage increases of this magnitude, although not widespread, are not unprecedented and major changes, especially in working time arrangements, have often been the trade off for such increases.

Understanding large wage rises in registered agreements
The data-base was used to identify agreements which contained wage increases in excess of 10 per cent over the life of the agreement. Very few agreements contained such wage increases and the six that did were examined in detail. Their basic features are summarised in Table 7.
Basic Characteristics of agreements with ‘large’ wage increases

Size of the increases
The absolute size of the wage increases contained in these agreements ranged from a high of 45.4 per cent in one case through to 10.5 per cent. The magnitude of these increases drops significantly when the duration of the agreement is considered ranging from a high of 22.7 per cent to a low of 6 per cent per annum.

Date of operation and duration
Most these agreements were settled either in the second half of last year or early in 1994. Given that ADAM has agreements dating from the early 1990s this indicates that the larger size wage increases appear to a recent development. On average these agreements run for between one and two years.

Bargaining Agents
The unions involved in many of these agreements are not recognised as wage leaders. The largest average annual wage increases were in an agreement negotiated by the Australian Liquor, Hospitality and Miscellaneous Workers union in a holiday resort. The second highest average annual wage increase was in a Winery Agreement negotiated by AWU-FIME. Neither of these industries or unions are recognised as pace setters in the wages system.

Location of the enterprises
All agreements, except one, were settled outside of Sydney and Melbourne. The highest increase was in an agreement from the Northern Territory, with the others from enterprises based in Newcastle, rural NSW, Elizabeth in South Australia and Geelong in Victoria.

Provisions in these agreements
A close reading of these agreements reveals there have been no easy ‘give aways’ to employees or any simple ‘pattern’ bargaining. On the contrary each agreement addresses the very particular circumstances of the firm and workers involved.

For example, the Hospitality Agreement from the Northern Territory totally recasts job classification structures that involve cross skilling between the different occupations involved in the hospitality industry. This restructuring is to be supported by extensive training and retraining. In addition the agreement changes standard working time arrangements dramatically with employees expected work 152 hours over a four week cycle on any day of the week and expected to work six public holidays at standard rates.

An agreement from a battery manufacturer links changes to work practices and working time arrangements to plans for new investment in the workplace. The agreement outlines how the new equipment is best utilised by changed labour arrangements and how the 100 or so job losses associated with the retooling are to be managed, most of which is expected to be by natural attrition.

Another agreement covering a winery outlines how half of the 15 per cent annual wage increase is dependent on achieved productivity increases and a
further fifth of the rise depends on the implementation of benchmarking arrangements. Only a small portion of the increase is to be paid to rectify 'inter-state parity' problems within the firm. Similar sentiments plus an increased commitment to training inform the metals agreement from Geelong.

The remaining agreements, both from the NSW jurisdiction, contain provisions that either abolish or drastically reduce overtime and holiday entitlements and redefine ordinary working hours around the concept of a fixed salary as opposed to an hourly or weekly rate of pay.

If there is a common element to these agreements it is that working hours arrangements are changed in ways that better link labour to the needs of production or service provision. The more dramatic the changes to working time arrangements the larger the wage increase.

**Conclusion**
Recently settled high wage increase agreements indicate that bargaining in the mid 1990s is quite different to that of earlier times. The fact that there are so few agreements of this nature highlights the modest nature of most wage rises in agreements settled to date. Even in these 'high wage increase' agreements the size of the increases drops significantly when the duration of the agreements is considered. Most significantly these recent experiences reveal that large wage rises have not been granted for nothing. Management obviously expects returns if it is to grant above average wage increases. Particular attention appears to have been devoted to changing working time arrangements and better integrating labour into production. To date less attention has been directed to improving labour's productivity by increasing its quality through better training and skill formation.

**Endnotes**
Summary of key features of agreements with large wage increases

<table>
<thead>
<tr>
<th>Type of workplace (locality and jurisdiction)</th>
<th>Total wage rise</th>
<th>Average annual wage rise</th>
<th>Union</th>
<th>Duration</th>
<th>Replaces or supplements award</th>
<th>Key provisions</th>
</tr>
</thead>
</table>
| Large Hotel (NT, Federal)                   | 11.5 - 45.4     | 5.75 - 22.7              | ALHWMU| 8/93 - 8/95 | Replaces                      | • Complete recasting of job classifications  
• Radical change in working hours (eg. work 152 hours over a 4 week cycle on any day of the week)  
• Must work 6 public holidays at standard rate |
| Security drivers (Newcastle, NSW)           | 15.5            | 10                       | TWU   | 10/93 - 8/95 | Supplements                   | • Fixed salary for ordinary hours  
• Ordinary hours redefined to be a minimum of 6 and up to 12 on any one day  
• Major reduction in overtime and penalty rates |
| Winery (Buronga NSW, Federal)               | 15              | 15                       | AWU-FIME | 11/93 - 4/95 | Supplements                   | • Banking of RDOs and staggered meal breaks  
• 7.5% subject to demonstrated productivity increases  
• 3% subject to implementation of benchmarks  
• 4.5% to rectify interstes parity problems |
| Battery Producer (Adelaide, Federal)        | 12              | 6                        | AWU-FIME | 4/94 - 6/96 | Supplements                   | • Links future investment to work practice changes  
• 100 job losses anticipated as a result  
• Formation of new "efficiency teams" working 12 hour shifts |
| Electricity Utility supervisory staff (Sydney, NSW) | 11.3          | 11.3                     | ETU (CEPU) AND MEU (ASU) | 3/93 - 3/94 | Supplements                   | • Applies only to supervisory employees  
• Reduction in public holiday and leave entitlements  
• Abolishes most overtime and other allowances |
| Metal Foundry (Geelong, Federal)            | 10.5            | 6.3                      | AFMEU | 7/93 - 3/95 | Supplements                   | • Builds on successful prior agreement  
• Outlines further scrap rate reduction target  
• Operate staggered work hour span 6am - 6pm  
• Major job redesign and training initiatives |
Technical Appendix

The Agreements Data-base and Monitor (ADAM) has been developed and maintained by the Australian Centre for Industrial Relations Research and Teaching (ACIRRT) at the University of Sydney. The coding framework on which the system is based is derived from an awards data base that has been developed over many years by Alban Gillezeau, one of the researchers at the Centre.

All clauses in all agreements included in ADAM have been read, interpreted by coders and then noted against the relevant section of the coding framework. All coders have either tertiary qualifications or practical experience in industrial relations and have been trained to ensure consistency in coding. Coders’ workers are systematically checked to minimise error in the coding process. Once entered, the data is checked for typographical errors before any statistics are released.

Agreements on the Data-base
The ADAM Data-base currently contains information obtained from 766 agreements: 388 Federal, 275 NSW and 103 Queensland. Federal agreements include those registered under the Enterprise Bargaining Principle, Division 3A of the Australian Industrial Relations Act 1988 and agreements registered under the Industrial Relations Reform Act 1993. Queensland agreements are those that have been registered under similar provisions of that State’s industrial relations legislation. NSW agreements have been selected from those registered with the NSW Commissioner for Enterprise Agreements.

Agreements have been selected on a stratified, random basis. This has been done to ensure that a statistically significant number of agreements are coded from as many industries as possible. This has meant ‘oversampling’ in some industries (eg electricity gas and water and some private services industries) and ‘undersampling’ in others (eg parts of manufacturing). This approach to sampling allows us to report with a high degree of confidence developments at industry level.

Industry
The industry categories used are based on the Australian Standard Industry Classification (ASIC) volumes 1 and 2. This will be converted to the new industry coding contained in the Australian and New Zealand Standard Industry Classification (ANZIC).

Details on industry coverage is usually provided in agreements. Where it is unclear workplace managers have been contacted to obtain this information. In a limited number of cases this information is yet to be obtained.

Estimating Average Annual Wage Increases
Not all agreements provide sufficient information to calculate annual wage increases embodied in them. The majority, however, report either what the rate of increase is or provide sufficient information to calculate it. The rate of increase is then divided by the number of months for which the agreement runs. This figure is then multiplied by twelve to generate an estimate of what the increase would be over a twelve month period. Because of delays in the registration process a few agreements will only run officially for a couple of months. Where is it apparent that the official duration of the agreement is unduly short as a result of administrative delays such agreements are excluded from the calculations so as not to artificially raise the estimate of average annual increases contained in all agreements.
ADAM Services

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

These reports include
- tables with brief descriptive commentary
- sample clauses of the issues examined
- qualitative analysis of clauses

The Breadth of ADAM
ADAM has information on over 800 different issues covered in enterprise agreements. These are grouped under the following headings:
- fundamental features such as
  - jurisdiction of registration
  - negotiating parties
  - industry of agreement
  - period of operation
- agreement objectives
- methods to achieve objectives
- flexibility arrangements: functional and numerical
- training and skills formation
- productivity and efficiency improvement measures
- quality and performance indicators
- termination, dispute settling and grievance procedures
- hours and flexible work arrangements
- shift work
- overtime
- wages
- juniors, traineeships and apprenticeships
- allowances
- leave entitlements
- change, redundancy and severance pay
- employee representation and consultative arrangements
- superannuation
- equal employment opportunity

Further Information
To discuss your requirements and for an obligation free quote contact Shannon O’Keeffe on (02) 519 9400 or fax (02) 519 9263.
ACIRRT
Australian Centre for Industrial Relations
Research and Teaching

University of Sydney