

# THE BCA'S PLAN TO AMERICANISE AUSTRALIAN INDUSTRIAL RELATIONS

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Throughout the twentieth century industrial relations in Australia has been an area of high public concern. Groups and organisations are continually competing with each other in developing and offering numerous proposals to provide a solution, or solutions, to the industrial relations 'problem'. It is as if there is a magic wand whose waving will miraculously put an end to the various problems associated with the world of work. The 1980's has been a good decade for magic wands with a large number of variants either having been implemented or offered for use.

At what might be called the macro federal level of Australian industrial relations, the 1980's has witnessed a centralised system of industrial relations regulation based on wage indexation, decentralised wage determination, a wages freeze, the Accord Mark I, the National Economic and Taxation Summits, the Hancock Report, the Accord Mark II with its wages - superannuation - tax trade-off, the two tiered wage determination system, the ill-fated 1987 *Industrial Relations Bill*, the Australian Council of Trade Unions and Trade Development Council document *Australia Reconstructed*, various proposals to reform the Australian Constitution,<sup>1</sup> the 1988 *Industrial Relations Act*, and the emergence of the 'structural efficiency' principle. Each of the states has conducted major inquiries and/or have legislated changes to the operation of their respective systems. Furthermore, there have been major proposals and changes introduced with respect to affirmative action and equal employment opportunity, occupational health and safety, industrial democracy, redundancy, industry policy and industry training. In short, the 1980's has been a remarkable decade in terms of both the volume and extent of changes or

1 For a detailed examination and analysis of these events see Dabscheck (1989)

reforms which have been either introduced or advocated by those with an interest in industrial relations.

In March 1987 the Business Council of Australia (BCA) issued a short policy document entitled 'Towards An Enterprise Based Industrial Relations System' (BCA, 1987). In October 1987 it established a Study Commission to advise it on how to achieve this desired goal. In July 1989 the Study Commission produced a report, the first of apparently three reports that it intends to produce, entitled 'Enterprise Based Bargaining Units: A Better Way of Working' (BCA, 1989). In this document the BCA has set itself the task of changing the structure of Australian unions away from the traditional focus on craft and occupation, and the associated phenomenon of several or many unions having representation rights in Australian enterprises, to one of single enterprise unions. The BCA claims that 'The biggest single industrial relations impediment to more efficient competitive Australian workplaces is the antiquated structure of our (sic) trade-union movement ... Ideally what is needed is one bargaining unit at each workplace' (BCA, 1989, p.13).

In preparing its report the BCA also commissioned some research by the National Institute of Labour Studies (NILS). It produced two documents, the first involving a comparison between a small number of paired Australian and overseas (mainly American) companies, and the second involving attitude surveys of chief executives and site managers amongst BCA member companies (NILS, 1988 and 1989)<sup>2</sup>. The BCA's recommendations contained in 'Enterprise - Based Bargaining Units' should be viewed as constituting yet another wave in the ocean of reform proposals which have flooded Australian industrial relations in the 1980's. This article will provide a critical examination of the material and evidence marshalled by the BCA in promoting its case for reform. In developing this critique it should not be inferred that a case cannot be developed for reforming the structure of Australian unions. However, the material and evidence marshalled by the BCA suffers such shortcomings that render

2 Research was also commissioned from Rimmer on the extent of enterprise and industry awards. He concluded that 'There is evidence that the power to make enterprise awards or agreements has been extensively used' and that 'Enterprise awards have now become relatively common' (Rimmer, 1988, pp.1-2 and 4).

its proposals for reform as nothing more than inadequate and inappropriate.

The BCA report is dominated by the idea that management is the font of all wisdom and knowledge. The function of workers is simply to respond to and carry out the directives defined for them by management. In the industrial relations literature this is referred to as the unitarist perspective<sup>3</sup> - that is, there is only one view concerning the modus operandi of the enterprise, that determined by management. Management knows best. The unitarist perspective lays great stress on the notion of teamwork and co-operation. It refuses to acknowledge that its workforce may have different goals and aspirations from management; or, more generally, that there can be a plurality of interests within the enterprise. Under the unitarist perspective tensions and problems which emerge within the enterprise are explained away as aberrations and/or resulting from the interference of external agents such as full-time trade union officials or government regulatory agencies.

The pervasive nature of the unitarist perspective can be illustrated by identifying two of the concepts or 'building blocks' used by the BCA report in developing its case for reform. The first concerns the BCA's distinction between industrial and employee relations. 'Industrial relations' is seen as being synonymous with the existence of industrial conflict and the apparent associated need for regulation by external third parties; whereas 'employee relations' assumes a basic harmony of interests and little or no need for external regulation. The BCA maintains that:

We need to jettison the 'industrial relations' mindset within our enterprises where it still rests on the outmoded assumption of conflict, and move to "employee relations" in which industrial relations becomes a subsidiary part of relationships at work (BCA, 1989:5).

It would be interesting to know what the BCA meant by 'work relations' and how it differed from both 'employee' and 'industrial relations'. The

3 For the classic exposition of the unitarist perspective see Fox (1966 and 1974 pp.248-255).

notion of 'employee relations' used by the BCA not only assumes away the existence of conflict, but also seeks to abstract 'relationships at work' from the broader context in which 'industrial relations' take place.<sup>4</sup>

The second is the BCA's claim of the increased importance that is apparently afforded to the role of the individual at the workplace (BCA, 1989, pp.19-21). However, lurking within its report is an unresolved tension between the needs of the individual and the collective needs of the enterprise. The BCA's recommendations to introduce single union enterprise bargaining units are designed in principle to enhance the ability of Australian companies to compete on international markets (BCA, 1989, pp. 2-5). Elsewhere in its report the BCA has said 'More and more enterprises competing in global markets are building their strategies around the concept that the real capacity of a plant is limited only by its physical and engineering limits' (BCA, 1989, p.67). Such an attachment to technological determinism would seem to bode ill for the individual. The collective known as the enterprise is not interested in promoting individualism amongst its workforce; workers are only employed to the extent that they perform the tasks required or expected of them by management. The rationale of the BCA's concern with the individual is an ideological device to undermine the collectives that workers have traditionally used to defend and advance their rights and interests at the workplace - namely, trade unions.

The BCA bases much of its case for reform on claims concerning increases in productivity which would flow from the introduction of single union enterprises. Three major pieces of evidence are presented in attempting to substantiate this claim. The first is a pairing of eight Australian plants with similar overseas plants in terms of market size, products and technology. Examples were found where overseas, particularly non-unionised American plants, had lower manning levels or greater workforce flexibility than their Australian counterparts. The information is presented in tabular form without the provision of any accompanying information usually associated with case studies concerning the environmental context in which the different pairs of plants operate (BCA, 1989, pp. 78-82). No

4 The BCA seem to be unaware of the seminal work of Dunlop (1958), a writer who is usually viewed as a conservative by industrial relations academics, who links the internal operation of an industrial relations system to the environment.

information is provided concerning different cultural, legal, political and economic contextual variables which may have played a part in determining the internal operations of the respective companies. Moreover, the BCA seems to assume that, in an increasingly diverse world, all plants working in similar industries should organise and deploy their workforces in exactly the same way. The BCA has also failed to provide any information on wage rates, capital-labour ratios, and so on, of the respective companies. Nor has it attempted to ascertain whether Australian plants gained any trade-offs in exchange for the different forms of organisation vis-a-vis overseas plants.

Furthermore, no attempt has been made to weight or measure the contribution of these differences in the overall performance of the respective plants. No information has been supplied concerning the productivity or profitability of the respective pairs of plants. It seems to have been assumed that flexibility automatically translates into increased profitability and productivity. It is incumbent on the BCA to produce evidence to substantiate such a claim.

The second piece of evidence is the attitude survey of site managers undertaken by NILS. The introduction to the NILS survey states that 'The principal aim of the research was to examine how the industrial relations system within Australia influences the productivity and competitiveness of organisations' (NILS, 1989, p.1). Although this may have been its aim it did neither. No evidence or information has been provided on productivity or profitability, and no attempt has been made to link the performance of product and labour markets. The NILS researchers themselves acknowledge that the data they have gathered is only a proxy for performance, and that they have not measured performance *per se* (NILS, 1989, p.39). It is also interesting to note their self-effacing claim that in surveying 337 of Australia's estimated 750,000 companies that they 'have presented a wealth of data on the nature of industrial relations and industrial relations management in this country' (NILS, 1989, p.31).

NILS developed a number of regression equations from the attitude surveys of site managers. The industrial relations, or independent, variables are such things as the number of unions, the involvement of full-time union officials, closed shops, informal meetings, formal meetings, company awards or agreements, both federal and state awards, use of piece rates, profit sharing and so on. The performance, or dependent, variables include labour flexibility, shirking, restrictive work practices, number of stoppages and days lost. The equations achieved  $R^2$  ranging from 0.165

to 0.419, though the use of logs increased the  $R^2$  for number of stoppages from 0.307 to 0.528. Tests of significance were conducted for the various independent variables. On the basis of such work it was concluded for example 'that union influence or power ... is a powerful negative influence on labour flexibility and worker effort and a positive influence on restrictive work behaviour' (NLS, 1989, pp.39-40).

A number of criticisms and comments can be made of the methods employed and the results obtained from the NLS attitude survey. First, consider the mystery of the missing observations. The number of observations used by the NLS researchers in constructing their regression equations is substantially lower than those included in their table on summary statistics, as is illustrated by examples shown in Table One. Approximately 35 per cent of the observations have gone walkabout on the Flinders ranges. No explanation has been provided for the excluded observations. It is difficult to escape the conclusion that the results obtained by the NLS researchers are biased and inconsistent.

**Table One: Differences in Observations in Summary Statistics and Regression Equations used in NLS Research**

Number of Observations	Labour Flexibility	Shirking	Restrictive Work Practices	Stoppages	Closure
Summary Statistics	309	334	335	337	309
Regression Equations	219	225	228	197	183
Lost Observations	90	109	109	140	126

Source: NLS (1989).

The NLS data is based on an attitude survey of site managers and no information has been provided concerning productivity or profitability. Given knowledge that in recent years in many companies profitability has been on the increase, it is more than likely that 'union influence', and other 'independent' variables, would also be correlated with increased profitability, and even increased productivity. The NLS research itself

acknowledges that the results 'need to be treated with caution. UNIONS is positively and strongly correlated with SIZE' (NILS, 1989, p.40). In other words as companies become larger they become more complex, and experience an increasing number of problems whose industrial relations dimensions are associated with an increased involvement of full-time trade union officials.

It is also likely that the NILS researchers have confused cause and effect. They hypothesise that the involvement of union officials results in poor workplace performance. It is equally, if not more, likely that the direction of causation is the other way. That is, problems at the workplace result in either managers and/or union members calling on the services of full-time trade union officials in an attempt to resolve the issues at hand. Is it conceivable that all the NILS research has done is to confirm a tautology that in unionised workplaces industrial relations problems are to be observed and full-time trade union officials are involved? If this is so, we are still left with the question of the source of industrial relations problems. Is it possible that management, both in terms of the goals that it sets and the methods it uses to achieve them, is a source of industrial relations problems at the workplace? Further studies would undoubtedly produce highly reliable statistical tests linking the presence of senior management and workplace problems!

The third source of information concerning enhanced productivity comes from chief executives. The BCA report says that:

Following extensive consultation with the chief executives of each of the workplaces included in the studies ... a conservative estimate is that labour productivity in the workplaces concerned could be lifted by 20 to 25 per cent if labour could be deployed in an optimum way - if unnecessary demarcations could be eliminated, costly management and work practices removed' (BCA, 1989:25).

In the context of knowing that the BCA and its chief executives are seeking to introduce reforms which they see as being advantageous to themselves, one should, and with all due respect to the chief executives concerned, attach as much credence to this statement as asking a group of Collingwood supporters who they thought would win an Australian Football League premiership.

In developing its case for reform the BCA has failed to produce any evidence which actually measures productivity. To put the issue bluntly: to substantiate claims concerning the supposed productivity gains that will

flow from its reform proposals it is incumbent on the BCA to conduct and carry out research on productivity. Its case for reform is based on the beliefs and attitudes of chief executives and site managers, and differences in labour utilisation between a small number of Australian and overseas firms. One might hope that discussions concerning public policy in the area of industrial relations would be based on something more substantial than assertions and pious hope.

The BCA claims that the Australian industrial relations system and the activities of unions act in 'subtle yet powerful ways' to stifle and thwart initiatives designed to enhance the productive performance of Australian enterprises (BCA, 1989 pp.59-71). However, evidence gathered by NILS (1989) contradicts this claim. Table Two presents information from BCA companies on various workplace changes initiated by site managers, union resistance to such changes, and the changes discarded because of such resistance. The Table shows, for example, that 89 per cent of companies sought to introduce new technology, eleven per cent of these attempts were resisted by unions, and one per cent were discontinued because of such resistance. If we can make the arbitrary assumption that 50 per cent equals a pass mark, Table Two demonstrates that the industrial relations system and unions have been remarkably unsuccessful in resisting changes initiated by BCA managers. Table Two, plus the changes which are flowing and will flow under the structural efficiency principle, would seem to cast doubt on the BCA's claim that 'complex, multi-union representation in most Australian workplaces hinders the process of continually adapting and improving work practices, particularly where many opportunities cross union and skill category lines' (BCA, 1989, p.13).

The BCA also claims that 'Shared interests are more likely to blossom where employees bargain as one unit and with a workplace focus' (BCA, 1989:110).

However, research produced for the BCA by NILS contradicts the above claim concerning 'shared interests'. In its paired analysis of multi-union Australian and non-union American firms, NILS found what it described as:

a curious anomaly in the data: American managers seem more innovative in terms of motivating employees through both pay incentives and participative management, yet Australian employees are more satisfied and committed to their organisations ... The Australian industrial relations system ... seems to



provide an atmosphere where both high job satisfaction and commitment to organisations and peers flourish ... The system may also act to protect employees from poor styles of supervision' (NILS, 1988:1).

It also needs to be established whether this 'anomaly' resides in the data or the minds of the NILS researchers.

**Table Two: Workplace Changes, Union Resistance and Outcomes**

	Yes Initiated Change %	Unions Resisted Change %	Change Attempted But Resistance Precluded Change %
Change Workplace Layout	83	9	1
New Technology	89	11	1
Reduced Overmanning	73	43	11
Changed System of Overtime	39	57	23
Removed Demarcation Lines	57	64	24
Increased Use of Sub- Contractors	49	52	17
Increased Use of Part-time/ Casual Workers	46	45	13
Different Working Hours Arrangements	60	41	18
Changed Shiftwork Arrangements	45	36	13
Improved Job Design	61	10	3
Measures to reduce Absenteeism	46	33	11
Multi-skilling	65	37	14
Increased Employee Training	80	3	1
Increased Supervisor Training	77	2	1
Enhanced Roles for Shop Stewards	19	5	1
Other	3	45	9

Source: NILS (1989).

Before leaving the NILS study it might be instructive to briefly consider the following extract on commitment and trust:

Slaves and prisoners in the gulags may be just as highly motivated by whips, chains and threats as are the mythical Japanese employees with lifetime employment and a high degree of influence over decision-making. The difference is that slaves and prisoners, because they are not committed to the organization, cannot be trusted (NILS, 1988:32).

One of the more interesting results of the NILS research was that site managers expressed more positive attitudes to the operation of the industrial relations system and trade unions in the context of the workplace than did chief executives. The NILS research concluded that 'site managers appear reasonably content with the industrial relations system', and that they 'perceived a great deal of communication between unions and management, and between employees and managers, and have introduced participatory management programmes in most plants'. They also found that the majority of plant disputes were settled by plant managers via company-specific grievance procedures, and that they successfully initiated 'changes in technology, plant lay-out, training, manning levels, job design, and multi-skilling'. On the other hand chief executives 'are much more concerned that the industrial relations system is creating problems ... [it] has created, or at least facilitated hours limitations, restrictive practices and difficulties changing work assignments' (NILS, 1989, pp.46-47).

How should one interpret or respond to these contradictory perspectives from site managers and chief executives concerning what is happening at the workplace? It might seem reasonable to place greater weight on the perspectives of site managers as they are closer to the 'coal-face' than chief executives. The latter have too many responsibilities and other functions to perform which reduces their ability to be cognisant of what happens in the various workplaces which are under their ultimate control. Both NILS and the BCA, however, opted for an alternative explanation. They pointed to the regression equations from the site managers survey which correlated the industrial relations system and trade union variables

with poor performance. They also argued that while 'plant managers are working within the system, often with great success, [they] take the system as given. The chief executives, on the other hand, see the system as changeable and in need of substantive change' (NILS, 1989, p.47)<sup>5</sup> To return to the unitarist perspective, it is not so much that management is right, but rather that senior management is right.

The various problems associated with the BCA report which have been examined here stem from an inappropriate methodology. The BCA research program constitutes a negation of normal and accepted methods of intellectual inquiry. In 1987 the BCA made a policy decision concerning its desire to introduce single union enterprises (BCA, 1987). It created a Study Commission and employed consultants to conduct research in an effort to provide empirical evidence and arguments to substantiate its case for reform. Fortunately, or unfortunately, the real world and the evidence they have gathered has not fitted neatly into the policy directions desired by the BCA. When confronted by such problems it has been forced to enter into forms of sophistry, to claim the unclaimable, or ignore and downplay the role of evidence which contradicts its case for reform.

The problem is that the BCA had already determined the answer it wanted before it had commenced its research. The approach it should have employed was to initially formulate questions and issues for consideration, develop a research program, gather data, analyse the results, and on the basis of such information derive conclusions and develop policy recommendations. Given the unpreparedness or inability of the BCA to employ such an approach its recommendations should be properly regarded as worthless and be ignored by policy makers. It is hoped that the Commonwealth Department of Industrial Relations forthcoming workplace survey will provide a better basis for developing policies with respect to the future direction of Australian industrial relations.

The BCA states that 'Employees have a democratic right to participate in the activities of and be represented by trade unions if they so choose' (BCA, 1989, p.30). However, this 'democratic right', does not extend to workers being able to join unions of any type or organisational form; craft and occupational unions do not fit into the BCA's future plans for

5 For the classic exposition of the unitarist perspective see Fox (1966 and 1974 pp.248-255).

Australia. The BCA wishes 'to speed up the reduction of the number of trade unions in each workplace, the ultimate goal being one per workplace ... Ideally what is needed is one bargaining unit at each workplace' (BCA, 1989, pp.84 and 13). Is it conceivable that the BCA's desire to shape union structure into a form which is acceptable to themselves is in contradiction of International Labour Organisation convention number 98, *The Right To Organise and Collective Bargaining*, which has been ratified by Australia? A section of convention number 98 states:

Workers and employers' organisations shall enjoy adequate protection against any acts of interference by each other or each other's agents or members in their establishment, functioning or administration. Acts which are designed to promote the establishment of workers' organisations under the control of employers shall be deemed to constitute acts of interference' (DEIR, 1985, Convention No.98).

There is also evidence to suggest that the BCA's 'ideal', or 'ultimate goal', for Australian unionism is not one per workplace, but rather union-free workplaces. Single union workplaces may be simply a stepping stone to a 'final solution' to Australian trade unions. In a section entitled 'Steps Towards Enterprise Focus' the BCA sees the creation of non-union workplaces as the final destination of its journey (BCA, 1989, pp.94-99). In a section entitled 'Some Longer - Term Directions' it advocates the use of representative elections, as used in the USA, as a device to keep unions out of 'greenfield sites', and the creation of non-union workplaces (BCA, 1989, pp.102-104).<sup>6</sup>

Through the creation of enterprise unions the BCA hopes to wrest workers away from, what might be called 'fair dinkum' unions and, via the registration of enterprise agreements, break down the coverage of industrial awards. By isolating workers and reducing the relevance and coverage of awards the BCA will be able to substantially redistribute bargaining power in favour of employers. In the USA, for example, companies have used threats of closure and a preparedness to move operations and finance elsewhere as a powerful device to either destroy

6 It is also interesting to note that the NILS (1988) paired survey involved comparisons of multi-union Australian plants with non-unionised, rather than single union, American plants. If the object was to establish a case for single union plants why did the BCA and NILS decide to examine non-unionised American plants?

unions and/or reduce wages and working conditions (Kochan, Katz and McKersie 1986). The future of Australian industrial relations may be one which will become increasingly dominated by recognition disputes. The pilots dispute may provide a guide to the future that awaits Australia if the BCA's reforms are adopted.

In adopting a unitarist perspective the BCA simply assumes away the existence of conflict and stresses the importance of consensus. Kemp has pointed out that:

The ideology of "consensus" fails to pay adequate recognition to the fact that there can be no resolution of institutional tensions. There can only be the transference of conflict to other institutional settings. The attitudes expressed in conflict may change, and the rules by which conflict is conducted may be altered, but conflict is inevitable in a system of multiple decision takers seeking to reduce uncertainty by control over others' (Kemp, 1983:219).

With the passage of time conflict will ebb and flow, and take different forms, as the groups and organisations involved in industrial relations struggle with each other in trying to achieve the realisation of their respective goals and objectives. Industrial relations is about struggle; it is not an area of social life which is susceptible to the powers of irresistible magic wands. It will be interesting to observe what success the BCA will experience as it struggles to destroy the Australian trade union movement.

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