

LEADERSHIP

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Workplace realities

In an economists' world, WorkChoices would be good for everybody. But the world is not a perfect economic model. By David James

The stoush over the WorkChoices legislation and the respective merits of collective bargaining and individual contracts is consuming federal politics. As usual, little thought is being given to management realities. Assertions are being made by both sides about the implications of the workplace changes, based on assumptions about workplace health that are, at best, questionable, and at worst downright false.

The two sides are essentially arguing irrelevancies, at least in terms of what really matters in the workforce. The Liberal-National Party position is derived from macro-economic theory, which is unsuited for the real running of businesses. The union position is primarily for workplaces that are failing. When management is sound, unions tend to have a diminished role.

The logic behind the Australian Workplace Agreements (AWA) is derived from neo-classical economics. It is an atomistic view. The formulae of neoclassical economics are based on the assumption that markets consist of individuals who are perfectly informed, perfectly rational, and whose behaviour is solely related to prices. This is then translated into the labour market, where it is assumed that the best results come from markets made up of individuals (on contract) whose only interest is price (wage or salary).

It is a nice-sounding argument, like most circular logic. Trouble is, it does not match the workforce realities, where internal competition has quite different consequences to competition in consumer markets. A management author and workplace expert, Merrelyn Emery, says: "It is very destructive. Apart from the effect on individuals and families and their communities, setting up competitive relationships between individuals in an organisation is a recipe for disaster. Organisations depend on innovation and

productivity to a certain measure, and when you set up competitive relationships you start destroying relationships in organisations."

There is evidence that internal competition is less beneficial in workplaces than it is in consumer markets. The ill-fated Enron had a management philosophy, inspired by the consultancy McKinsey & Company, of intense internal competition, with all employees regularly ranked against each other. One of the reasons why the organisation spun out of control was that the employees became obsessed with the internal competition.

The principal of the consultancy Amerin, Peter Aughton, says much will depend on the size of the organisations. "The smaller organisations, where the owner runs and controls the business, will use them [the workplace changes]. But I think in the larger organisations they realise they are in the knowledge economy, and they won't take it up. They will shift more to collective bargaining. Just the administrative burden alone of individual contracts will be too much; they will be dealing with thousands of people."

For larger businesses, the workplace changes may be a trap, appearing to offer incremental cost savings but creating administrative problems of far greater magnitude and causing great harm to the workplace culture. "[If they move to individual contracts], they are not going to get enough supervisors, and all the [workforce] will do then is gang up on the supervisors," Emery says. "Any manager will tell you that."

The picture looks just as irrelevant on the other side of the industrial relations divide. Management has long been in the habit in Australia of blaming the unions for its own failings. In the majority of cases (more troubled industries aside), a well-managed enterprise should be able to avoid the more problematic union difficulties. The principal of the consultancy Sacher Associates, Monty



Sacher, compares the situation with a husband (managers), a wife (workers) and a mother-in-law (unions). If the husband treats the wife well, the mother-in-law tends not to get involved.

"If you look after the workforce, it doesn't matter what AWAs are in place, it doesn't matter. If you don't look after the workforce,



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then you invite in the mother-in-law — unions. [What typically happens] is that the worker puts four times more credence on the team leader than management and the unions. All that AWA stuff is not that relevant.”

Sacher’s comments are confirmed by the human-resources manager of one of

Australia’s industrial relations hot spots, the ports run by Patrick Corporation (acquired by Toll Holdings). The human-resources manager at Patrick’s East Swanson dock in Melbourne, Colin Bambrook, says that within the company, the ports dispute of 1997-98 is referred to as “the war”. It created a steep human-resources challenge.

“Where we came from was very adversarial,” Bambrook says, in something of an understatement. “We had to be more inclusive of the workforce, otherwise we would not get the productivity gains.”

Bambrook says before the “war”, the ports had serious industrial relations problems. Because the arrangements were so formal, negotiations had to be across all ports in Australia, leaving insufficient room for flexibility. But he insists that what mattered was relationships with the workforce, which he says are “paramount”. This had little to do with the formal legal or industrial relations conditions. “You really have to have open and honest communication with employees, because they will tell you what is wrong and right [in the organisation]. We have tried to keep them informed every step of the way.”

Culture, not law

That a workplace that has been as fractious as the ports should now be concentrating on honesty and communication may come as a surprise, but Bambrook says that one initiative was to establish teams, which went under names such as: United Nations (because it has no Australians), the Quiet Achievers, the Full Monty, Kaxxi (Lebanese for “box”), Hurdlers and Bonus Busters. The idiosyncratic names indicate a truism of management, that it is culture, not legal relations, that matter in the workplace. Bambrook says he does not expect the new legislation to have an effect. “It’s basically not going to change. It will stay with enterprise-wide certified agreements.”

The move to individual contracts has important tax implications for individual workers. The deputy director of the faculty of economics and business at the University of Sydney, John Buchanan, examined the construction industry and found that workers on prescribed payment systems (PPS, a type of contractor relationship) typically paid

WORK ON IT

With the introduction of the WorkChoices legislation, the merits of individual and collective bargaining are being fiercely debated.

Much of this is, from a management perspective, irrelevant.

Individual contracts are not usually a solution. The strong involvement of unions usually indicates a failure of management.

For most managers, becoming too focused on the changes is a dangerous distraction.

only 42% of the tax levied on pay-as-you-earn workers. He estimates that this has already equated with a reduction in tax payment of more than \$2 billion. If this pattern intensifies because of the shift to contract labour, the reduction in tax income could be severe.

From a management point of view, this may also spell trouble. If the formal relationship workers have with the enterprise is largely determined by tax, then it is a potential further distraction. Buchanan cautions that this is a “different kind of problem”, adding that contractors can be engaged with the enterprise just as much as employees. But it can easily lead to a two-tier workforce. “[In tax terms], a lot of people will become second-class citizens,” Buchanan says.

The WorkChoices legislation may provide important flexibility for smaller enterprises, but the advantages for big companies seem to be negligible. For many managers, it may represent a trap.

Neither are the potential negative consequences something that management will be able to discern easily. Emery says that workers have, over the past 25 years, tended to become more passive. “People are going to be frustrated, but they are not going to be stropic.” The challenge for many managers is not that they should take advantage of the new IR legislation to “get tough” with their workers, but that they should avoid their firms’ productivity and innovation steadily declining because the workforce is disengaged. ●