The Australian Workplace Industrial Relations Survey and the Prospects for Enterprise Bargaining

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Abstract
This paper examines some of the findings from the recently released report on the Australian Workplace Industrial Relations Survey, the largest industrial relations survey undertaken in Australia. The data, which is available from the Social Science Data Archive not only provide a picture of workplace industrial relations which are at odds with many popular perceptions of Australian industrial relations, but also provide information that can inform current policy debates. The evidence is examined to assess the preparedness of workplaces for decentralised bargaining arrangements.

1.   Introduction
Workplace industrial relations has in recent years become the focus of

research and policy in Australia. In part this reflects a widespread belief that the need for more efficient and productive workplaces is a vital ingredient for Australia's economic recovery. Award restructuring, the gradual move towards an enterprise focus in wage determination and the rationalisation of unions in Australia are some of the industrial relations developments making up the current reform agenda.

To assist policy formulation and inform debate the Federal Government, as part of a microeconomic policy package announced in August 1988, allocated funds for an authoritative and comprehensive national survey of workplace industrial relations. The Australian Workplace Industrial Relations Survey (AWIRS) has been completed and the results published in a book, *Industrial Relations at Work* (Callus, Morehead, Cully & Buchanan, 1991). The wealth of new data generated from AWIRS will have a number of immediate benefits. First, it allows a more accurate picture of Australian workplace industrial relations to be drawn. In doing so it challenges some of the caricatures that have developed on the basis of more selective and limited evidence. Second, the survey can be used to assess and inform the current policy debates and developments in industrial relations reform. This article applies the research findings to an examination of the recent decision by the Industrial Relations Commission to defer further initiatives in enterprise based wages bargaining. The AWIRS data suggests that there may, as the Commission suggested, be problems in moving too quickly towards such a system.

2. The Scope of the Survey

AWIRS was conducted by the Commonwealth Department of Industrial Relations between November 1989 and May 1990, following almost a year of development work and field testing. The sample comprised 2,353 workplaces representing workplaces with five employees or more, in all industries except Agriculture and Defence at both metropolitan and non metropolitan locations in all States and Territories in Australia. This sample represents some 122,000 workplaces employing about two-thirds of Australian wage and salary earners. The sample was stratified to allow comparisons to be made on the basis of industry, employment size or State. The survey attracted widespread support from major employer organisations and the industrial relations community, which is reflected in the particularly high response rate of 87%.

AWIRS collected detailed information on such things as management and union structures at the workplace, industrial relations indicators, em-

ployment practices, organisational characteristics, structures and methods of employee - management interaction, the extent of change affecting workplaces and the pattern of diversity in industrial relations at Australian workplaces. At 349 workplaces with between five and nineteen employees a questionnaire was administered by phone to the senior workplace manager, while at 2004 workplaces up to four face to face interviews were conducted with managers and, where present, union delegates.

3. Reassessing the Popular View

Many of the survey findings challenge long standing myths about Australian industrial relations. The popular view of the Australian workplace is really based on a model of a large manufacturing workplace. Such workplaces are characterised as undergoing little change, having multiple unions, an outdated award structure and relatively high levels of industrial action. It is assumed that institutional arrangements restrict flexibility. This model has become the basis around which much of the reform debate has revolved in recent years.

One advantage of large scale surveys, such as AWIRS, is that generalisations can be made on the basis of more authoritative and representative information. In addition, a comprehensive survey allows the diversities and complexities to be charted more accurately and for generalisations to be qualified to reflect differences between sectors, industries and other characteristics of workplaces. We can therefore be more accurate about generalisations that are made and more informed about the complexities that generalisations inevitably gloss over.

AWIRS shows that the dominant manufacturing model of Australian industrial relations is a long way from the norm. In terms of the number of workplaces in Australia the bulk employ less than fifty employees and have quite different patterns of industrial relations to the larger blue collar manufacturing model discussed above.

It is the industrial relations characteristics of larger workplaces that have dominated the policy debate in Australia. There is some justification for this emphasis as the larger workplaces collectively employ a significant percentage of the workforce. So while workplaces with 500 hundred or more employees account for less than two per cent of all Australian workplaces in the surveyed population, they collectively employ 24 per cent of all employees in the surveyed industries. Similarly the vast majority, 73 per cent, of workplaces employ less than 20 employees each but collectively employ only 23 percent of all wage and salary earners. The significance of

this pattern of workplace and employment distribution is that policy that is aimed at affecting change at the largest number of workplaces should focus on characteristics that are more likely to be found in smaller workplaces. If policy is aimed at affecting the greatest number of employees rather than workplaces the popular model is more appropriate.

The following findings suggest that the popular view of Australian workplace industrial relations, while broadly true of larger workplaces cannot be generalised to the spectrum of Australian workplaces. First, industrial action such as strikes, bans and stop work meetings, is the exception rather than the norm at most Australian workplaces. Nearly three-quarters of all workplaces had never experienced any form of industrial action. In addition management - employee relations were rated positively by managers and, where present, union delegates in the majority of workplaces.

Second, the coverage of unions is, contrary to popular perception, quite uneven. In 57 per cent of workplaces there were no union members. At a further 23 per cent of workplaces there was only one union and multi-unionism was confined to large workplaces, with only 2 per cent of workplaces having five or more unions. Similarly multi-award coverage is a feature of large workplaces. The average number of awards at workplaces is two. Only 3 percent of workplaces covering 25 per cent of employees had six or more awards. Indeed, over half of all workplace managers interviewed at workplaces with twenty or more employees did not feel any need to make changes to awards at their workplaces.

Third, there was a degree of flexibility evidenced within the context of the award dominated system that applies to most workplaces. Nearly 40 per cent of workplaces had some form of performance related payment system in operation and about three quarters of all private sector workplaces paid over awards to at least some of their employees. The efficiency changes that managers would like to make but could not were largely related to resource or capital constraints rather than unions, awards or other industrial relations issues.

Perhaps the most dramatic finding concerned the extent of change affecting Australian workplaces. The norm for most workplaces over the two years prior to the survey was the occurrence of some significant organisational change. Eighty-six per cent of workplaces had at least one of the following changes - change in ownership, restructuring of management, introduction of major new technology, major restructuring of work organisation or change in senior management personnel. Far from being static and inert, many workplaces are undergoing changes relating to the organisation and efficiency of workplaces.

These findings do not deny that there are problems with the structure of awards and unions in Australia, but merely to point out that these are not universal problems and that policy makers need to look beyond large workplaces in formulating change programs. Many of the current proposals that have as a key dimension a move toward enterprise based bargaining, such as those being proposed by the BCA (BCA, 1989) are based on a model of large workplace industrial relations. There needs to be careful considera- tion given to the applicability and usefulness of these proposals to the majority of Australian workplaces. They may well be either irrelevant or inappropriate for the bulk of workplaces.

4. The Move Towards Enterprise Bargaining

There is currently general agreement between political leaders, unions and employers about the 'need to decentralise' our industrial relations system. This 'need' is held to be necessary to enhance 'enterprise flexibility' or the capacity of firms to respond to a rapidly changing environment. The transformation of product markets, financial deregulation and general economic restructuring are reasons given to change Australia's industrial relations system. This trend, however, is not unique to Australia. Throughout the OECD the call for more labour market flexibility has been a matter of policy concern for at least half a decade (Boyer, 1988). In the UK decentralisation of the wages system has been an article of faith for over a decade. In France the Socialists encouraged greater bargaining at enterprise level through a series of laws in the early 1980s promoting union rights within the firm and establishing employees rights to be consulted over the content of work, working conditions and work organisation. Sweden, a country previously renowned for centralised industrial relations institutions, has also witnessed a profound shift in the loci of bargaining.

The potential gains to be achieved from decentralising the industrial relations system remain largely unsubstantiated. There is little evidence on the benefits to be gained from it. The BCA report (BCA,1989) asserts that productivity will improve by 25 per cent if Australia moves to an enterprise based system. Unfortunately no substantial evidence to support this claim is given in the report. In proposing major reforms not only is there a need to demonstrate that present arrangements are producing inefficiencies due to inflexibility but that proposed reforms can produce a better outcome.

The current debate has concentrated on seeking improvements in the utilisation or efficiency of labour in isolation of other factors that contribute to long term productivity improvements. Productivity growth in the long

run occurs as a result of both improved technology and investment in capital and the application of the labour resource. The policy debate currently ignores how capital resources are allocated and technological change can be more effectively promoted.

Whatever may be the potential benefits of a more decentralised system, it seems that the policies of all both major political parties guarantee that the broad thrust of decentralisation continues. An assessment of some of the difficulties that may be ahead is therefore warranted.

5. Enterprise Bargaining

Enterprise bargaining, despite being a central concept in much of the reform debate, is seldom clearly defined. It has been assumed by many of the advocates of a more decentralised industrial relations system to be a universally understood term. While it is true that decentralising wage determination is one of the features of an enterprise based system exactly how far the industrial relations system should be decentralised remains rather unclear. The term enterprise seems to mean different things to different people. According to the Australian Bureau of Statistics an enterprise is defined as 'a unit covering all the operations in Australia of a single operating legal entity' (ABS, 1983, p. 65). A workplace may be an enterprise in its own right, or only one of many workplaces that form an enterprise. It is unclear if advocates of enterprise bargaining are proposing a system of workplace bargaining or bargaining that involves a number of workplaces that are part of an enterprise group. Experience with some of the better known Section 115 agreements would suggest that these have not been enterprise agreements, involving a number of workplaces in the enterprise group, but rather individual workplace bargaining outcomes.

A workplace focus may in many cases be more justified, after all, capacity to pay, profitability and productivity are not consistent across all workplaces in an enterprise group. If these are the variables which are to be used as the basis for future wage-fixing principles then it is the workplace which is the centre of activity, not the enterprise; otherwise devolving the system to the enterprise level will simply see a recentralising of the system to the corporate or head office level, particularly in non-unionised enterprises.

In addition to these practical issues there remain a number of important policy matters to be settled. Is decentralisation in the sense of breaking up institutions co-ordinating labour market activity on a multi-employer basis really necessary or desirable? Under what conditions should decentralisa-

tion occur? What role should parties outside of local bargaining arrangements play? There is, as the Commission noted, no agreement as yet by the parties on these fundamental questions.

Despite the almost unanimous criticism of the Industrial Relations Commissions decision in April to defer the introduction of enterprise bargaining, an examination of the AWIRS data suggests that the Full Bench was correct. The evidence supports the Full Bench conclusion that there was 'an inadequate development of the receptive environment necessary for the success of enterprise bargaining beyond the scope of the present system' (AIRC,1991, p. 39).

6.   Bargaining Infrastructure

One of the more obvious points which seems to have been overlooked by most commentators and advocates of decentralised bargaining is how enterprise bargaining is to operate in practice. In other words, if present industry or national level bargaining is to be devolved, there needs to an appropriate bargaining infrastructure at the decentralized level.

If bargaining is to proceed in an efficient and equitable manner this would, in most cases, require the parties to bargain collectively, as opposed to bargaining individually over employment contracts. This means that employees require some form of collective representation. This may be either through workplace union delegates or full-time union officials, or through some formal mechanism whereby a representative or group of employees can represent employee interests. The alternative to having a collective bargaining infrastructure is individual bargaining between management and employees. While this may be a practical option in smaller workplaces it becomes more difficult to implement and less viable in larger workplaces. The thought of 500 employees each re-negotiating their wages and conditions annually with management would, one suspects, not be a welcome development in the eyes of most workplace managers in larger organisations.

AWIRS shows that this bargaining infrastructure is not in place at most workplaces in Australia. Fifty-seven per cent of all workplaces with 5 employees or more have no union members and a further 34 per cent of workplaces which were unionised to some degree had no workplace delegates to represent employees. This is a total of about 100,000 workplaces, three-fifths of which are single enterprise workplaces, that is the only unit at which bargaining can take place.

These national estimates hide some dramatic differences in terms of

union and delegate presence. In the following categories less than 10 per cent of workplaces are either not unionised or have no workplace delegates: (a) private sector workplaces with 5 to 19 employees; (b) single enterprise manufacturing workplaces;(c) single enterprise construction workplaces;(d) wholesale and retail trade workplaces;(e) single enterprise finance, property and business services workplaces; and(f) single enterprise recreation and personal services workplaces.

Even where these workplaces are unionised but have no delegates, it is unlikely that employees can rely on the services of full-time union officials to negotiate on their behalf. In the limited amount of information collected on the role of full-time union officials in AWIRS, it was found that they have a greater propensity to service those workplaces where the membership and delegates are the most active. Generally full-time union officials do not fill the void where there are no union delegates.

The lack of a bargaining infrastructure involving unions is reflected in the relatively low level of negotiations that had taken place at workplaces in the year prior to the survey. Overall, 44 per cent of workplace managers in workplaces with twenty or more employees indicated negotiations had occurred with unions. Only one third of unionised workplaces had been involved in bargaining between management and workplace delegates. As would be expected there were considerable differences in bargaining experiences according to workplace size, sector and industry.

This suggests that even where there are union delegates to represent employees, it is not apparent that many are prepared or experienced enough to enter into workplace bargaining. In over half of all unionised workplaces with delegates, the senior delegates of the union with the most members at the workplace spent less than one hour per week on union activities. In 61 per cent of cases these delegates had not undertaken any formal trade union training since becoming a delegate.

Enterprise bargaining could of course occur at workplaces without union representation if alternate forms of representative structures exist to allow bargaining to take place between management and the workforce. The evidence however suggests that these alternate representative structures are also underdeveloped at Australian workplaces. Only 14 per cent of all workplaces with twenty employees or more had a joint consultative committee in place, with only 9 per cent in the private sector.

The Commission has recognised this and has indicated that as part of the amended Structural Efficiency Principles:

> the award requires enterprises to establish a consultative mechanism and procedures appropriate to their size, structure and needs for consultation and negotiation on matters affecting their efficiency and

productivity (AIRC, 1991, p.65)

Furthermore, there does not appear to be a 'culture' of consultation in most workplaces that would allow more direct forms of employee-management interaction to realise enterprise bargaining. While management respondents often spoke of their belief in team work, consultation and communication, in practice consultation was more infrequent than would be expected. In responses to questions on major changes occurring at the workplace only 32 per cent of workplace managers reported that employees were consulted about the change. In addition the majority of workplaces did not regularly provide employees with information on staffing levels, investment plans or the financial position of the workplace. Over half of all workplaces – 62 per cent in the private sector – currently do not provide information to their employees or union delegates on the financial position of the workplace. Such basic information is necessary if effective enterprise bargaining is to be implemented equitably and successfully.

7. Management and Enterprise Bargaining

If enterprise bargaining means workplace bargaining, not only   is appropriate employee representation necessary but workplace management must also have the authority and skills to negotiate. Indeed little attention has been given in the current debates on the readiness of management to move towards more decentralised bargaining arrangements.

The fact that 80 per cent of workplaces with twenty or more employees are part of an organisation with two or more workplaces suggests that the structure of management decision making may result in different levels of responsibility and autonomy between workplaces. AWIRS investigated the level of decision making on a range of industrial and general issues affecting workplaces.

By combining workplace managers responses to questions relating to decision making, it was possible to construct an index of workplace autonomy for workplaces that were part of a larger organisation. The majority of workplaces (60 per cent) were rated as having either low or only some autonomy to make decisions on a range of workplace issues on the basis of this index. As may be expected smaller workplaces and those in the public sector were, more likely to score on the low end of the autonomy scale.

Further evidence also suggests that managers at many workplaces may not have the authority or experience to negotiate. When workplace industrial relations managers were asked what constraints they faced when carrying

out their job, while 42 per cent indicated they felt no constraint, of those that felt some constraint these related to either constraints of management policy or their lack of autonomy in doing their job. How enterprise bargaining is to work in practice in these organisations remains problematic. Will corporate mangers negotiate on behalf of their workplace managers or will the decentralisation of bargaining structures bring with it a delegation of responsibility from corporate office to workplace managers?

If workplace managers are to be the vanguard of the move toward an enterprise focus attention will also need to be given to their training and capacity to negotiate on a range of issues such as wages, work practice and productivity levels. Only 34 per cent of workplaces with twenty or more employees had a manager whose major job responsibility was industrial relations matters. Where there are no such specialists will specialists at head office negotiate and what will be the input of local general managers? Even where specialist managers do exist 49 per cent indicated that they had been in their present position at the workplace for less than two years. This suggests a high turnover and perhaps a lack of local expertise on the part of the managers that may have to carry the responsibility for workplace negotiations in the future.

8. Enterprise Bargaining: The Current Situation

While examining the different component parts that are necessary for enterprise bargaining indicates some of the issues that need to be addressed, it leaves us with a rather fragmented picture of how well prepared workplaces are for bargaining. An economy-wide picture of the extent to which workplaces have the necessary bargaining infrastructure can be gleaned from the classificatory system developed in *Industrial Relations at Work*. This allows workplaces to be classified on the basis of a number of essential industrial relations characteristics - namely the form of employee organisation at the workplace, the method management utilises in managing its workforce and the presence or absence of bargaining at a workplace. Such a classificatory system has advantages over methods of comparing workplaces on the criteria of industry or sector. Not all workplaces within an industry have similar industrial relations features. For example while a five star hotel and a corner pub are in the same industry group their industrial relations characteristics are quite different.

An analysis of workplace characteristics using industrial relations indicators shows that there are five dominant workplace types which broadly cover the diversity in workplace industrial relations in Australia. Table 1

indicates these five types and their major industrial relations characteristics. The table also indicates the proportion of workplaces for each type and the percentage of employees at these workplaces.

For the purpose of this analysis the only workplaces at which workplace bargaining had taken place in the year prior to the survey were what have been called the *reactive bargainers* and *active bargainers*, which collectively accounted for less than 25 per cent of workplaces with twenty or more employees. These also tended to be larger workplaces, reflected in the percentage of employees covered by these workplaces (50 per cent)[1].

The *active bargainers* have a well developed bargaining infrastructure in place, such as relative strong and active workplace unions and highly structured management. This gives rise to a culture of on going bargaining on a range of issues. In contrast the *reactive bargainers* exhibit quite different bargaining experiences. These workplaces differ from the *active bargainers* in that while they have union delegates at the workplace they tend to be relatively inactive and bargaining is infrequent and most likely to occur only when a special issue arises. Wages and conditions are less likely to be the subject of negotiations, while bargaining on an ad hoc basis on issues such as dismissals and occupational health and safety concerns are more likely to be the norm. The *reactive bargaining* workplaces with a less sophisticated bargaining infrastructure are likely to produce a different pattern and culture of bargaining.

This classificatory system suggests that while active workplaces are ready for the sort of decentralised bargaining system being proposed the reactive bargainers have more limited bargaining experience and may find difficulties engaging in regular negotiations on issues such as labour productivity, wages and conditions. For the other three types of workplaces in the classificatory system that make up 78 per cent of workplaces workplace bargaining would represent a dramatic shift with the current methods of management-employee interaction.

9. Bargaining Over What?

The scope of bargaining in any future decentralised system also remains unclear. One of the elements of agreement between the parties on enterprise

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1   The extent of workplace negotiations that occurred at workplaces was higher if
     workplace bargaining that only involved full time officials is included.

Table 1: _Workplace types, by key industrial relations characteristic_

Workplace Type	Management	Employee Organisation	Bargaining	% of Workplace	% of Employees
Informal	Unstructured	No Union	No bargaining	20	9
Unstructured inactives	Unstructured	Inactive Union	No bargaining	43	24
Structured inactives	Structured	Inactive Union	No bargaining	15	18
Reactive bargainers	Structured	Inactive Union	Bargaining	7	10
Active bargainers	Structured	Active Union	Bargaining	14	40

bargaining is that 'wage increases should be in return for achieved increases in productivity or efficiency' (AIRC,1991, p. 24) but as the Commission points out 'no party or intervener has suggested any rule for relating the amount of enterprise level wage increases to the achieved increases in productivity or profitability; nor, indeed, have the problems of measurement necessary for any such rule been resolved.' (AIRC, 1991, p. 35)

The Commission's fears again seem justified: currently, only 11 per cent of workplaces with more than twenty employees measure labour productivity in a precise manner - a ratio of the quantity of output to the quantity of labour input. Information on a workplace's actual productivity performance that allows comparisons between workplaces was not collected in AWIRS because of differences in output and in the measurement of labour input. If productivity bargaining is to be a key element in a decentralised system what measures will be used and how would productivity bargaining proceed in public administration, finance and business service workplaces where by dint of measurement, labour productivity growth is, by definition, always zero?.

A related issue is the subject matter of workplace bargaining in the future. While wages and conditions have been the traditional matter for negotiations, the impact and significance of a range of organisational changes affecting workplaces suggests that there is room to widen the agenda. The impact of organisational restructuring, technological change and change in a workplaces product or service would indicate that these may be matters of interest to the parties in a system that focuses more directly on workplace issues.

10.   Moving to Enterprise Based Bargaining

While the organisational level at which enterprise bargaining may take place remains unclear, if in some cases this means bargaining at the workplace level, the evidence would suggest that Australian workplaces have limited experience in this arena. The lack of experience with workplace bargaining is reflected in the relatively undeveloped bargaining infrastructure which is present in the majority of workplaces. If decentralization of the industrial relations system is to proceed, under what conditions should this occur? Is the lack of a bargaining infrastructure necessarily a hindrance?

One approach is to proceed with decentralised bargaining and to assume that the structures will develop as necessary. In other words if the parties are forced to bargain they will find the most appropriate mechanisms as required. The danger in this approach is that there is no onus on the parties

to bargain in good faith. Nor are there any guarantees that the rights of a party that is not in a powerful position will be protected. Under such conditions enterprise bargaining may mean little more than unilateral action by one side and acquiescence on the part of the weaker party.

Another approach is to develop the necessary conditions for decentralised bargaining. This does not necessarily mean ensuring union representation where presently none exists. It does, however, require that some representative structures such as works councils or consultative committees are required where there are no existing formal and effective channels of employee representation. The experience with the statutory formation of occupational health and safety committees may be an appropriate model for such workplace based committees.

In unionised workplaces, the evidence suggests that the ability of unions in Australia to effectively represent and bargain at the workplace is limited. If unions are to be effective workplace bargainers for their members then this will require the developments of guidelines agreed to by the parties or even legislative rights on a range of matters such as the availability of training for employee representatives, time off the job for delegates, protection against discrimination and unfair dismissal, and the access to organisational information that is necessary for bargaining.

Equally, management may need to reconsider its ability to enter into a system of enterprise based bargaining. The evidence again suggests that in different organisations the level of responsibility for workplace matters may need to be re evaluated. The role of workplace and corporate managers and the time, resources and expertise required by management has yet to be fully evaluated. Most of all as the classificatory system developed in _Industrial Relations at Work_ indicates there is a diversity in indutrial relations cultures that is reflected in quite different institutional arrangements at workplaces. A range of different bargaining structures or arrangements may well need to be developed to reflect this diversity. That is the real challenge for any system that purports to be flexible.

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