

# Enterprise Bargaining: The Truth - A Comment

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In a recent paper in this Review, Rimmer and Watts (1994) are critical of our attempt to relate trade union activity to the only data on workplace productivity generated by the Australian Workplace Industrial Relations Survey [AWIRS], Crockett, Dawkins and Mulvey (1993). Their criticism is based on the fact that the data on productivity were gathered by asking managers to rank the productivity of their workplace relative to other workplaces in the industry on a five point scale ranging from 'a lot higher' through 'average' to 'a lot lower'. Rimmer and Watts (1994) suggest that the responses to this question were likely to be biased because:

- (i) 'It is not possible for 87% of respondents to claim accurately that their workplaces' productivity was either the same or higher than for the industry as a whole.' (p. 65);
- (ii) managers might '...wish to create a "good impression" and might '...seek to impress their inquisitor.' (p. 65);
- (iii) '...no check was conducted to tell if managers had access to the productivity data for other firms which could inform this judgement.' (p. 65).

Point (i) is, of course, a complete nonsense. Quite apart from the fact that it is entirely possible for 87% of respondents to claim accurately that their workplaces' productivity was either the same or higher than for the industry as a whole, it is also quite likely that, in this particular case, the respondents' workplaces might, on average, tend to display higher productivity than the industry as a whole. This is because it was only managers *in*

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*those workplaces which actually measure productivity* that went on to answer the question about their relative productivity standing within the industry. It might be argued that the fact that a workplace has in place methods of measuring productivity is indicative of a productivity consciousness which, in turn, may be associated with relatively high productivity.

Point (ii) calls into question the value of the AWIRS in general. If respondents actually treated the interview session as an opportunity to promote their workplaces in a favourable light or to process a personal agenda then a great deal of the data gathered will be worthless. If, on the other hand, most respondents took the interview seriously and genuinely attempted to provide accurate responses then it is reasonable to assume that they would have done so also in respect of their estimate of relative productivity. Rimmer and Watts (1994) must imagine managers to be fairly frivolous people if they seriously believe that they will cook up a false productivity estimate simply in order to impress an interviewer from AWIRS. However, if all respondents overstated relative productivity by approximately the same amount, the rank order of the data would be unaffected. Moreover, Drago and Wooden (1992) point out that even if respondents tended to overstate the productivity rank of their own workplace, '... such overstatement ... only presents significant problems for the analysis if such errors are correlated with any of the explanatory variables. If not, then such errors only introduce random "noise".' (p. 147)

Point (iii) is not disputed. The data are soft. In the first published article on this topic [Crockett, Dawkins, Miller and Mulvey (1992)] we said in relation to the productivity data '...the question solicits subjective information. No checks were included in the survey to ascertain whether managers' perceptions match reality. Hence a general caveat needs to be attached to any analysis of the AWIRS: rather than revealing actual productivity differences across firms within an industry, the data may only reflect differences in the ability of management in various firms to gauge relative productivity differences, or differences in managements' propensity to distort their relative position.' (p. 124) However, it becomes a matter of judgement as to whether or not the data are sufficiently reliable to be used in a quantitative analysis. On the basis that we believed managers would genuinely attempt to provide an accurate estimate and bearing in mind that only managers who were already sophisticated enough to measure productivity had responded, we decided to treat the data as reliable. The AWIRS team themselves had sufficient confidence in the relative productivity data to incorporate it into an index of relative economic performance for informal workplaces without qualification. [Callus *et al* (1991), p. 163] They also

chose to devote an entire table to setting out a detailed breakdown of these data. [Callus *et al* (1991), Table A40]

If Rimmer and Watts (1994) are correct in their belief that ‘...there was (sic) no acceptable productivity data that could be a basis for the study’s conclusion that “...unions have a ... negative effect on productivity” ‘how would they suggest that we interpret the statistically significant coefficients on the union variables in the equations in which relatively productivity was the dependent variable? Their view is, apparently, that management over-rated their own workplace’s relative productivity. It seems to follow, therefore, that Rimmer and Watts (1994) would interpret our finding as showing that the higher the level of unionisation in a workplace, the less the manager is likely to overstate relative productivity at the workplace to an interviewer from AWIRS? We would be interested to know what theory underlies this proposition.

## References

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