INTEGRATED MANAGEMENT - 
AN EMPLOYMENT PERSPECTIVE

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In the mid 1990s Australian employers operate in an environment marked by rapid change and uncertainty. The last decade has witnessed significant changes in global market conditions, government regulatory policies, production processes/work systems and increased environmental concerns. In this context it has become increasingly clear that decisions made in connection with one issue may impact in other areas including employment relations. Some of these effects have been unanticipated, and if adverse, have placed significant new demands on the organisation. In other instances, external changes have impacted on the organisation’s operations. Such changes include new environmental and other regulatory demands, the removal of the compulsory retirement age in the context of an ageing population, rapid changes in technology, the proliferation of potentially hazardous substances and the need in many instances to compete in a multi-country regional/global rather than national market. Organisations need to be able to respond to these external changes and modify their internal processes in a way that is consistent with this. Figure 1 identifies the major internal processes and external influences which organisations must seek to manage.
Given the complex interactions between all the processes just identified the effort to achieve optimal outcomes is demanding. As will be highlighted below, there are complex exchanges and trade-offs involved. Indeed, it may be argued that these demands are too complex and dynamic for conventional management structures which were built around a narrow band of well-defined and largely independent areas of decision-making. The strategic human resource management literature purports to address some of these complexities through its notion of a strategic 'fit' between employment practices and business strategy. But this only addresses some of the interactions identified in Figure 1 and this literature often fails to recognise the inconsistencies between different policies or the problematic linking of goals with particular practices. Further, in practice there is a tendency for management to only implement those elements of a package which are least threatening or accord with its own perceptions. As a result, for example, notions of shared vision and values, worker empowerment and feedback loops remain little more than rhetoric.

If we look only at the area of employment we can identify a complex set of challenges which organisations need to confront. For example, in the past five year most private and public sector employers would have had to address (or should have addressed) at least some if not all of the following 12 problems.

- How should employment practices and management structures be reshaped to address altered product market conditions and increasing emphasis on product/service innovation and quality?
• What sort of balance needs to be struck between short term cost minimisation and longer term profit maximisation which will depend heavily on technological innovation and market expansion? How is this balance to be achieved in a context where it is easier to measure immediate costs than long term benefits or, indeed, the difficult to predict long term costs (in terms of market and public image as well as financial) to the organisation of hazardous substances?

• How are systems of work organisation to be altered to respond to the last two questions? Should the focus be on technology? What consideration should be given to Japanese models of work organisation such as JIT or lean production? What are the comparative advantage of Japanese and European work-team systems? What is the future of quality circles? Should work-teams be more human-centred and less authoritarian than the Toyota model?

• What are the effects of downsizing, outsourcing and leaner management structures on industrial relations, occupational health and safety (OHS), employee morale and productivity? How is the rationalisation of management structures to be handled, including the appropriate mix of early retirement/outplacement, retraining, recruitment and revision to reward systems? How is outsourcing to be managed so as to enhance performance and not compromise OHS, undermine HRM policies or lead to industrial disputes?

• How are management systems to address change in a way which balances workforce flexibility with security and trust? What needs to be done to ensure that the exchange process are genuine and avoid the growth of a hardened and cynical attitude amongst employees?

• How are problems with competing levels of management and different sets of expertise and perspectives to be addressed? What staff development programs needed and how should manage decision-making be integrated?

• How does devolution affect HRM practices? What is the appropriate balance between centralised and decentralised determination of employment conditions? How does the organisation ensure decentralisation does not compromise commitments to non discriminatory employment practices and equal employment opportunity?

• How can an organisation develop a management systems or culture which combine knowledge plus ethics so that decision-making preserves the interests of employees, shareholders and the wider community?

• How is the notion of a learning organisation to be made a reality?
• How are the employer’s responsibilities for the environment and the health of its customers and employees to be managed? How is OHS to be integrated into everyday operations as well as strategic decision-making?

• What is the organisation’s relationship to unions and how are its employment practices to be managed in a way which minimises inconsistencies and friction between collective and individual aspects of people management.

• How is enterprise bargaining to be addressed by the organisation? What steps need to be taken to ensure that bargaining promotes real improvements in productivity and that outcomes are consistent with HRM practices designed to maintain equity, OHS standards and fair treatment of employees?

Sources of Fragmentation

In order to see how a more integrated approach to management can be achieved it is necessary as a first step to examine the factors which cause this problem to arise.

Flawed Understandings of Management

Part of the reason why management is unable to address its role in an integrated fashion has to do with flawed but pervasive notions of what management actually is. Management refers to both a structure in the organisation and a process or activity. Defining management as an activity is not easy. Clearly, it involves a range of generic tasks which can include control of the workforce; planning and co-ordination of productive, financial and marketing processes; problem solving; the pursuit of immediate and longer term objectives; avoiding or minimising adverse external intervention in the organisation’s operations; and leadership.

In order to achieve an integrated approach to management it would seem logical to stress the processes of co-ordinated problem solving and strategic planning. In addition, it needs to be recognised that people are fundamentally different to other resources management has to co-ordinate (such plant, equipment and raw materials) because they cannot be purchased in quite the same way, are capable of independent thought and action and therefore their utilisation is more problematic. While HRM recognises this it is not clear that the general literature on management does. Further, far from stressing co-ordination, problem-solving and strategic planning much of the popular management material focuses on the notion of leadership. This is essentially a top down vision of the management process which pays little genuine attention
to worker involvement (either as individuals or in groups) and often degenerates into quite ambiguous concepts.

In recent years the literature and practice of management has been awash with terms such as the importance of vision, corporate culture, customer focus, flat management structure, lean production systems and loose coupling. It is necessary to cast a critical eye over some ideas whose overall value to management may be questionable. One such case is much of the popular literature on management. It is typified by the extremely influential work of Peters and Waterman and especially their book *In Search of Excellence*. Reliant on a relatively small base of apparently largely anecdotal case studies the latter book, like much other management literature, is really largely about the quality of leadership. That is the ability of managers to ‘engender enthusiasm amongst their subordinates’ (cited in Silver, 1987:106). The discussion of leadership (ie telling managers they’re there to lead) is enormously attractive to managers and this helps explain why such literature has proved to be so popular. Yet once idealistic notions of inspirational or charismatic leadership are unpackaged the substance remains elusive. Silver has labelled this process as mythologising management (1987). Another critic, David Guest (1992), has argued that the influence of Peters and Waterman (and later Peters) is not so much attributable to the validity and internal consistency of the central ideas but that the message is easy for management to assimilate, is perceived to be valid, and fitted neatly into the prevailing conservative socio-political context.

It needs to be asked whether ideas of leadership are more important than management structures and the actual processes of and outcomes from management decision-making? The limits of the leadership approach is highlighted by two observations. First, some the firms Peters and Waterman identified as excellent, notably IBM, have since proved to be less than excellent and indeed to have not adapted well to changing circumstances. If companies exhibiting all their key characteristics cannot keep their act together for even a decade then what does this say about the validity of the underlying theory. Second, reflecting this point, Peters and Waterman, and more particularly Tom Peters, have been obliged to shift ground and the substance of their argument remains if anything more elusive than ever (Guest 1992). The achievement of a more effective and integrated approach will require management to rethink its assumptions and structures not simply notions of leadership.

Unfortunately, the most important recent statement on management education, the Karpin Report tends to echo the problems just alluded to. In particular, its call to move the nation from an “employee culture” to an “employer culture” smacks heavily of the Peters and Waterman top down leadership solution. Its “leader/enabler” model manager may draw on the talents of employees to achieve outcomes, but the goals and methods are set by management and there is little real discussion of how workers are to participate or associate with the vision except in terms of some long term projection of higher living standards. According to Karpin the manager
of the future will be more flexible, entrepreneurial and globally aware but, if we avoid falling for yet another version of charismatic management, no less autocratic. The important of managers developing ‘people’ skills is acknowledged (see Karpin, 1995:25) but the solution is seen to lie largely in terms of better education under existing MBA etc models not a rethinking of these models as well as more participatory structures at work which would help to develop such skills.

Fragmented management structures

One major reason for fragmentation is the way management is structured within organisations. Typically, the management structure of a medium to large organisation will encompass managers with a range of different professional backgrounds, training and perspectives. The distribution of these skills across different areas of the organisation will largely be functional (eg managers trained in engineering being in charge of operational, construction or manufacturing activities; accountants looking after the financial side and those trained in HRM responsible for people management) especially at middle management level. While this functional allocation is superseded at upper levels several points need to be made.

First, few organisation have ensured that the overall management structure will mean that the different areas mentioned earlier will be addressed. Rather than a rational and co-ordinated structure of decision-making, what more commonly exists is a rational authority structure but one which fails to reconcile a set of competing management perspectives - a production or engineering perspective, an accounting/cost perspective, a human resource management perspective and so on.

Second, reflecting the last point promotion or movement to upper levels does not necessarily entail a requirement to demonstrate an appreciation of and ability to integrate every one of these different areas of responsibility. In some organisations there is an informal but well-entrenched system of selecting senior managers from within certain specialised areas, most often engineering or accounting. The value systems inculcated during initial training can and do exert a profound influence on the organisation. Those with an engineering background will tend to focus on the operational or production side and to more readily appreciate the value of properly maintaining and systematically upgrading expensive capital equipment than say a senior from an accounting background who is more likely to appreciate the value of lean costing and financial bottom lines. Neither group receives much in the way of people management as part of their formal training, although engineers are more likely to acquire such skills as a result on the job experiences. The likely outcomes of such practices in terms of a narrowed focus is seldom addressed although many companies have a practice of rotating managers around in order to spread their skill base.
Moreover, where a particular pattern has evolved a change of management may be highly disruptive. In the mid-1980s one large power distribution agency with a history of selecting its senior managers from the ranks of engineers appointed a CEO with an accounting background. This CEO implemented radical cost-cutting measures which included the winding back of maintenance and capital replacement. Combined with other measures, such as the outsourcing of labour (which caused a major industrial dispute), there were significant initial savings but these were succeeded by longer term problems in terms of operational efficiency and staff morale. Ultimately the organisation reverted to an engineering trained CEO.

Third, as the Karpin Report (1995) indicated, by and large, Australian companies have not put enough time and resources into training their managers via use of internal and external programs. The 1991 Australian Workplace Industrial Relations Survey (AWIRS) reached a similar conclusion, also noting that the situation was exacerbated by high turnover in management ranks. Management training is critical to broaden the perspective and skills of managers. It would be especially instructive to evaluate the extent to which the training programs which are offered deal with areas like bringing environmental and OHS considerations into decision-making and securing a closer alignment between HRM and corporate strategies. Unfortunately, despite proliferation MBAs and other postgraduate programs, many of these seem unable to provide this and are noticeably weak on this dimension or only teach it in a fragmented and selective fashion (for example, little if any exposure is given to OHS or environmental issues and few programs try to provide worker or union perspective on industrial relations to complement the management perspective and help manager better understand those with whom they have to deal). Short programs (both internal and external) and conferences may expand a manager’s knowledge but are unlikely to broaden their frame of reference sufficiently to cause them to rethink their role in a fundamental fashion.

Fragmentation of knowledge and advice

Another reason that management decision-making is often fragmented in relation to employment is that training, literature and the advice provided by consultants, conferences and experts in the field/s is itself fragmented. Employment relations has evolved as a number of separate fields, each with a distinctive focus and set of underlying assumption. This can be illustrated by referring to the dominant disciplines in terms of education and policy, namely human resource management and industrial relations. Both have particular strengths and weaknesses. Since the fields are influenced by country specific factors, the description I will make will be that which is most relevant to the Australian situation. It also important to note that the splintering in knowledge is not just an ‘academic’ divide. It is also found in relation to professional journals, management newsletters, internal/external training programs (including short courses and commercial/industry conferences) and practitioner texts. Moreover, the division also operates within the domain of management consulting and applies even to the
large multinational consulting groups. While the latter often have considerable expertise in financial management, organisational restructuring and (to a lesser extent) human resource management their onboard expertise in industrial relations and OHS management is generally far less impressive. It would be naive to believe that the balance of expertise does not reflect the priorities of the consulting groups (itself partly shaped by the country in which they originate) or does not influence the sort of package solutions they tend to come up with.

Human resource management (HRM) is the more recent of the two. It succeeded personnel management as a managerialist perspective on the employment problem. Philosophically, it purported to shift the management of workers from a process of administering recruitment, discipline and labour costs to one of seeing this as a more holistic and strategic management of a particular set of resources. In practice, the strategic element of HRM itself, and its ‘fit’ with the firm’s broader strategic objectives, has often been more apparent than real. In terms of focus HRM largely looks at managing the workforce from an intra organisational perspective, emphasising the processes of selection/recruitment, induction, training, promotion and staff development. It also tends to focus on workers as individuals - drawing much indirectly from discipline of psychology - although informal groups and notions of equity do get recognition. Its major strength is the specific knowledge and skills it brings to the activities just described. Central HRM departments have often been important bulwarks for maintaining employee morale through their activities to ensure the consistent processing of individual worker grievances and equality of treatment (in relation to EEO etc). Unfortunately, this role has seldom been seriously considered when organisations embark on devolution.

HRM also has a number of important weaknesses. One weakness is a tendency to overlook or understate the importance of factors which are external to the organisation including product and labour market characteristics, the regulatory and institutional context. This also means that extreme care must be taken when applying the ideas of one country or context to another (for the case for a comparative approach to HRM see Boxall, 1995). Books and ideas on HRM from the USA have been enormously influential in Australia on HRM practice although the employment practices to which they refer are (still) framed in a quite different social, institutional, regulatory and even market context. Thus, for example, US texts make little reference to unions or environmental regulations. Given that union density in the USA is less than half that of Australia and collective bargaining even weaker the omission of unions may as critical as it is here.

A second weakness is the failure of HRM, both as a academic subject and as a set of policies and practices, to subject itself to critical scrutiny (see Boxall, 1992 and 1993). In a recent and important review Cooke and Gates (1995:15-38) identify a number of limitations which fit very neatly into the overall argument of this paper. Specifically, they contend that HRM practices are:-
“often utopian in expectation and fail to incorporate a realistic view of existing knowledge bases
in the psychological, social and biological sciences. The HRM discipline relies on theoretical
approaches (eg theories of motivation, satisfaction and performance) which are: 1) almost
invariably linear in conception and depend largely on correlation evidence, 2) frequently
validated within non-representative contexts that are overly constrained by researchers, and 3)
overly simplistic in that the constraints and patterns imposed by are biological, psychological
and social systems are frequently ignored or assumed to constitute random error within the
models. This frequently translates into HRM practices which map reasonably well into theory
yet fall short of yielding expected outcomes” (Cooksey and Gates, 1995:15).

Another result of the lack of critical self-examination is that HRM texts and policies often
contain a series of unexamined contradictions. For example, the pursuit of greater flexibility, the
use of downsizing and outsourcing is advocated alongside discussions of the importance of
employee commitment/loyalty and quality. There is little if any recognition that some of these
objectives and methods may be in conflict and that trade-offs need to be made. Answers to the
hard questions every manager needs to know are thereby avoided. These questions include
what is the impact of downsizing on employee loyalty, morale and productivity; what sort of
balance needs to be struck between loyalty and flexibility; are there any long term costs
associated with adopting a lean production system; and what effects will outsourcing have on
service/product quality?

The result is a cycle of short-term and simplistic solutions which invariably fail to deliver all they
promise and where management only gradually becomes aware of the shortcomings as the
costs begin to manifest themselves. Much of this they learn themselves through bitter
experience. For example, downsizing can adversely affect OHS by altering work loads,
heightening stress amongst remaining employees, leading to the transfer of workers into new
posts (especially when they lack training in the relevant job hazards) as well as cut-backs in
training, supervision, maintenance and time devoted to discussing OHS. Poor morale and
workforce tension may arise for a variety of reasons including the emergence of performance
problems previously hidden by the exceptional efforts of individual workers who are now
unwilling or unable to carry on this role. On occasion, there is some useful research such as
Cascio’s (1994) study which indicated, that despite the rhetoric of the 1980s, only one third of
US firms he surveyed received a productivity boost from downsizing and many experienced
unanticipated costs and employee morale problems. Further, a study of TQM in the NSW
public sector by O’Donnell (1996:18-19) found that constant downsizing and rationalisation
undermined morale, increased stress and destroyed the potential for trust in the employment
relationship. Unfortunately, there is far too little of this sort of critical research and it often
comes too late for the many organisations that embarked on this path.
Industrial relations emerged as a discrete subject area in the late 1940s although the beginnings of the subject can be traced back to the rise of trade unions at the end of last century. Industrial relations has been centrally concerned with the processes of control and conflict in the employment relationship. While paying some attention to the organisational or workplace level, industrial relations has largely been concerned with industrial conflict, the strategic bargaining of employers and unions, and the role of the state. Its strength, therefore, tends to lie in its examination of interorganisational processes and some, though by no means all, environmental factors such as labour legislation and state intervention. In short, rather than being concerned with internal organisational policies like HRM, industrial relations is more concerned with the ways in which factors outside the organisation shape employment practices. Unlike, HRM industrial relations is less prescriptive and has been marked by a level of critical self-reflection (although less than would be desirable). The historical context with which specific patterns of industrial behaviour - including rituals - have grown up and are regulated is, unlike HRM, accorded some importance. Industrial relations practitioners also tend to see the workplace as a far from perfect or rational place where idiosyncratic and inconsistent rules may be best left alone once the cost of altering them are considered. Thus, for example, an organisation which attempts to rationalise allowances at several different workplaces to place them on a consistent footing may create more problems than it solves.

One weakness with industrial relations is that it has paid too little attention to internal processes within organisations including the structure and operations of management, the determination of employment practices (such as recruitment, selection and training) and the measurement of productivity. Thus, the fact that employment practices may be significantly altered by management at greenfield sites has only recently received attention (for an exception see Baird, 1994:92-115). The impact of ‘Japanisation’ on workplace management has received increased attention internationally (see for example Oliver and Davies, 1990), but the findings of such research has had little impact on mainstream industrial relations, let alone HRM where its critical insights would be of real value. Finally, industrial relations has tended to focus on formal structures and collective processes of interaction. The role of individual discipline and reward systems and informal interactions, even when they are collective, have received scant attention.

At one level both fields are limited by their polarised perspectives. Industrial relations and human resource management tend to paint very different pictures of work. The former largely see employment relations largely in terms of formal collectivities while HRM emphasises individual and informal group relations. As part of it prescriptive rather than critical approach HRM tends to enunciate an almost completely consensual view of employment relations and the rules and practices firms themselves devise. Industrial relations, on the other hand, tends to emphasis plurality of interests, authority/power, conflict
and conflict resolution processes including interorganisational bargaining and third part rule-making.

At another level IR and HRM share some failings. Both tend to ignore small business which makes up over 95% of employers in Australia and employs about half the workforce. The neglect of small business is, if anything, more profound in the case of HRM (for industrial relations studies of small business see Barrett, 1995 and Sutcliffe and Kitay, 1988). With some notable exceptions, both fail to critically assess just how independent is the development of HRM or IR strategies in the context of overall management decision-making. Despite the promotion of strategic fit is by no means an uncommon phenomenon to see organisations where the IR and HRM practices are at variance with the overall corporate strategy being pursued. It is even more common for the ‘fit’ to be more apparent than real (ie largely confined to formal documents and policies which are not effectively implemented).

The points just made could be extended to incorporate other bodies of knowledge which impinge on managing a workforce. For instance, this applies to occupational health and safety (OHS) - which is itself subdivided into a series of distinct professions, activities and areas of knowledge (most notably ergonomics, occupational hygiene, work psychology, safety engineering, law and management). These disciplines entail a mixture of intra and inter organisational perspectives and each has its own strength and weaknesses. Safety engineering, for example, has an admirable emphasis on modifying machinery and work processes to minimise risk but it tends take little or no account of work organisation and worker behaviour. This omission can result in the failure of even the most elaborate mechanical safeguards. If shut-down switches are poorly positioned or workers are under excessive pressure to complete tasks then safe operating practices are likely to be flouted. Similar observations could be made in relation to other disciplines/professions just mention. Further, in practice, many organisations treat OHS risks as a set of distinct problems (eg noise, hazardous substances, traffic on site etc) to be solved separately, overlooking complex patterns of interaction such as the combination of noise and traffic problems and the effects this may have on communication and stress levels in the workplace.

As Bohle has noted the specific strategies available to address OHS problems may be categorised under four broad headings:-

- environmental modification and monitoring;
- individual screening and monitoring;
- individual behaviour change;
- broader organisational strategies
Again it has to be said that the OHS strategies of most organisations is a mish mash of these approaches, with a tendency to emphasise the second and third options especially when it comes to implementation. Yet only the latter provides some basis for integrating OHS with other areas of management decision-making.

In practice even various legal requirements are dealt with in piecemeal fashion. The equally fragmented approach of government legislators has contributed to this problem. An example of this can be seen in the relationship between OHS legislation and EEO/Anti-Discrimination legislation. There are clear and not so clear overlaps between OHS legislation and new laws dealing with discrimination and equal employment opportunity. For example, sexual harassment represents not only an invasion of personal privacy and an exercise of power, it is extremely stressful and often entails adverse effects on the health and well-being of women. As such sexual harassment is an OHS issue. Likewise, the lack of quality workplace-based institutional childcare also can have adverse health effects for women workers. Unfortunately the interlinkages between these laws and employment more generally has only been partly recognised and there has been little effort to ensure that the combined effect of these laws is consistent or that broader policy objectives are achieved. In part, this reflects the fact that the laws have been promoted by different lobby groups with little concern for each other.

For example, state and federal OHS legislation has removed discriminatory standards imposed under pre-Robens laws such as load lifting limits based on gender and age as well as gender based job-exclusion in relation to particular hazardous substances such as lead. However in 1993 MIM successfully challenged in the Federal Court a safety code and standards for the lead industry drafted by the National Occupational Safety and Health Commission in consultation with the Sex Discrimination Commissioner). The Full Court decided that the NOSHC had exceeded its authority by its overriding concern for the sex discrimination implications of any code (Human Rights and Equal Opportunity Commission v Mount Isa Mines (1993) 118 ALR 80). The court argued that the appropriate approach for the NOSHC should be to draft the code on OHS grounds and to warn employers these might contravene the Sex Discrimination Act unless they made application for exemption under s44. Such advice hardly provides much practical assistance to management trying to address its responsibilities.

Revised OHS laws also make some reference to the need to take account of the special difficulties or interests of women, NESB migrants and other disadvantaged groups (generally in terms of representation on OHS policy or standard setting bodies and in the standard setting process). However, discrimination by employers is a logical response to OHS legislation as it presently stands. For example, to minimise their liability under duty of care it is entirely logical for employers to seek to avoid workers who they regard as high risk (such as those previously exposed to hazardous substances) or those more easily injured (such as older workers or the physically impaired). At present there virtually no government guidelines on the use of pre-
employment medical screening or drug testing to help management ensure that this is not applied in an arbitrary and discriminatory fashion. Even government agencies have become a party to discriminatory practices in breach of EEO objectives.

Drawing the foregoing together, it can be seen that, leaving aside the question of inconsistency in government policy, the capacity to integrate knowledge from all these fields just mentioned has obvious and tangible value for management. It may for instance indicate to the local offshoot of a US corporation that it is not really viable to introduce a US style compulsory drug testing policy in an Australian workplace or that such a practice should only be introduced at greenfield sites where management can more effectively bargain trade offs with unions eager to obtain coverage.

Some Emerging Challenges and the Need for an Integrated Approach

Up to this point the limits with the present fragmented approach to managing workers and the need for a more integrated approach has been dealt with in general terms. Before looking at solutions it is important that these problems be identified in more detail. In order to flesh out the need for a more integrated management reference needs to be made to a number of specific issues and practices which organisations have to confront in the 1990s. To do this it is worth looking at three particular issues which highlight how the present approach is not working, namely subcontracting, enterprise bargaining and hazardous substances. While there are many other issues that could be considered, these represent current issues which entail complex interactions of the type that present structures do recognise let alone address. Most medium to large organisations in Australia will be involved in at least two if not all three issues.

Subcontracting/Outsourcing

Subcontracting, now often termed outsourcing, refers to the process whereby particular tasks or services are sub-let or undertaken by persons outside an organisation as in the case where an organisation contracts out cleaning and maintenance activities. Subcontractors may consist of other firms (often small), self-employed individuals, partnerships and groups. As in other countries, there has been a rapid increase in subcontracting and other 'non-standard' work arrangements in Australia over the last decade. Outsourcing has been a significant practice not only for the private sector but also increasingly within the public sector. An Industry Commission inquiry (1995) estimated that the federal government alone spent $8 billion per year contracting out services (excluding construction). Vandenhuevel and Wooden (1995) found that public sector agencies employed more than 9 per cent of all independent contractors, and that about 80% of these were dependent on a single agency for most their work.
As the last point implies, outsourcing has also influenced the shape of employment more generally. One important consequence of the growth of subcontracting has been an expansion of self-employment (though by no means all subcontract workers are self-employed). Self employed workers now constitute well over 17 per cent of the labour force. A recent survey by Vandenheuvel and Wooden (1995) identified over 550,000 independent contractors in the non farm sector. By no means all subcontract workers are self-employed. Employment status is not always able to be clearly delineated. It is frequently a blurred and shifting terrain, with some workers holding franchises, some being employed as agency labour and yet others moving between employee and self-employed subcontractor status on different jobs.

The shift to outsourcing has been advocated by management consultants, accountants and US HRM texts. It has been advocated on a number of grounds including the capacity of such arrangements to meet short term demands for labour, the needs of business for a more flexible labour force, to increase geographical mobility of the workforce, to reduce the overall costs of labour, and to allow the removal of legal restraints and extend managerial prerogative (Hunter et al, 1993). Outsourcing has also been seen as a means of weakening union influence in the workplace.

In Australia, as well as other countries such as the United States, outsourcing has been part of a major shift in human resource management practices and has been associated with downsizing by large organisations. Yet while outsourcing has undoubted advantages in terms of lowering labour costs and enhanced flexibility it also has a variety of implications and it cannot be seen as a universal panacea. These may be summarised as follows:-

- Cost-savings need to be carefully evaluated against additional costs and long term effects. A number of studies (Teresko, 1992; Cooper, 1987; and Boston Consulting Group 1991 all cited in Benson and Ieronimo, 1995) have questioned the economic advantages of outsourcing because usually only immediate costs and savings are considered; the time and effort of co-ordinating a gaggle of subcontractors is ignored conventional accounting systems are unable to provide relevant cost information and overestimate internal production costs as well as savings. Even where a series of incremental decisions to outsource make economic sense the overall effect may be to undermine the organisation’s ability to compete by externalising key areas of expertise or innovation and making it too dependent on a large number of suppliers (Betts, Bradley and Hamel, 1992 and Blaxill and Hout, 1991 cited in Benson and Ieronimo, 1995).

- Unless care is taken the emphasis on short cost savings which is associated with outsourcing will detract from the development of long term strategies (Plunkett, 1991 cited in Benson and Ieronimo, 1995). Outsourcing does little to build the development of people-embodied skills within the organisation (Prahalad and Hamel, 1990 cited in Benson and
Ieronimo, 1995). Ironically, this includes the sort of leadership and management skills which are lauded by the management literature.

- At the very least, outsourcing can create communication difficulties between management and contractors. At worst it can enormously complicate the management process within the organisation, multiplying lines of responsibility, increasing induction/training requirements and presenting new challenges in terms of legal liability.

- Although outsourcing may weaken union influence this is not always the case. Indeed, the introduction of subcontractors may in itself be a source of tension and industrial disputation.

- The flexibility delivered by outsourcing needs to be investigated not presumed. In one case a courier company outsourced some of its delivery services but later found that it was unable to restructure its operations because of the contracts it had signed with owner-drivers. It ultimately learned that it had more control over its employed drivers. Moreover, since both employed and self-employed drivers worked under union negotiated pay rates their were no cost savings associated with outsourcing (even though this was the primary impetus for the switch to owner-drivers!).

- Outsourcing may have adverse effects of the delivery of products or central services. Contract workers seldom have the commitment to the organisation of employed workers and this, and their desire to complete tasks as quickly as possible, may interfere with service/product quality. For example, one large private hospital wanted to secure a more flexible arrangement in relation to working hours of its nurses. One option would have been to re-negotiate hours arrangements in exchange for provision of workplace-based childcare (which the hospital management knew was a significant issue for its predominantly female nurses). However, rather than do this the hospital brought in nurses on a contract basis. The hospital found that the quality of service provided by contract nurses was lower than that of its employees. Since service quality is critical to private hospitals the decision indicated a failure to fully consider the implications (the senior manager had a background in the hospitality industry where casual labour is more the norm). This example also highlights that there may be better ways to secure flexibility than outsourcing.

- Outsourcing may have significant implications for occupational health and safety. There is international and Australian evidence which indicates that self-employed workers are far more likely to be killed at work than their employed colleagues and that the industries and occupations were self-employment and subcontracting are most prevalent (such as farming, timber-getting, road transport, building and construction and fishing) are amongst the most dangerous (for a summary of this evidence see Mayhew, Quinlan and Bennett, 1996). In addition, a growing number of studies have linked subcontracting to unsafe work practices or to increased OHS risks in a specific industries, including some industries such as the US petrochemical industry where the shift to using contract workers has been comparatively recent (See Rebitzer, 1995:40-57 and Wokutch, 1992: 77-80,114-116 & 227).
This summary alone does not do justice to complexities involved. Each of the points just made could be expanded upon and they all interact in ways which management must seek to predict wherever possible.

This can be well illustrated if we simply consider the OHS implications. The factors contributing to increased risk may include any of the following: ambiguity in task definition, unclear relationships between different groups of workers at a workplace, the existence of workers on a site who are strangers, are often underqualified or lack specific workplace knowledge (e.g. in relation to the storage of hazardous substances), intensification of labour and overwork; all of which can affect OHS. Subcontracting also leads to the fragmentation and splintering of workers into isolated individuals and groups - this has long been a problem for farm workers - which means that communication about OHS problems, for example, is likely to be less than adequate. Further, contractors typically have less experience with the overall workplace than host management or the major contractor, and are therefore less able to predict the OHS consequences of particular actions. In industries where production systems are complex and tightly coupled these problems are likely to be magnified.

In addition, subcontractors are often engaged in horizontally (multiple contractors) and vertically (pyramid subcontracting) complex relationships. These complexities flow on to OHS creating confusion about responsibilities and control strategies, and diminishing cohesive action. Further, because of the economic and time constraints placed on them by the competitive nature of tendering processes, subcontractors, self-employed workers and small business appear to be less likely than medium to large organisations to see OHS as an issue warranting attention, are less likely to have an OHS program, to regularly assess OHS risks, or to undertake OHS induction, training or supervision. This can also be partly explained by logistical constraints, and long term neglect of small business on the part of regulatory agencies.

While the outsourcing process may be seen to reduce the organisation's liability in terms of workers' compensation its overall exposure to legal liability may not be reduced. Liability could arise if the organisation employees are injured by a subcontractor as in the case where a speeding owner-truck driver hits an employee on the premises. The organisation may also be held liable for an injury to a subcontractor or their employees under the deeming provisions within OHS legislation or via common law action for a breach of their duty to provide a safe workplace. Even in the case where the subcontractor has breached OHS legislation the liability of the organisation is not removed. It may still be found that the organisation as the principal contractor is also responsible. In this regard it is worth noting that OHS agencies in Australia have increasingly recognised the hazardous situations arising from subcontracting and one response to this is a greater willingness to launch multiple prosecutions (ie against both the subcontractor and the principal contractor. See Mayhew, Quinlan and Bennett, 1996).
The net result is that subcontracting/outsourcing may undermine the company’s ability to manage OHS without diminishing its legal responsibility. This point is well illustrated by the Shoalhaven City Council’s submission to the recent Industry Commission inquiry into competitive tendering and contracting by public sector agencies. The Council stated:

“It is difficult to control contractors who elect not to renew their public risk insurance, or do not carry out proper traffic and OHS procedures. Councils can still be left with a hidden responsibility. Where Councils elect to hire equipment intermittently it is likely that the staff the contractor employs may not be adequately trained to work in public roadways where Councils have an implied duty of care. After the accident has occurred, the Council may be left with the responsibility because the contractor liquidates” (Industry Commission, 1995:189).

There are a series of decision-making processes and a range of specific measures that organisations can undertake to mitigate or avoid the adverse effects of outsourcing on OHS. Indeed, in a more integrated approach these practices can also be used to address quality and other issues. The options include:-

- Introducing a procedures to carefully calculate the full costs and benefits (including long-term hidden costs in relation to product and service quality effects, reliability/control, legal liability) of engaging subcontractors for each situation or process before embarking on or continuing with this option.

- Ensuring that tender and contract requirements entail explicit compliance with all legal obligations and codes (Mervin, 1995). Further, employers must monitor this compliance. Consistent with this, all subcontractors need to supply information on their OHS performance, safety equipment, work methods to be used, and policies prior to a contract being awarded.

- Incorporating specific recognition of outsourcing into their OHS management policies. Contractor safety manuals are the logical base to a safe system method. Issues such as which party is to supply and maintain plant/machinery or personal protective equipment, and OHS induction and training requirements should be clarified. Managers, supervisors, employee representatives as well as subcontractors should all be fully apprised of their OHS responsibilities.

- Ensuring subcontractors themselves have an effective OHS management system.
• Ensuring that subcontractors and their employees participate in decision-making on OHS, quality and other matters which are relevant to their activities, such as participating in site OHS committees and in periodic reviews of overall OHS management.

• Timetabling production, service delivery, and work task schedules to avoid excessive staff on site at any given time, competing deadlines, or mutually exclusive tasks.

• Developing a core of reliable, preferred and experienced subcontractors who fully understand their tasks and responsibilities.

• Developing methods of exerting control over subcontractor behaviour, including implementing a secure work permit system, insisting on induction requirements, and initiating a suitable system of discipline (from “please explain” to contract termination); all of which should be monitored through regular site inspections and other devices.

• Lobbying Industry Associations to incorporate information on subcontracting in their draft policies, short courses and information materials which are supplied to members, and to liaise with both government agencies and unions on measures and campaigns to address OHS and quality problems associated with subcontracting.

It would not be necessary for an organisation to use all the measures just indicated although some such as the first should be mandatory. Rather organisations may select a package of measures which are most appropriate to its circumstances. At present few companies have comprehensive contractor control systems and the majority have adopted no measures whatsoever. Some companies have introduced specific contract performance requirements or sets of rules. However, while better than nothing such isolated measures have a limited effect especially when, as is often the case, little attention has been given to implementation, monitoring compliance (including informal information) or contractor involvement.

Overall, few of the complexities associated with subcontracting have been considered and the decision to outsource has been largely based on short-term cost criteria. Clearly the decision to outsource should be approached on a careful and function-specific basis. However, there are some worrying signs that many companies in Australia see it as a general strategy to pursue. In their study of metal manufacturing firms in both Australia, Benson and Ieronimo (1995) found that Australian firms had undertaken significantly more outsourcing than their Japanese counterparts. In addition to cleaning, catering and other typically outsourced activities, a considerable number of Australian firms had outsourced maintenance. This was something Japanese firms - in many ways the international model for flexibility and outsourcing (as part of JIT etc) - avoided because they regarded maintenance as a core activity, the labour and skills for which should be retained within the organisation. The outsourcing of maintenance by
Australian metal manufacturing firms was a long term measure involving lengthy considerations and had been negotiated with the unions. Nevertheless, Japanese firms had sought flexibility in maintenance through mechanisms other than outsourcing.

As a final point it is worth noting that outsourcing highlights the limitations of an intra-organisational HRM perspective. Aside from promoting outsourcing within their own agencies, governments have also played a part in promoting outsourcing or subcontracting through their industry/tariff policies. Government tendering policies also affected the priorities of contracting firms, and their capacity for instance to implement effective OHS management systems. For example, the establishment of quality and OHS performance criteria by governments as part of their tendering process can help avoid the situation where cost-price tendering results in major contractors engaging in cheap rather than reliable subcontractors and where those who treat quality and OHS seriously are disadvantaged. In short, since governments set the ground rules for many markets they can exert an effect on the organisations and, in turn, organisations can use the government to try and reconcile difficulties which would otherwise be beyond their control.

Productivity Enhancement and Enterprise Bargaining

Since mid 1980s there has major changes in most Australian workplaces in terms of work methods, technology and processes. One mechanism for change has been enterprise bargaining. Enterprise agreements have commonly entailed:

- changes to staffing levels;
- introduction of performance based pay and review systems;
- changes to working hours and shift arrangements;
- changes to penalty rates, sick leave entitlements;
- increased use of subcontractors, outsourcing and temporary labour.

The central forces driving these changes have been the desire to reduce operating costs, increase competitiveness and enhance productivity. Yet despite the plethora of public debate on enterprise bargaining a number of crucial questions have received little consideration, namely:

- Does short cost cutting amount to a real increase in productivity and competitiveness?
- How is productivity to be measured?
- How is productivity enhancement to be linked to employment practices?
• How can enterprise bargaining occur in a way which simultaneously promotes productivity and preserves employee morale?

• Is productivity based enterprise bargaining more appropriate to some industries than others?

• What risks may enterprise bargaining pose to OHS, quality, gender equity etc and how can these risks be avoided or at least minimised?

As with outsourcing, it is impossible to canvass all these issues in detail. However, a number of particular problems can be identified which present management practices have, for the most part, failed to address.

At the most basic level it would seem obvious to suggest that for enterprise bargaining to be an engine driving productivity improvements it is essential that the organisation have some means of measuring productivity and these measures should be key considerations in the bargaining process. While this may be logical it is by no means standard practice. The 1991 Australian Industrial Relations Workplace Survey (AWIRS) found that only 26% of all workplaces surveyed, or 36% of those employing more than 500 workers, used any form of productivity measurement. The second survey undertaken this year will almost certainly show that an increasing number of workplaces uses productivity measures. Nevertheless, while enterprise bargaining has been with us for more than a decade and now covers over half the workforce it is disturbing to find that many organisations, including quite large employers and those who have already embarked on enterprise bargaining, have implemented no systematic means for determining productivity levels, let alone mechanisms for linking these measures to enterprise bargaining. In the absence of such measures many employers appear to believe that cutting costs, especially labour costs, will deliver productivity benefits. In this context it is hardly surprising that a number of studies of enterprise bargaining in Australia have found that it has largely taken the form of concession bargaining whereby workers give up conditions or make some other sacrifice in return for an offsetting wage increase (see for example ACIRRT, 1995). While cost cutting may form part of a long term strategy to enhance productivity, cost-cutting alone does not guarantee long term productivity improvements. Indeed, unless these activities are carefully managed and part of broader strategy the results may be quite the reverse. For example, outsourcing has often been a ‘trade-off’ in enterprise agreements but its contribution to competitiveness and productivity be questioned in many cases (see last section).

A second issue concerns the nature of the productivity measure which is used. Conventional measures are based around narrow budgetary or output criteria such as cost per unit produced or number of units produced/customers’ serviced per unit of labour. As noted by Green (1993:1-15), these measures take no account of multiple product/service streams and quality,
assume labour input can be measured separately, treat technology as a residual, and actually only measure the outcome of past events rather than the operating processes which give rise to such outcomes. Worst of all from an employment perspective, these measures tend to see human resource management and industrial relations arrangements as little more than background ‘noise’. In short, these measures do not provide a basis to build, via enterprise bargaining, a meaningful relationship between employment practices and productivity. This observation is even more worrying in the context of Australian findings which indicate that the processes of achieving workplace reform were at least as important as identifying outcomes. In particular, some studies of Australian workplaces found that joint consultation and active union involvement made an important contribution to the change process (Alexander and Green, 1992 and Alexander et al 1994).

To overcome these problems Green (1993) has advocated the use a of balanced-scorecard approach which entails a process orientation and multiple qualitative and quantitative measures of performance. In particular, he argues this instrument should be composed of five interrelated sets of indicators modified to the particular characteristics of the employer, namely:-

- Indicators of customer satisfaction (including measures of quality such as defect/complaint rates, timeliness in responses etc)
- Indicators of internal business processes (such as production cycle time, value added and energy usage)
- Indicators of innovation and learning (such as improved efficiencies, additional services and new products)
- Indicators of financial results (such as cash flows, market share and return on equity)
- Indicators of workforce role (such as employee involvement/union co-operation in goal setting, training, equity measures and OHS processes and targets)

It should be noted in passing that this approach seeks to integrate the diverse activities of the organisation so that it becomes part of strategic management - the core concern of this paper. It makes direct links to different aspects of employment practices and key issues such as quality.

It can also be noted that this approach is more suited to a dynamic environment and to measuring performance where the primary products are services, as in the case of many government and not-for-profit agencies. The actual indicators only need be as elaborate as the size and complexity of the organisation warrants.
While an increasing number of employers have taken on some of the indicators just mentioned through their quality-assurance or benchmarking activities in most cases a number of indicators have ignored or only addressed in very nominal fashion. Conspicuous omissions include not only the linking of quality-assurance or benchmarking to enterprise bargaining but the handling of employment practices more generally. Many companies appear to believe they can achieve best practice without looking at employment practices let alone forms of employee involvement. For example, echoing the very problems identified at the outset of this paper, the model of benchmarking promoted by the Australian Manufacturing Council places a lot of emphasis on management leadership while worker involvement is seen as non-essential (ala Peters and Waterman. For a more integrated approach which recognises the role of rewards and other HRM factors see Macneil et al, 1994 esp. pp84-92). Similar problems have been identified in connection with quality management techniques such as TQM. This includes findings that there are significant differences in the attitude of general managers and quality managers in Australia to key components of TQM - something with critical implications for HRM practices (Entrekin and Pearson, 1995:130-139 and Dawson and Palmer, 1995). Another study of TQM in a public sector agency (O’Donnell, 1996) argues that the cultural change based around quality customer service failed because workplace management practices emphasised downsizing and the rationalisation of work processes, workplace managers resisted TQM team recommendations as a challenge to their prerogative, and senior management became disenchanted at the lack of measurable productivity outcomes.

A third key issue is the linking of reward processes and employee morale to productivity via enterprise bargaining. In recent years the notion of performance based pay and other payment by results systems have come (back) into favour. There introduction of an effective system is by no means simple and must be tailored to the specific circumstances of the organisation. In particular the system must be framed in such a way as to:-

- Reward actual performance of the worker or work group. Systems which rest heavily on activities beyond the control of the group are unlikely to effective in the long term;
- Are based on performance levels which are achievable over a long period of time;
- Are acceptable to workers and unions;
- Do not promote output at the expense of quality, OHS or customer service;
- Are based on indicators which are not open to manipulation;
• Do not adversely affect staff development and inter-worker collaboration by discouraging experienced workers from spending time training others or information sharing;

• Do not cause inter-worker friction, do not favour one group of workers over another or in other ways undermine prevailing notions of equity in the workplace;

With reference to the last factor it needs to be recognised that employee morale and performance is based on a mixture of security, equality of treatment and incentives. Without some baseline of security workers will be too insecure to perform at their best. Further, as Isaac (CCH Industrial Law News No.5 13 December 1995 pp11-12) has observed, violating accepted notions of fairness in the workplace could undermine productivity. An incentive system which breaches such notions could therefore be debilitating. They may also undermine conventional HRM practices. If linking rewards to bargaining requires care then it also needs to be noted that enterprise bargaining becomes problematic where productivity is only measured in terms of working harder and where there is little or no capacity to share rewards back to workers. Such situations can be found in atomistic highly competitive sectors providing services or in government and semi government agencies where a combination of budgetary cutbacks, cuts to staffing levels and the inability to sell products (even under the user pay principle) means there is no real scope for sharing rewards.

Even where enterprise bargaining is not directly connected to an incentive payment system there may be adverse effects on equity. Indeed, there is already evidence of this in Australia in relation to a growing gender gap in pay and that women were generally unable to secure non-wage benefits such as carers-leave or childcare through enterprise bargaining (for a summary of this evidence see Quinlan, 1996). There is also mounting evidence that enterprise bargaining is having an adverse effect on OHS. For example, exposure levels to hazardous substances are generally based on an 8 hour exposure period (taking cumulative exposure and length of non exposed periods in between into account) and need to be completely recalculated for workers on 12 hour shifts. Very few companies have made such adjustments. In 1994 Australian Centre for Industrial Relations Research and Teaching at Sydney University (ACIRRT) carried out a major survey of the OHS implications of enterprise bargaining for Worksafe Australia. This study which included 12 detailed case studies represents the best evidence we have on the OHS impact of enterprise bargaining. The study (1995:134-149) found that there was inadequate recognition of the OHS implications of changes to work processes and arrangements (such as changes to workings hours, staffing levels and task allocation and scope) under enterprise bargaining. In both its survey and case studies ACIRRT found that one of the primary outcomes of enterprise bargaining was work intensification. It was also found that concerns with organisational resources amongst workers engendered by enterprise bargaining made them more reluctant to agitate for OHS improvements. Further, the increasing focus on individual performance meant that OHS risks, including those emanating
from work intensification and change, were more likely to be portrayed or perceived as the fault of individual behaviour. This situation was exacerbated by the failure of most companies to have sophisticated OHS management systems to detect the OHS problems arising from workplace changes; the inadequate bargaining capacity of the parties (especially weakly organised or non-unionised workers, NESB migrants, women, subcontractors, marginal workers and small businesses); a lack of education, training and resources on both sides; and a lack of management commitment even where the union was active and concerned. Where bargaining capacity was weak it was especially like that the tendency to concession bargaining would have especially deleterious effect on OHS.

The study found that positive OHS and IR outcomes of enterprise bargaining were most likely to occur where there is both active trade union, employee and senior management involvement and commitment. The other side of this finding is that the growth of non-union bargaining may compromise OHS outcomes. Further, ACIRRT uncovered other significant institutional limitations. The federal government had done little to facilitate a recognition of OHS in the bargaining process. There was no requirement for the parties to demonstrate to the Australian Industrial Relations Commission that the OHS implications of proposed changes have been investigated or taken into account even in the crudest procedural terms. While the ACTU has produced a model set of OHS clauses for inclusion in enterprise agreements ACIRRT found not evidence that this had a significant impact. Rather, it was found that unions lacked knowledge and resources. Nor had employer associations sought to play a significant role here. The ACIRRT study showed that there was little interaction between IR and OHS participatory structures at the workplace, including a failure to share information, excluding OHS professionals from the bargaining process and trying to retain a false and unrealistic separation of the two issues.

Finally, leaving all this aside what is the evidence on the productivity effects of enterprise bargaining. The short answer is that the evidence is largely anecdotal and inconclusive. When the Business Council of Australia (BCA) issued its report advocating enterprise bargaining in the late 1980s it stressed that enterprise bargaining would promote a greater mutuality of employer and employee interests at the workplace. To support this it relied heavily on a National Institute of Labour Studies survey which compared Australian and US workers. Frenkel and Peetz (1990:78) identify a number of flaws in the survey interpretation and concluded:

“if the behavioural differences between Australian and North American employees are, as the BCA consistently implies, the consequence of centralised and decentralised industrial relations systems respectively, then the BCA’s own data indicates that a move to enterprise bargaining would lead to lower levels of commitment, of trustworthiness, of job satisfaction and consequently of shared interests, of work effort and higher levels of absenteeism”.
This observation found striking support when four years later the federal government surveyed 1100 workers to gauge the impact of enterprise bargaining. The survey found that well over half surveyed employees felt that the agreements had entailed more work effort on their part, an increased range of tasks and increased stress on the job (DIR 1995:376). Employees were almost twice as likely (28% as opposed to 15% with 56% registering no change) to believe that their opportunities for promotion has been reduced rather than increased. With regard to job security (12% higher/31% lower) and satisfaction with work/family balance (13% higher/28% lower), negative responses were more than double positive responses. More employees expressed lower satisfaction with their jobs (35%) compared to a positive outcome at 27% (and 38% no change). Only 14% expressed more satisfaction with management as opposed to 42% expressing less satisfaction (with 44% seeing no change). This, the most comprehensive survey of employee responses to enterprise bargaining indicates significant employee dissatisfaction. Increases in work effort, stress and family/work pressures are also likely to long term consequences for worker health and well-being.

In short, a significant number of workers feel their quality of working life has deteriorated under enterprise bargaining. This should be a major concern for management if only because this may well affect employee morale, commitment and productivity in the longer term. One possible outcome of disenchantment is an increased risk of industrial disputes. Even where this is not the case other problems could emerge. Insecurity, alienation and fear of job loss is not a good long term motivator and may promote quite debilitating forms of behaviour. In the USA a number of studies (see for example Havlovic, 1991) have found that quality of work life factors significantly affect human resource outcomes, reducing absenteeism, minor accidents, grievances and quits. Unfortunately, widespread recognition of such connections tends to be cyclical.

On the other hand, the survey found that any managers found significant advantages in the enterprise bargaining process in terms of productivity, profits, quality, employee skills and customer satisfaction. Thus, there appears to be a widespread perception amongst managers, if not workers, that enterprise bargaining is working. Qualifying this, a study OECD countries by Burgess and MacDonald (1990) found that the productivity slow-down in the 1980s was not confined to countries sharing particular industrial relations systems and labour market characteristics. Likewise, a later study of 14 OECD countries commissioned by the Reserve Bank (Coellie et al 1994) found that the Australian system had been flexible by international standards. It is not clear where this conflicting evidence leaves us except to say that the link between particular industrial relations arrangements and productivity or labour market flexibility has probably been grossly exaggerated. Even such an apparently ambiguous finding has significant implications for management’s employment practices because it suggests that there is more room to manoeuvre than was previously imagined.
**Changes to substances, plant and equipment**

Most knowledgeable observers agree that workplace exposure to hazardous substances represents perhaps the most major sleeper issue in OHS terms. The capacity of hazardous substances to move beyond the workplace in the form of wastes or air-borne contaminants and their long term residual effects on sites means that they also represent a potential nightmare to companies in terms of broader environmental and community concerns. If anything, community demands and legislative controls with regard to environmental effects place higher expectations on organisations than those placed by workers/unions and OHS laws.

The sheer number of potentially hazardous substances (chemicals, fibres, dusts, viruses and bacteria, metals and organic materials), the rapid proliferation of new chemicals, the multiplicity of health effects resulting from exposure (a single substance may be toxic, corrosive, flammable, explosive, carcinogenic, mutagenic or tetragenic or any combination of these), the likelihood of multiple exposures (making causal identification difficult and leading to complex combined or ‘cocktail’ effects), and the often long gestation period before health effects such as disease become apparent, represent a major challenge to OHS management now and in the future. At present there are more than 5 million known chemical substances with about 5000 new man-made chemicals being added each year. Legal exposure limits have been developed for only a fraction of those which are potentially hazardous, scientific research and standards development cannot keep up with the proliferation and even those standards that have been developed often need to be revised on the basis of new information (or acceptance of information around for some time).

Plant and equipment is also undergoing rapid change in many workplaces. These changes often occur on an incremental basis with little or no thought being given to the OHS implications.

There are no simple solutions to the problems just identified. In the past the dominant response of most firms and industries has been to meet, to varying degrees, existing regulatory requirements and to adapt their practices to meet either mounting scientific evidence or new regulatory standards on particular hazards. This compliance-based approach had several basic problems. In many instances it was never effectively implemented. Even where it was implemented, the monitoring and control of particular hazardous substances (often using second best measures such personal protective equipment) could not cope with the emergence of hitherto unsuspected risks, the re-evaluation of existing risks, workers’ compensation or common law claims, and the problems of managing hazardous substances more generally. In worst case scenarios, as with asbestos or a major environmental disaster,
employers had to cope with significant financial costs as well as damage to public relations and industrial relations. Attempts to limit the former by opposing or restricting compensation/damages claims usually exacerbated the latter. Finally, and most cogently, more stringent environmental laws (including those governing waste disposal) and the national OHS code on hazardous substances will no longer accept an approach where there is no systematic risk assessment and control of hazardous substances in the workplace.

In the end the more stringent regulatory demands being placed on management could be seen as an opportunity to implement a more systematic approach which improves employment relations and avoids the very real prospect of increased workers’ compensation and other litigation costs. Indeed there are a number of relatively straightforward measures by which employers may take a more pro-active approach to such risks.

One practice is to implement the principle of addressing hazards, where ever possible, before they enter the workplace. A method of doing this is to establish a purchasing policy/committee to assess all major purchases of new substances or equipment and seek safest available product which will do job. Further, expansion or renewal of working facilities should be seen as opportunities to design out existing hazards. Rather than simply relying on past practices, standardised architect designs or accounting estimates on the cheapest warehouse, OHS needs to become a factor in the design/restructuring process. This will involve asking quite basic questions, such as what are the major OHS risks in this area? How can we minimise unnecessary movements of labour and materials? What design features in a warehouse would reduce manual handling problems? How can a photographic laboratory be laid out in order to minimise exposure to hazardous substances?

Another productive step is to establish a joint management/worker committee to assess current usage of hazardous substances with a view to:

- avoiding hazardous substances where possible;
- using safer alternatives;
- modifying work systems to reduce usage/ensure safe usage such as minimising the opening of containers. At the Tasmanian Government Printing Office it was found that even slowing down some production processes resulted in not only reduced exposure levels but also direct cost savings in terms of lower input requirements);
- improve storage and transport on site;
• evaluate emergency procedures including evacuation, fire fighting equipment and access to showers for those exposed to dangerous liquids or sprays (it is not unknown for key thoroughfares to be blocked, for fire equipment to be inappropriate or untested, or access to emergency showers to be rendered impossible because of materials or rubbish).

The organisation should establish a hazardous substance management handling policy which ensures that there is:-

• proper labelling of all chemical and waste containers, including MSDS;

• chemicals are stored in an organised manner according to their hazardous characteristics;

• an inventory is kept of chemicals and their location;

• the workplace is kept clean and clutter is minimised;

• wastes, surplus chemicals, and surplus equipment are disposed of in a timely manner;

• implementation of the policy is periodically audited;

Organisations should seek to collaborate with other employers, via industry associations etc, in order to ensure that substances, materials or equipment supplied meets the highest OHS standards. Some substances may represent a hazard through poor packaging (in terms of nature or size). In other instances, industry associations cannot not only seek information on the OHS characteristics of particular equipment but also place pressure on manufacturers and suppliers for relatively minor modifications to machinery which safeguard workers (for example the location of emergency stop buttons, additional guarding or the placing of lids on grain auger storage bins to prevent dust escaping).

Key Features of an Integrated Approach to Managing Employment

It is one thing to indicate the problems of the present fragmented nature of management and to suggest some solutions to specific symptoms of this problem. It is, of course, quite another thing to provide a general solution. Given the enormous diversity of organisations and the industries etc in which they operate no set of structures and processes will meet the needs of all. It is also unlikely that the solution to be found in existing models of strategic management. The current models of management strategy or strategic management have not addressed the
existence of ongoing contradictions identified in this paper. The failure to reconcile these contradictions is a primary source of fragmentation in management decision-making.

At best, what can be offered are generic models. A number of models or ways for integrating management have already been suggested (see for example, Fenwick and De Ceiri, 1995). Rather than assessing these the last section will suggest a set characteristics that an integrated management system should possess and try to indicate why this is the case. These five characteristics are implicit in much of the foregoing discussion.

1. **Demonstrated Senior Management Commitment to Valuing Employees and Managing their Input**

   It is impossible to conceive of an integrated and effective employment management regime where senior management is not committed to this goal. Without such a commitment it is extremely unlikely either that resources and time will be devoted to the issue or that lower levels of management will treat the matter seriously. Such a commitment is more than simply a concern with cost/profits or legal compliance. The latter concerns will lead to a reactive and minimalist response on the part of management. Rather, the commitment should be based on the ethic of valuing people who have placed their trust in the employer (people with families, public profile). Further, it must be a commitment backed by structures and actions.

   On way of achieving this would be to ensure that the manager responsible for employment must be in senior management but must that this role must be far broader than conventional HRM and involve demonstrated ability to integrate all dimensions of area and to make inputs where marketing, production and financial decisions are likely to impact on employment practices and conditions. All senior managers should have some understanding of employment relations in the broadest sense. Further, concrete methods of demonstrating this commitment on an ongoing basis must be in place (and not banal workplace slogans or statements in annual reports etc).

2. **Employee Management is Integrated into Core Management and Work Activities**

   The second key principle is that employment practices cannot be treated as an afterthought, add-on, appendage or subsidiary factor to normal management and work activities. Rather, they must be integrated into ‘normal’ management and production/service delivery functions. This principle recognises that areas such as OHS, for example, are fundamentally an organisational problem. The vast majority of occupational health hazards are not aberrant but arise in the course of normal production activities. The pattern of injury and illness by industry is usually highly predictable and therefore they are best seen as statistical probabilities. Even apparently highly technical issues or hazards such as exposure to hazardous substances
originate from and must be resolved through decision-making processes within the organisation. Further, exhorting workers to behave more safely without investigating or addressing the sources of ‘unsafe’ behaviour is unlikely to prove effective because in many instances it will not remove the source of the problem. It is also important to ask questions about the management process in connection with the use of hazardous substances or other risks, preferably before the hazard has been introduced where possible.

There are a number of ways of integrating people management into the organisation’s operations. Obviously, the incorporation of comprehensive induction and training/staff development systems is important. Another measure which has been used with success by some companies is ensuring that managers are assessed on their performance in relation to OHS, staff morale and other employment indicators. Other measures of the effectiveness of implementation should be used. The organisation must avoid a compliance mentality in relation to employment since laws set a base-line not an ideal, do not cover everything of relevance, and the workplace is undergoing continuous change. The company or agency that merely seeks to comply with legislation will invariably fail even in this limited endeavour. Finally such an approach will need to be participative and consultative so that managers, workers, contractors etc know of their role and responsibilities and can actively contribute to the design and operation of the organisation’s management system.

3. Management Uses a Systems Approach

As the last point implies, a third key principle concerns the need to adopt a systems approach. Many management employment programs consist of a broad vision statement, a range of supporting documents covering different areas (basic conditions, discipline, OHS etc) and which are, at best, loosely connected to some structures (responsible officers, committees etc), along recognised but often unwritten set conventions and practices.

An integrated systems approach will require efforts to ensure consistency across all these elements and the organisation’s general strategy and operations. It also requires mandated discourse between different change processes and decision-making structures. For example, in contrast to what is commonly occurring now; management, committees and teams involved in workplace reform, enterprise bargaining and OHS will need to share information/expertise and collaborate in other ways. Equally structures will need to be place to ensure that decisions relating to changes in plant and equipment, outsourcing etc are based on all relevant information, not simply cost projections. The systems approach will focus on processes not simply specific issues or incidents.

In terms of assisting integration management may use specific techniques such as benchmarking, TQM and risk management. At the same time, such techniques must be
carefully implemented and their integrating potential should not be exaggerated. Whatever their ambitious claims TQM, benchmarking and risk management/loss control are techniques or partial systems which may have important overlaps with managing people in an organisation. They do not constitute complete management systems and they must be used in conjunction with a systematic approach to managing people. Where there are overlaps these need to be carefully considered to ensure that the effects are not contradictory. This may be easier in the case of some systems than others. For example, the mechanistic and ‘lean and mean’ proposals often associated with business process re-engineering (BPR) can and should raise serious questions in relation to the impact of this on employment practices and programs. Indeed, BPR often undermines HRM and may be entirely antithetical to the effective management of human resources (for studies arguing this see Taylor, 1992; Willmott, 1992; Grint and Willcocks, 1992; and Francis and Southern, 1992). An emphasis on rationalisation, cost-cutting, and an unwillingness of managers to allow their prerogatives to be challenged at the workplace, undermines attempts to focus on empowerment, training and the development of career structures.

Further, it also needs to be recognised that different forms of the same technique may have profound implications for employment relations. For example, more care has to be taken with employment practices when using tool, process or strategic benchmarking than is the case with people-driven or strategy/people benchmarking. Only the latter two explicitly build worker-involvement into the activity at all stages (ie design, implementation and review).

4. The Employment Management System Addresses Change

At indicated at the outset of this paper rapid changes in the workplace as well as evolving regulatory requirements make it critical that an management system be able to accommodate to change. Changes to work processes present new opportunities and new sources of risk both in terms of maintaining employee productivity and morale and in terms of issues like OHS and environmental management. At present, relatively few management programs pay more than lip service to the process of change. For example, the notion of continuous improvement is yet to have much meaning in terms of OHS. Indeed, some of the changes to work practices introduced under this banner have undermined existing OHS standards because no attention was given to the OHS dimension. More generally, studies of lean production have suggested that the term continuous improvement is often a code-word for work intensification and ‘management by stress’ (see Parker and Slaughter, 1988 and Berggren, 1993). Such approaches carry their own price in terms of trust, morale etc and are hardly likely to constitute an effective change process in the longer term.

Looking at changes impacting on employment it is possible to identify a number of especially significant ones. These include changes to work methods, systems and processes; changes to
substances, plant and equipment; and changes to the workforce, especially the increasing use of temporary workers and subcontractors. This paper looked briefly at a number of areas of change, namely productivity-based enterprise bargaining, outsourcing and the proliferation of hazardous substances. In all three cases it appears that management has given insufficient attention to modifying their management programs to better address the challenges that these changes pose.

5. The Management System Values Worker Input

One of the most fundamental and recurring inconsistencies within organisations is one set of statements, policies and practices which recognise the value the employees and another set of policies and actions which ignore, undermine or contradict this recognition. Until this set of inconsistencies is confronted, talk of integrated management will remain hollow and doomed to failure. One key mechanism for reconciling these inconsistencies is to genuinely bring workers into the equation.

Workers have a fundamental right to know about factors which affect their working lives including how workplace changes which will impact on job security, rewards, career prospects and the hazards may face. The organisation that fails to recognise this faces both additional risks and lost opportunities. On the one hand, failure to disclose information about potential risks to workers, for example, will hardly accord with a notion of due diligence on the part of management. On the other hand, input from workers can contribute to a more effective management system. First, workers have valuable and sometimes unique knowledge about their job. As such they can and should be involved in the reporting problems. Second, workers can help devise effective and cost-efficient solutions to productivity, quality and OHS problems. Third, worker involvement strengthens the system. Workers are one of the key stakeholders and their commitment is essential. A team approach can be valuable if it is treated seriously. Genuine worker involvement is essential to this. Fourth, worker feedback is useful in evaluating performance and making modifications. For example, quantitative performance measurement systems are almost always open to manipulation and both informal and formal feedback from the workplace can act as a useful counterbalance to such problems.

At present there are a variety of mechanisms by which workers can and do participate in organisations including enterprise bargaining teams, benchmarking or quality teams, OHS representatives and committees, and unions. Two points can be made here. First, in smaller workplaces which are exempt from mandated participatory mechanisms (such as OHS committees) similar outcomes can be achieved by informal processes such as lunch-time meetings or walk-around based OHS audits. Second, in medium to larger workplaces it needs to be recognised that while there may be an array of participatory mechanisms with
overlapping responsibilities and membership they also have rather distinct agendas which cannot easily be merged. A benchmarking committee cannot oversee all OHS matters.

Finally, even though it may be now unfashionable in some management quarters, unions should be viewed as an independent and constructive part of the agenda. Apart from evidence that unions can play productive part in of workplace reform, they are also provide an independent source for workers to articulate grievances without fear of recriminations (and this process is superior to the more muted signals associated with absenteeism or resignation). Management looking to a non union nirvana should remember a number of points. One sobering observation is that unions have been part of economic landscape in Australia for over 160 years and while their impact may wane in the next decade it is likely to remain significant. Moreover, industrial dissent existed long before unions and is very unlikely to disappear in their absence. Management also needs to remember that efforts to supplant unions using workplace teams or groups have been tried repeatedly in the past (for example, by followers of the Human Relations school of thought which arose in the 1930s and more recently with socio-technical systems in the 1960s). Ultimately, these efforts conspicuously failed. There is no compelling evidence that the team-based systems of the 1990s for this end will prove any different.
References


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