



## Articles & Commentaries



### p-Watch — Australia



by Richard Barton, former Managing Director of Business Improvement Advisory Services. Previously he was the Business Process and Quality Management Executive for IBM in Australia & New Zealand. He was also General Manager with the Australian Quality Council. He has had a long and close association with the APO. Mr. Barton writes this column regularly for the *APO News*.

#### A Decade of Change in the Australian Workplace

Dramatic change has occurred in the Australian workplace since 1990 when the government of Western Australia hosted the nation's first APO symposium with the theme of Tripartism-A Cooperative Approach to Productivity Improvement.

At that time Australia was about to undergo a paradigm shift in its labor-management relations. The Australian workplace had an unenviable reputation for its high level of industrial confrontation, disputation and uncompetitive economy. Management, with some exceptions, was experiencing great difficulty in managing its workforce to effect productivity improvement.

Since 1990, however, Australia's economy has been growing continuously, exceeding 4% throughout the period. OECD forecasts state this Australian growth rate will continue.

The scorecard is impressive:

- ▶ Average employment growth of 1.5% since March 1996
- ▶ Unemployment rate low at 7.2% and falling
- ▶ Multi-factor productivity increase of 2.4% from 1993 through 1998, against a previously historical average of 1.4%
- ▶ Labor productivity improvement of 3.1% compared with a historical 2.3% average.
- ▶ Inflation at 1.2%, and sustained at low levels for some time.
- ▶ Real unit labor costs relatively flat, while real wages have increased.

In the past, our trading partners and Australian employers had identified high levels of industrial disputation as a major disincentive to investment. This has changed. Industrial disputes are about one sixth compared with 20 years ago. In 1998, for the second successive year, Australia recorded the lowest number of days lost to industrial disputes since records began in 1913. Australia no longer has a reputation as a strike-prone nation.

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So what has happened in nine years to change the environment so dramatically?

In the early part of this decade the Federal Government conducted a tripartite study tour of the leading economies, namely Japan, United States and Germany. The Best Practice report recommended funding be made available to several private sector enterprises to demonstrate methods which improve productivity.

The selected companies were largely in the manufacturing sector. The demonstration enterprises held a number of government sponsored events to share their learnings with other organizations. As an outcome, several characteristics of organizations demonstrating World's Best Practice were identified. The Best Practice demonstration program reinforced the need for better collaboration between all stakeholders, and pointed to changes in management systems. Quality gurus also asserted that 80% of employee productivity is determined by work systems and 20% from effort.

Findings from the program were very similar to the characteristics of high performing organizations which were featured in the 1999 October issue of the APO News.

Coincidentally the Australian economy was undergoing transformation. The decline of manufacturing and the growth of service industries, particularly tourism and hospitality, brought new dynamics to the economy.

Rising customer service expectation was emerging across all sectors. Global re-engineering and business transformation put pressure on management to adopt a new paradigm in the way they managed their people. Corporatization followed by privatization of large parts of the public sector enterprises, as well as outsourcing of non-core services, contributed to the changing dynamics. Public sector organizations and the workforce had to learn to behave like private sector companies, adopting world class management methods and continuous improvement strategies. The wider understanding of the total supply chain indicated a need for collaborative productivity improvement across all sectors.

The union movement was not to escape the changes. Membership declined from over 50% of the eligible workforce to less than 30% in this 10 years period. Members began to question the value and relevance of participation in unions, although union membership remains high in key sectors such as transport, banking, healthcare, construction, and public sector including education. Union leadership realized that rising labor costs were also contributing to Australia's uncompetitiveness, and supported widespread workplace reform including wage restraint.

The increase in international tourism and the rise in customer expectation initiated changes to working hours and conditions. The retail industry moved to a seven day trading week. A new "customer service" attitude became widespread.

Since 1994 changes in the underpinning federal industrial laws have moved to rebalance the labor/management outlook. Cooperation in the workplace has grown, with employer and employee representatives realizing the importance of

international competitiveness to the economic well being of Australia.

Early this decade at an exemplary internationally known motor vehicle plant, a visitor asked the management how they paid their workforce. The reply was that pay rates were decided by the national wage tribunal. As the industrial court decided wages outcome, management thus had no input or skills in managing this important reward and recognition system. However, at a small vehicle component factory, equally world class, a new enlightened general manager had taken the national wage fixing process and added reward and recognition systems, workforce education and training to enhance employee working conditions. This new focus pulled the company back from the brink of bankruptcy to become a nationally recognized achiever in a three-year period.

The dramatic improvement in Australian international competitiveness can be further illustrated in two contrasting areas.

The agricultural sector operates without subsidy and is regarded as being world class. Most of this productivity improvement came from the adoption of new farming methods and technology.

The international film industry has seen major film studios open cinematography complexes in Australia. This development has not gone unnoticed by the US film industry. The reasons are simple: lower cost, innovation, less industrial disputation and better productivity.

A recent survey shows the Australian workforce is working longer hours than in the previous decades. Half a generation of continuous productivity improvement represents a significant paradigm shift in Australia without sacrificing quality of life. Will this momentum be sustained? Economic forecasters say it will.



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