



Articles & Commentaries

p-Watch — Australia



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Productivity Improvement Scorecard and Challenges Ahead for Australia

The economy is in the midst of its longest economic expansion," reported the *Australian Financial Review*, 1 February 2003. Over the past 15 years, Australia has undergone an economic revolution and today has one of the world's most open, stable, and reliable economies. Australia is a long-standing stable democracy with a high growth rate, low inflation, low interest rates, competitive business sector, and a highly skilled workforce. In the *World Competitiveness Yearbook 2000*, Australia was ranked among the best 12 in the world for overall productivity growth measured as a percentage change of real GDP per person employed.

To use the familiar Aussie expression, "How come?" "How did this happen?" The *Australian Government Year Book 2002* stated that change in labor productivity in the market sector across all industries from 1991 to 2000 was 2%. The communications services sector showed the largest annual increase of 8% over that period because gross value added productivity grew faster (11% per year) than hours worked (3% per year). Labor productivity gains in the electricity, gas, and water supply industries increased by 7% per year. The mining industry rate for the first part of the decade was 5% but in the past two years productivity has improved by 17%. Information and communications technology (ICT) is the fastest-growing sector. The table below from the *Australian Government Year Book 2002* summarizes productivity improvement in industry by sector.

Indices of gross product per hour worked by industry			
Industry	1999– 2000 index number	Change from 1998–99 (%)	Ave. annual growth rate 1991– 92 to 1999– 2000 (%)
Agriculture, forestry, and fishing	100.3	0.3	3.3
Mining	116.9	16.9	4.8
Manufacturing	101.3	1.3	2.7
Electricity, gas, and water supply	104.2	4.2	7.2

Construction	92.2	-7.8	1.2
Wholesale trade	101.1	1.1	4.5
Retail trade	98.8	-1.2	1.8
Accommodation, cafes, and restaurants	99.5	-0.5	1.2
Transport and storage	103.5	3.5	2.6
Communications services	103.1	3.1	7.5
Finance and insurance	108.2	8.2	6.3
Cultural and recreational services	99.0	-1.0	-0.5
All industries	101.4	1.4	2.3

The heavy construction sector showed the worst performance, with a decrease in labor productivity of almost 8%. A high-level national judicial enquiry is being conducted in the construction industry to investigate a range of labor issues and management and business practices that appear to be retarding productivity improvement and competitiveness.

Some of the reasons for the sustained national productivity improvement are:

- ▶ The creation of Australia's competitive, open-market economy was the result of effective macroeconomic management.
- ▶ The agricultural and resource sectors have become more flexible and dynamic through technological applications.
- ▶ The Federal Government has completed far-reaching revisions in the taxation system.
- ▶ The labor market was reformed through policies such as enterprise-level wage bargaining to increase efficiency and create more employment opportunities.
- ▶ Regulatory and bureaucratic reforms have minimized duplication of anti-business and competitiveness policies.
- ▶ The Federal Government has become proactive in cooperation with the states and territories in promoting competition and limiting regulatory barriers.

Challenges ahead

An industry-based human resources development think tank associated with Macquarie University Graduate School of Management, one of the leading business schools in Australia, has pointed to the following issues as challenging Australian management through 2003-04:

- ▶ Although ICT is the fastest-growing sector and Australia's e-commerce readiness is among the highest in the world, productivity gains from e-commerce have yet to be realized.
- ▶ Demands for a better work-life balance are appearing, particularly among professionals and managers; they are working longer hours and are expected to be permanently "on call" because of the use of modern communications technology.
- ▶ Requests for more flexible working hours and work environments, such

as working remotely/electronically from home, are like a double-edged sword and need to be handled carefully.

- ▶ In some workplaces, personal identity is suffering as people do not interact regularly with their fellow workers. This has given rise to the new challenge of managing "virtual" teams.
- ▶ Large-scale retrenchments in recent years in the name of restructuring, downsizing, or mergers and acquisitions for productivity improvement have put a new dimension to the meaning of "loyalty." Employees are becoming more loyal to their careers than their organizations as the latter are seen as lacking in loyalty to employees.
- ▶ The need to connect future markets and strategies with workforce development to ensure its readiness and competencies suggests that just-in-time education and training" are an imperative for competitive organizations. Although electronic delivery methods are growing in acceptance, the more traditional face-to-face and group-education methods are still considered to be an important element in workforce development.
- ▶ Following a spate of corporate collapses and scandals, there is a demand for better and improved corporate governance, business ethics, and compliance with standards.
- ▶ Along with the demand for good corporate governance is a renewed emphasis on performance management at board level and throughout top management. Reward and recognition policies and systems will need to be transparent at all levels to have reliability, credibility, and accountability with the investment community.

The term "productivity" in Australia unfortunately still suffers from a poor image. With the renewed focus on customer relationships, service-quality management, and better leadership and management development, productivity may shed its poor image and be embraced by the whole workforce. While the productivity improvement scorecard for the past decade for Australia is very strong and the economy is robust, business management in all sectors and at all levels has to maintain a system of continuous improvement, innovations, quality assurance, and customer satisfaction to retain top performance.



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