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Cooperative Workplaces – How can Australia capture productivity improvements from more harmonious workplace relations

Industrial relations can play an important role in contributing to the strength of the Australian economy. Potential reform to, or changes within, the Australian industrial relations system should be measured against three criteria; driving jobs and wages growth, boosting productivity and strengthening the economy, while ensuring protection of employees' rights.

Importantly, an effective industrial relations system should strive to achieve the best overall balance, having regard to the needs of both employees and employers, including those engaged in small business.

As recently announced, the Prime Minister has asked the Attorney-General in his capacity as Minister for Industrial Relations, to take a fresh look at the industrial relations system to identify how it is operating and where there may exist impediments to shared gains for employers and employees which could be subject to reform.

Request for public submissions

This discussion paper is broader in its terms than others in the series arising from the fact that it seeks the contribution of broad views and the benefits of practical experiences and techniques from Australians who have advanced, achieved or experienced, here or internationally, best practice on what this paper will term cooperative workplaces.

This paper on cooperative workplaces seeks views (by way of written submissions) on whether and how improved productivity performance might be available to Australian workplaces through more harmonious workplaces. While this paper directs submissions to specific questions below, submissions may provide any information and make suggestions relevant to the topic of this paper. The purpose of the paper is to collect and collate the techniques, structures and practices that produce the most mutually beneficial and productive workplaces for both employees and employers.

Submissions can be made to IRconsultation@ag.gov.au

The closing date for submissions is 28 February 2020.

Submissions will be made public (by being published on the Attorney-General's Department website) unless an express statement is included in the submission requesting confidentiality. If you request that your submission remain confidential, you are encouraged to consider whether the whole submission is confidential or whether some parts of the submission may be made public.

Background

The Morrison Government believes that best practice cooperative workplaces can help make our economy stronger and promote enhanced prosperity for employees and employers. While the industrial relations regulatory and administrative framework plays an obviously important role in fostering more cooperative and productive workplaces, there is a substantial body of evidence, which demonstrates that leadership, workplace culture and sharing positive commercial outcomes can have a significant impact on productivity, innovation and performance.

This paper is part of a process of exploring how the Government might better understand how it could enhance the role that the industrial relations system and Government policy could play to support and facilitate private sector efforts, while also ensuring that it does not unnecessarily encourage conflict or contribute in any way to a false and detrimental view of the industrial relations system as a zero sum game where mutual benefits are not the norm.¹

This paper seeks examples of the practices and techniques that foster and grow mutual benefits – noting that many policy makers in this area have identified workplace culture as a critical area for improvement. It is a fundamental fact of successful market economies that when employers and employees collaborate and work together to improve the performance of their business they can jointly share the rewards from their efforts – including better job security, higher wages, prospects for career enhancement and better business performance. Widespread improvements at the enterprise level translate to better economic performance across the economy.² As the Productivity Commission has observed, the wellbeing of Australians is substantially and inextricably dependent on persistent growth in productivity.³

One established means of cooperation is employee engagement, which is acknowledged as an important method of building a cooperative workplace culture.⁴ In major western economies, there has been increasing

¹ In 2012 then Workplace Relations Minister Bill Shorten said “The workplace relations debate in Australia has for too long focused on conflict between unions and employers and the transactions involved in setting pay and conditions. This has meant that ongoing, daily relationships that occur at the workplace have not been given the attention they deserve.” In a speech to the National Press Club in 2014, then Australian Workers' Union (AWU) National Secretary, Paul Howes, said that in order to achieve productivity gains, governments should foster harmony and cooperation. “No company is successful without an engaged, energised and motivated workforce.” See also Australian Financial Review editorial 26/6/19:

“That leaves no place for indulging in what former Australian Council of Trade Unions (ACTU) vice-president Anna Booth exposed as an Australian industrial relations system built to institutionalise adversarial conflict, not forge productive workplaces.”

² The World Economic Forum 2018 Global Competitiveness Report states that In the midst of rapid technological change, political polarization and a fragile economic recovery, it is critical that countries define, assess and implement new pathways to growth and prosperity. Productivity is the most important determinant of long-term growth and income.

³ <https://www.pc.gov.au/inquiries/completed/productivity-review/report/productivity-review.pdf> “Productivity is not, as some would have it, about extracting more sweat from the brow of an already hard-working Australian. It is most of all about:

- › not standing in the way of better investment in workplaces
- › not opposing the research and trialling of new ideas
- › not defending outmoded regulation that prevents consumers and businesses obtaining access to better services.

We can make significant gains just by recognising the case for change and embracing it.”

⁴ Advisory, Conciliation and Arbitration Service (ACAS) Research Paper “MacLeod and Clarke’s Concept of Employee Engagement: An Analysis based on the Workplace Employment Relations Study. <http://www.acas.org.uk/media/pdf/7/6/08140-MacLeod-Clarks-Concept-of-Employee-Engagement.pdf>. The

awareness of the importance of engagement with employees for organisational success. Once the objectives of increased engagement are accepted and leaders within organisations establish the necessary skills, the level of engagement can be measured and improved over time. Research suggests that organisations with higher levels of employee engagement are also the organisations doing well in terms of labour productivity and financial performance.⁵ These are the necessary drivers of enhanced employee benefits, job security and wage growth.

Similarly, the role of leadership within organisations, organisational capability, values, culture and continuous improvement strategies have roles to play.⁶

Issue

A key priority for the Government is ongoing job creation across the Australian economy and the consequent benefits to the community. In this context, it is important to promote a shared understanding that the success of an enterprise leads to success for employees – both existing and new.

The culture of Australian workplaces varies widely. Some are harmonious and collaborative, others exhibit conduct that appears adversarial and are more often subject to regular conflict⁷. This variation in relationships can occur in workplaces irrespective of whether there is active union involvement.

Innovations, business improvements and changes that benefit employers and employees are more likely to occur in a harmonious and collaborative workplace. Such improvements contribute to better business performance, greater competitiveness and better outcomes for employees. There would appear to be significant opportunities in Australia to build more cooperative workplace relations and the necessary trust to enable that to occur.⁸

There is evidence to suggest that employee engagement levels are low in Australia. A Gallup report in 2017 suggested 14 per cent of employees surveyed in Australia and New Zealand reported being engaged with their work, with 71 per cent being disengaged⁹. This compares to 27 per cent engagement for the United States and Canada and 15 per cent worldwide.

introduction to the McLeod Report states: “Engagement, going to the heart of the workplace relationship between employee and employer, can be a key to unlocking productivity and to transforming the working lives of many people for whom Monday morning is an especially low point of the week. We deal with the different definitions of engagement in the report. But at its core is a blindingly obvious but nevertheless often overlooked truth. If it is how the workforce performs that determines to a large extent whether companies or organisations succeed, then whether or not the workforce is positively encouraged to perform at its best should be a prime consideration for every leader and manager, and be placed at the heart of business strategy.”

⁵ An 18-month study by the Society for Knowledge Economics, concluding in 2011, compared High Performing Workplaces to Low Performing Workplaces and found that High Performing Workplaces have higher levels of employee participation and engagement and they are characterised by a ‘set of values and shared beliefs where people welcome and seek to introduce change and innovation and where leaders care for their employees and foster collaboration.’ These workplaces have 12% higher productivity, 23.3% lower levels of employee turnover and have 22.7% higher levels of job satisfaction. ‘Leadership, Culture and Management Practices of High Performing Workplaces in Australia: The High Performing Workplaces Index’, Dr Christina Boedker et al. page 10

⁶ Ibid page 8

⁷ The World Economic Forum ranks Australia as 53rd country in the world in “Co-operation in labour/employer relations.” And 111th in the world for Hiring and Firing Practices. http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

⁸ <https://www.edelman.com/trust-barometer> The benefits of this enhanced level of trust are also highlighted by the report:

“The rewards of meeting these expectations and building trust are great. Employees who have trust in their employer are far more likely to engage in beneficial actions on their behalf—they will advocate for the organization (a 39-point trust advantage), are more engaged (33 points), and remain far more loyal (38 points) and committed (31 points) than their more skeptical counterparts.”

⁹ State of the Global Workplace Report, Gallup 2017

The “Engaging for Success Report”, also known as the Macleod Report to the UK Government (2009)¹⁰, provided evidence of the success garnered from aligning industrial relations arrangements with employee engagement strategies. For many companies, representative structures were integrated into new engagement strategies instituted by employers.

In the Australian context, there is evidence of co-operative models of industrial relations leading to fewer disputes¹¹.

Reform Options

Any system should aim to use every available lever to discourage adversarial behaviour and foster an environment where the preference of the parties is to cooperate and avoid a conflict model. The Government is keen to identify any such impediments to employers, employees and their representatives choosing an approach that they regard as in their best interests without jeopardising protections. The Government also seeks to collect and share best practice examples of where models and practices promoting harmonious workplaces have been adopted and what else could be done to support employee engagement and productivity.

Discussion Questions

1. To what extent do productivity benefits arise from cooperative workplaces?
2. To what extent do employees benefit from cooperative workplaces?
3. What other benefits are available to businesses, and the wider community by greater encouragement and utilisation of techniques to establish more cooperative workplaces?
4. What techniques in building cooperative workplaces are successfully used by Australian businesses and how widespread is their use?
5. Are there particular industries or types of businesses that have been more successful in utilising these techniques than others?
6. What are the most favourable circumstances to encourage more cooperative workplaces and are there any barriers to their development?
7. How does the Australian industrial relations system support and encourage cooperative workplaces?
8. How can unions contribute to more cooperative workplaces?
9. What measures can the Government take to assist employers build their capability to engage with their employees?
10. What has been the experience with techniques and practices to foster cooperative workplaces including, but not limited to:
 - a) Employee share schemes,
 - b) Flat accountability structures,
 - c) Alignment between individual jobs and organisational aims,
 - d) Comprehensive, clear and consistent communication systems,

¹⁰ “Engaging for Success: enhancing performance through employee engagement”, A Report to the UK Government by David Macleod and Nita Clarke, 2009

¹¹ “Co-Operation at Work” By Mark Bray, Johanna Macneil and Andrew Stewart, Federation Press, 2017

- e) Fair treatment policies and procedures,
- f) Collaborative development of Health and Safety policies,
- g) Dispute resolution mechanisms,
- h) Reward and recognition systems,
- i) Performance based pay,
- j) Employee voice,
- k) Employee engagement,
- l) Employee empowerment,
- m) Continuous improvement,
- n) Retraining for new jobs created by new technology,
- o) Cultures based on mutual trust and shared values,
- p) Leadership development,
- q) Employee/Management improvement programs,
- r) Celebrating company and employee achievements.