Deregulation ... whose flexibility?

Phil Teece

Manager, personnel & industrial relations

While travelling overseas on holiday recently, it was impossible to ignore the political and media attention being given to change in the labour market. Australia is obviously not alone in its continuing focus on new approaches to work. And whether it was Singapore, Canada, the United States or Europe, the words flexibility and deregulation seemed to dominate newspaper columns and current affairs television.

But the interesting thing was how differently these goals were being pursued. In England, the new Labour Government was asserting the need for legislation to safeguard firm minimum wages, even as Australia's Prime Minister was opening up policy debate on their reduction. As trade unions appeared to be in almost terminal decline in America, European nations were simultaneously re-emphasising the Social Chapter to compel employers to recognise and deal with them. Clearly, there are varying views on the best way to achieve change in the workplace.

This should not be surprising, especially when we realise that the search for labour market deregulation can only take place along a continuum. It cannot be merely a choice between either flexibility or inflexibility. Rather, there are various points on a spectrum. There are several types of flexibility. The dilemma lies in making choices which provide the greatest potential benefits for organisations and their employees. And we should not forget that flexibility at work raises the question: flexible for whom — employer, worker or both?

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Currently in Australia, flexibility and deregulation are arguably far too focused on an employer-only agenda which rarely looks beyond the short-term. With changes in the workplace balance of power, managers now have greater scope to impose flexibility on the workforce. But it is sometimes being used only to cut costs by casualising employment, with an inevitable de-skilling of the workforce. Many ALIA members are acutely aware of this trend. Even a cursory glance at research on the outcomes of decentralised bargaining in Australia confirms that little attention is being given to innovative ways of changing working arrangements to suit employees, notwithstanding the rhetoric of family-friendly policies.

Bargaining outcomes which address only one side's concerns rarely produce lasting improvements in any walk of life. The labour market is no different. Writing in the *Guardian* recently, director of Britain's Institute of Public Policy Research, Gerald Hotham, says the challenge is to use the greater flexibility that managers now have at their disposal to go for higher quality services and more value-added jobs, rather than to lock in low-cost services and a low-skill workforce. To achieve this, there needs to be far more recognition of the workforce as an asset to be developed rather than just a cost to be reduced. And increased budgets for training and development, rather than reductions, are a fundamental part of this.

While this is seen by some as a 'soft' approach which only emphasises benefits to employees, there is hard evidence of its positive effect on what accountants like to call the bottom line. Reported recently in the *Australian Financial Review*, an American Management Association survey of more than 1000 large and medium-sized organisations reveals a clear correlation between increased training budgets and higher profits and productivity. Those companies which lifted their training outlays were found to be seventy-five per cent more likely to generate increased profits and more than twice as likely to achieve higher productivity as organisations which had cut their employee-related costs.

Even more convincing is a survey of European companies by the Boston Consulting Group. After examining ten industry sectors over seven years, it found that the best-performing companies in every industry were those scoring highly on measures such as expenditure per employee, staff opportunities to learn new skills, employee-focused flexible working hours, employee profit-share schemes and staff promotion opportunities. They consistently achieved greater total shareholder return than their competitors.

When these results are compared with developments in Australian employee relations there is cause for concern. There is certainly a good deal of talk here about a 'new industrial relations model' based on common interest and high trust. But as Ron Callus, director of the Centre for Industrial Relations Research and Training, points out in his recent review of enterprise bargaining, the irony is that a majority of Australian employers continue to pursue low-trust management strategies. Around half of all Australian employees surveyed complain they have had no say about recent major changes in their workplaces. And a third are less happy with the work and family balance than they were a year ago.

Here again, the gap between rhetoric and reality is clearly a barrier to sustainable change in Australian organisations. With the labour market's power pendulum swinging their way, it will be tempting for employers to seek more and more reductions in employee benefits and conditions as a vehicle for efficiency enhancement. But such a policy will be short sighted. In fact, there is mounting evidence that the greatest threat to future workplace productivity may lie in the very insecurity and workforce dissatisfaction which the current approach to deregulation is creating. ■