CHAPTER 16

Strategies in human resource management

OVERVIEW

16.1 Introduction
16.2 Leadership styles
16.3 Job design — general or specific tasks
16.4 Recruitment — internal or external, general or specific skills
16.5 Training and development: current or future skills
16.6 Performance management — developmental or administrative
16.7 Rewards — monetary and non-monetary, individual or group, performance pay
16.8 Global strategies: costs, skills, supply
16.9 Workplace disputes

16.1 Introduction

Effective human resource management requires the management of staff to be aligned with the strategic goals of the business. The strategic management of staff and a successful workplace culture will attract, motivate and build employees' commitment and performance in a business.

16.2 Leadership styles

BizWORD

Leadership style *refers to ways that managers communicate with their employees to inspire and motivate them to work together to achieve an organisation's goals.*

Leadership style refers to ways that managers communicate with their employees to inspire and motivate them to work together to achieve an organisation's goals. Rarely does a 'one size fits all' approach to leadership work so it is necessary to consider a number of different styles. The leadership styles can be considered through a continuum as illustrated in figure 16.1.

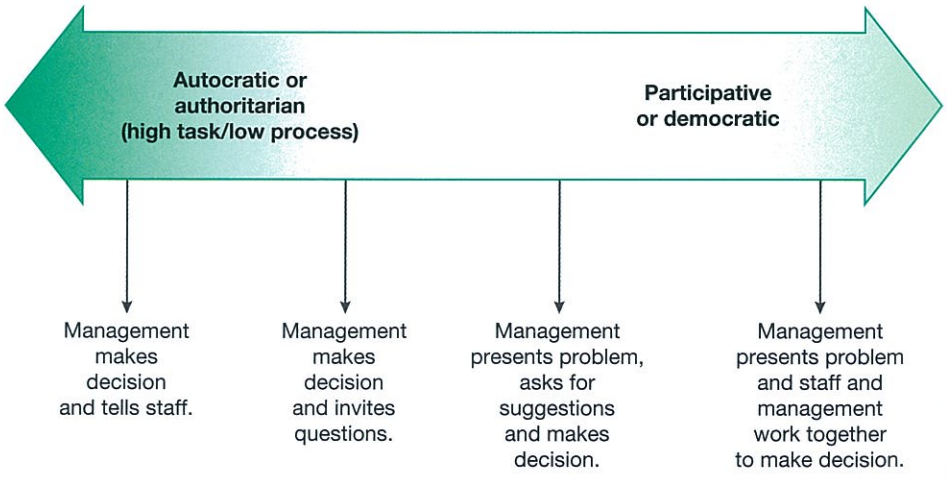


FIGURE 16.1 One theory of leadership style — the continuum

Managers who make decisions quickly and in many cases without input from staff characterise an autocratic leadership style. This leadership style works well with unskilled and/or inexperienced workers where the work is highly organised and controlled. This inflexibility can, however, lead to problems such as higher levels of absenteeism and staff turnover. It does work well in situations such as in the defence forces where leaders are expected to make difficult decisions without the need for consultation or discussion.

The autocratic leadership style is sometimes aligned with a transactional management style where workers' compliance is recognised through financial reward that is often linked to meeting organisational goals. It suits those driven by financial reward, but is often linked to lower levels of job satisfaction.

The autocratic leadership style has its origins in the Classical school of management where employees' work could be more scientifically measured and the most efficient and productive methods applied.

At the end of the continuum is the participative or democratic style. This leadership style is characterised by a more consultative approach between managers and workers that encourages them to be more engaged in the decision-making process. This style of leadership is linked to transformational leadership where managers have higher expectations of workers and this leads to higher levels of engagement.

This higher level of involvement in the decision-making process gives workers a greater sense of ownership of the final decision and also results in higher levels of job satisfaction and productivity.

This approach works well when the emphasis is on higher quality output rather than efficiency. It may lead to a longer decision-making process as time is given over when management consults with staff. Further, where workers are inexperienced or disaffected their lack of engagement may be of little assistance to the decision-making process and this too can be considered as problematic.

The participative or democratic approach also encompasses a more behavioural approach to the management of workers. It therefore addresses the role of motivation, conflict and relationships. Workers are seen as a resource that can be developed over time.

Australians tend to appreciate a leadership style that encourages management and staff to work together in achieving goals, rather than be led in front. Australian workers respond better to higher levels of expertise and leaders that have gained other workers' respect are far more likely to achieve business goals.

The most appropriate uses for these styles are shown in table 16.1.

BizFACT

Studies of Australian leaders stated that they traditionally value egalitarianism, mateship and a fair go, but have a history of discrimination and value individual, rather than group rewards. They are seen as decisive, of high integrity, performance orientated, and demonstrating humanity. In international studies, however, they do not want to stand out from their peers.

BizFACT

For managers who really want to be constructive the advice is to:

- *seek advice from others about your style. Listen to your employees' feedback.*
- *think about the behaviours you want to develop*
- *be a good role model*
- *support your employees.*

TABLE 16.1 Leadership styles

Leadership style	Example phrases	When the style works best
Directive • Emphasis on immediate compliance from employees • Other labels: autocratic, dictatorial, coercive	Do it the way I tell you. I believe that people should do what I tell them.	In a crisis, to kick start a turnaround or with problem employees
Visionary • Emphasis on long-term vision and leadership • Other labels: big picture, authoritative	I enjoy mobilising people towards a bigger picture. I believe I am firm but fair, giving employees clear direction, motivating by persuasion and giving feedback on task performance.	When changes require a new vision, or when a clear direction is needed
Affiliative • Emphasis on the creation of harmony • Other labels: harmoniser	I believe in people before tasks — emotional bonding.	To build buy-in or consensus or to get input from valuable employees

(continued)

TABLE 16.1 *continued*

Leadership style	Example phrases	When the style works best
Participative/democratic • Emphasis on group consensus and generating new ideas • Other labels: democratic	I believe in building support and commitment.	To build buy-in or consensus or to get input from valuable employees
Pacesetting • Emphasis on accomplishment of tasks to high standards	I expect self-direction and excellence.	To get quick results from a highly motivated and competent team
Coaching • Emphasis on the professional growth of employees • Other labels: developmental	I develop others for the future.	To help an employee improve performance or to develop long-term strengths

Source: Workforce Planning and Policy Directorate, South Australia, Department of Further Education, Employment, Science and Technology, 2010

SNAPSHOT



'. . . not to say a manager and leader cannot be the same person, however, the roles should be viewed separately.'

Leadership versus management — is there a difference?

There are a number of accepted characteristics that are considered essential for all leaders. It may be true that not all leaders will have all these traits but a good leader is able to compensate for this by being capable of identifying such qualities in their staff and being able to use their skills for the benefit of the organisation. The characteristics of effective leaders include:

- self-awareness — the ability to identify your own strengths and weaknesses
- decisiveness — the ability to make decisions quickly
- fairness — treating workers equally
- enthusiasm — motivating your team with a positive outlook
- integrity — earning respect from staff
- knowledge — the ability to understand your job including changes that take place and that change requires a response
- creativity and imagination — generating new and innovative ideas
- endurance — persevering with a task or difficult situation until it is resolved.

Alternatively, some of the qualities observed in less effective leaders include:

- poor communication — may lead to misunderstandings
- reluctance to delegate — can result in resentment and low productivity
- nepotism — favouring certain staff that can lead to poor morale.

Often there is a view that management and leadership are the same. It is increasingly the case rather that the roles are viewed as being quite separate. A leader inspires, motivates and encourages their team to strive to achieve the business's vision; a manager is more involved in the day-to-day operational activities required to run the business. To this end the manager will:

- ensure that products meet customer expectations
- evaluate existing operations processes
- address work health and safety requirements
- plan, implement and monitor budgets.

That is not to say a manager and leader cannot be the same person, however, the roles should be viewed separately. A leader can only implement the business's vision if there is an effective and efficient management structure in place; the leader is then free to be effective without getting tied down in more operational matters.

Recently, indications in the Australian corporate environment are that many employees are dissatisfied with the leadership provided by many managers. The main issue for many workers is that managers seem to lack strategic planning initiatives and, in particular, fail to anticipate the rise of disruptive changes in markets such as the emergence of the 'share economy'. Moreover, management often appears unable to identify opportunities and how to adapt to the dynamic business environment. If these challenges are to be met, leadership and management skills must be developed sooner rather than later.

SNAPSHOT QUESTIONS

1. **List** some of the positive character traits found in effective leaders.
2. **Identify** some of the less effective qualities observed in leaders.
3. **Analyse** the characteristics of leaders you have observed at the school, community, politics or business level. List the positive qualities you identified in them.
4. **Distinguish** between a leader and a manager.
5. Is it possible for a manager and a leader to be the same person? **Discuss**.
6. **What** challenges are faced by leaders and managers in the Australian corporate environment?

SUMMARY

- A range of strategies are used to align the management of staff with the goals of the firm, including leadership styles.
- Leadership styles can be considered across a spectrum from an autocratic approach to a participative or democratic approach.
- Leadership styles which are most effective in Australia are more egalitarian and empowering and less directive than in other countries.
- Australian employees tend to be critical of the quality of Australian leadership and are seeking constructive workplace cultures where employers are supportive and focused on developing the skills and talents of employees in challenging and meaningful tasks and projects.

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Syllabus area 4
Topic 4
Concept 1

Leadership style
Summary screen and practice questions

EXERCISE 16.1 REVISION

1 **Distinguish** between an autocratic and democratic/participative leadership style.
2 Select two leadership styles you believe are most effective in creating a positive workplace culture. **Justify** your choice.
3 **Discuss** the use of a directive leadership style in business.
4 **How** does culture influence leadership style in Australia today?
5 **Discuss** the major challenges faced by leaders and human resources managers in assisting in the implementation of change today.

EXERCISE 16.1 EXTENSION

1 **Evaluate** the significance of 'leadership styles' on employee performance.
2 **Analyse** how an Australian leader may need to adapt to managing staff overseas.
3 Interview a manager about their day's activities. **Construct** a table listing these activities and **describe** the most appropriate leadership style for each of these activities.

16.3 Job design — general or specific tasks

Job design is the number, kind and variety of tasks that a worker is expected to carry out in the course of performing their job.

Tasks are often routine, repetitive and inflexible and reflect a relatively simple approach. Specific tasks in job design are best represented through the Scientific management approach developed by Fredrick Taylor who identified that there was one best way of doing a job and that worker skills should be matched to the job requirements. It is based on specialisation and is an efficient process that often uses low-skilled, cheap labour.

BizWORD

Job design *is the number, kind and variety of tasks that a worker is expected to carry out in the course of performing their job.*

In recent times, however, job design has been expanded to incorporate a more general approach with a greater variety of tasks to be performed by workers. This is sometimes referred to as job enlargement; that is, the horizontal expansion of the job by adding similar level responsibilities. The main objective of the provision of a wider variety of tasks is to improve worker engagement, satisfaction and ultimately productivity. Managers must, however, avoid simply adding tasks for the sake of it and should recognise that there is some benefit from a specialised approach.

The common elements of a well designed job are shown in figure 16.2. It is known that employees are more motivated and likely to share ideas if they have autonomy, have clear task identity (know what they have to do), are well trained and feel competent, and receive feedback that allows them to be recognised and develop further. Feedback is demotivating when it is controlling, although feedback that is informative and constructive is motivating. Employees are also more motivated when they are able to plan, schedule and determine how to do a job.

BizFACT

Common methods used in job design today are developing broader, more generalised and flexible jobs, so they can attract, motivate, retain and use labour more flexibly and efficiently.

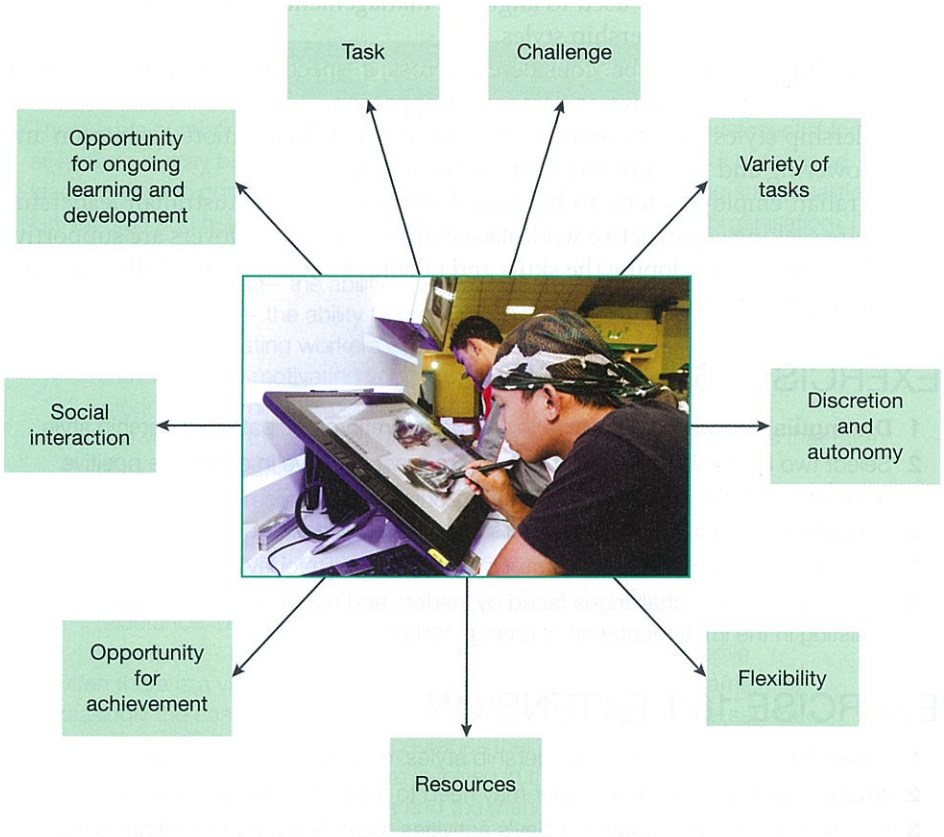


FIGURE 16.2 Core elements of a well-designed job

SNAPSHOT



Job design — intrinsic rewards

In the past, job specialisation — where production was broken down into distinct tasks that were performed by individual employees — often resulted in employee boredom and dissatisfaction. To counter this effect, three job design approaches have been used based on intrinsic rewards — the good feeling that one gets from doing something well.

1. *Job rotation*. Employees switch, for a period of time, from one job to another. This provides variety and gives employees a more comprehensive view of the organisation or the production process.
2. *Job enlargement*. Employees are given more things to do within the same job. This provides job variety and a greater challenge for employees.

3. *Job enrichment*. Employees are given more control and independence over how they do their work. This makes the job more interesting and challenging and provides motivating opportunities for self-satisfaction.

SNAPSHOT QUESTIONS

1. **What** is job specialisation?
2. **Define** intrinsic rewards.
3. Choose one of the three job design approaches and **explain** what you understand by it.

BizFACT

Research indicates that it can take employees 50 per cent longer to complete tasks when they are required to multitask and it is also a major cause of work-related stress.

SUMMARY

- Job design is the number, kind and variety of tasks that a worker is expected to carry out in the course of performing their job.
- Job design (specific tasks) is best represented through the Scientific management approach developed by Fredrick Taylor that identified one best way of doing a job and that worker skills should be matched to job requirements.
- Job design (general tasks) refers to a greater variety of tasks to be performed by workers. The main objective of the provision of a wider variety of tasks is to improve worker satisfaction and productivity.

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Syllabus area 4 | Topic 4 | Concept 2

Job design
Summary screen and practice questions

EXERCISE 16.2 REVISION

1 **What** is the purpose of job design in human resource management?
2 **Identify** the steps involved in effective job design.
3 **Discuss** the different approaches to job design.
4 **Outline** examples of how three methods of job design could be applied in (a) a school administrative office, (b) a theatre and (c) a football club in order to meet the needs of the employees or business.
5 **Explain** why specialised job design often reduces job satisfaction.

EXERCISE 16.2 EXTENSION

1 **Evaluate** the use of team structures in job design today.
2 **Determine** the issues associated with designing specialist jobs.
3 Interview someone you know about their job. **Assess** the quality of their job design.
4 (a) **Create** a job design for someone within a business you know.
(b) **Evaluate** the process of job design you used.

16.4 Recruitment — internal or external, general or specific skills

Recruitment is the process of locating and attracting the right quantity and quality of staff to apply for employment vacancies or anticipated vacancies at the right cost. Effective recruitment and selection allows the most appropriate applicant to be selected. The most visible aspect of the recruitment process is the job advertisement (see the following Snapshot).

BizWORD

Recruitment *is the process of locating and attracting the right quantity and quality of staff to apply for employment vacancies or anticipated vacancies at the right cost.*

SNAPSHOT

Outback Trackers — seeking a General Manager

Outback Trackers provides guided tours, including walking, camping and canoeing expeditions and scenic flights, through the breathtaking Northern Territory. Outback Trackers is wholly owned and operated by Indigenous Australians, who share their extensive knowledge of the terrain and history of the region while expertly guiding you through the stunning scenery.



'Salary: $100 000 + accommodation + superannuation'

Outback Trackers is seeking a General Manager to be part of this exciting company. The primary responsibility of this role is to oversee the everyday management of Outback Trackers, including staff and operational management, budgeting and management reporting, and ensuring the highest product quality and service standards. Excellent interpersonal and communication skills are essential to build upon and enhance effective working relationships. You'll be able to multitask and work under pressure while maintaining stringent attention to detail. You will have excellent oral and written communication skills, as well as the ability to work closely with all teams, including Operations and Marketing, to build the success of the company and drive it forward into the next decade and beyond.

Location: Head office located in Darwin, with teams located throughout the Northern Territory

Salary: $100 000 + accommodation + superannuation

SNAPSHOT QUESTIONS

1. **Identify** all the tasks involved in this job.
2. **Identify** and **justify** the major characteristics you would be looking for in an applicant for this position.
3. **Explain** how job analysis may have been undertaken for this job.
4. **Evaluate** this job in terms of the criteria for a well-designed job.
5. **Assess** the reward package for this job.

BizFACT

Attracting the right candidates to the job is an ongoing process. Many organisations actively seek to build their 'employer brand', creating an image of their company as a great place to work for both current and prospective employees. Recently, recruiting company Hays conducted an employment brand survey of over 408 Australian jobseekers. The results of the survey show that Google, Rio Tinto, Apple and Virgin were most frequently nominated as organisations people would like to work for.

The sources and methods used will depend on the recruitment goals and policies of the business, such as a preference for internal recruitment, the conditions of the labour market, the location of the business, the financial or other resources of the business, and the specifications of the job to be filled, for example whether general skills or specific skills are needed. Internal recruitment may be used as a strategy to motivate and reward employees. Most businesses use a mix of internal and external recruitment, and require a mix of general and specific skills.

A poor selection process leads to increased costs and lower productivity by increasing (among other things):

- training costs (if poorly qualified staff are selected)
- job dissatisfaction, lower performance, industrial unrest/labour turnover if the business or the job does not meet the expectations of candidates selected
- the absenteeism rate if staff feel inadequate for the job/business or feel excessive work pressure
- accident or defect rates, fines if inappropriate/untrained staff are selected
- claims of discrimination if the process is not undertaken appropriately.

16.4.1 Internal or external recruitment

BizWORD

Internal recruitment *involves filling job vacancies with people from within the business.*

External recruitment *involves filling job vacancies with people from outside the business.*

Internal recruitment sources include employees, former applicants and former employees, and they may be invited to apply through intranet postings, staff records, promotion lists, word of mouth, email and other methods. Employee referrals are popular, when accompanied by an employee bonus, and useful for bringing in staff with the right 'cultural fit'.

External recruitment employees may be obtained through traditional methods such as newspaper advertisements, online advertisements and referrals through recruitment agencies, company websites, trade unions, trade shows, management networks, professional associations, schools, radio and television.

BizFACT

Most firms still use résumés, applications and interviews as their major tools in the recruitment process. Interviews prove most useful for determining behaviour and cultural fit. The internet is the most common method used to advertise positions vacant.

The fastest growing recruitment methods today are social networking sites, such as Facebook, Twitter, LinkedIn and niche blogs; and virtual reality sites, such as Second Life. Some firms cite online company videos as having response rates of up to 18 per cent, far exceeding that of other recruiting strategies. They are very successful when used on smart phones, with videos often going 'viral'. This is important for businesses that need to be constantly recruiting, such as technology, mining and hospitality companies.

Outsourcing the search for the most suitable candidate

Many business owners use external recruitment agencies as a way of decreasing the time involved in searching for a new employee. They pay an agency to interview applicants and recommend a short list of potential employees or an employee suitable for the available position.

There are a number of reasons for this trend, including the:

- growing demands on businesses to comply with increasingly complex employment legislation. Business owners find it beneficial to access specialist advice rather than risk breaching employment law
- availability of online recruiters. Recent statistics show that employers have widely embraced e-recruitment agencies
- desire by business owners to concentrate on their core business
- difficulty in attracting candidates due to the low level of unemployment
- ready databases of possible employees and the skill to sort candidates that external recruiters generally have.

However, the principal reason for using an external recruitment agency is related to the cost of a poor recruitment decision, which is generally believed to be around two or three times the annual salary of the person recruited. A poor recruitment and selection process leads to increased costs and lower productivity by increasing (among other things):

- training costs if poorly qualified staff are selected
- job dissatisfaction, lower performance, industrial unrest or labour turnover if the business or the job does not meet the expectations of candidates selected
- the absenteeism rate if staff feel inadequate for the job or feel under excessive work pressure
- accident or defect rates if untrained or inappropriate staff are selected.

SNAPSHOT QUESTIONS

1. **What** is outsourcing?
2. **How** do businesses use external recruitment agencies to search for new employees?
3. **Outline** reasons for the use of external agencies in the recruitment process.
4. **What** is the likely outcome of a poor recruitment decision?
5. **How** does the selection of the wrong employee increase costs and reduce productivity?

SNAPSHOT



'... the principal reason for using an e-recruitment agency is related to the cost of a poor recruitment decision ...'

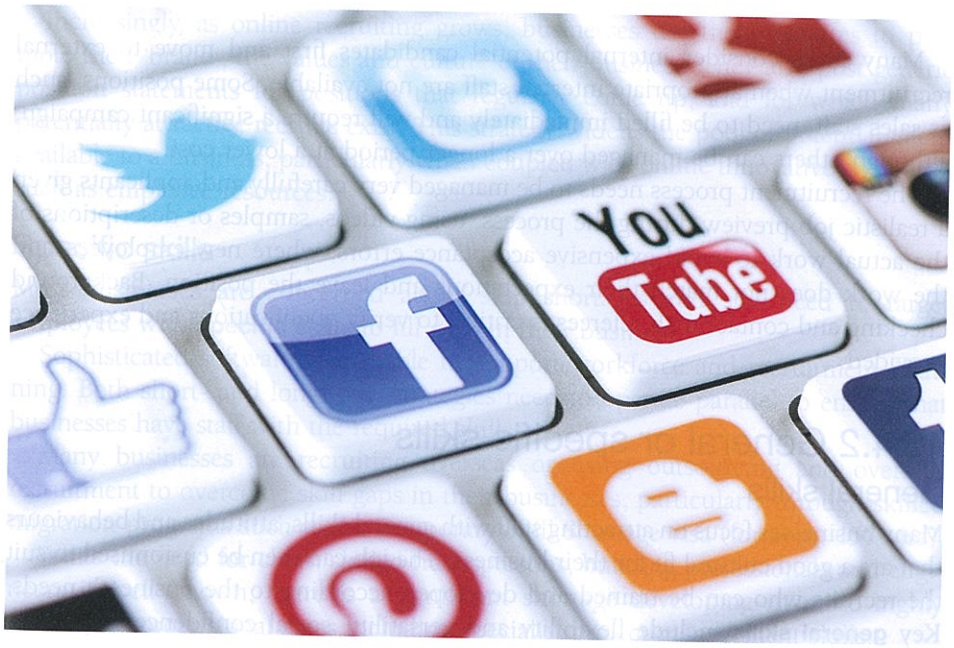


FIGURE 16.3 Social networking sites and company videos viewed on mobile phones are the fastest growing recruitment methods today.

The advantages and disadvantages of internal and external recruitment are shown in table 16.2.

TABLE 16.2 Advantages and disadvantages of internal and external recruitment

Internal recruitment — advantages	External recruitment — advantages
Motivational for staff, see development opportunity	Wider applicant pool
Builds commitment and loyalty	New ideas, perspectives and skills may produce better solutions to business issues
Business only needs to hire at base level	Get specific skills needed, save on training
Employees know the culture, operations — productivity maintained	Dilutes internal politics
Can lead to a succession of promotion opportunities in line with succession planning	More diversity in employment — equal employment opportunity
Recognises and rewards staff for effort and achievement	Builds organisational 'brand' through publicity
Cheaper than external recruitment, less chance of a failure as staff are observed in operation, strengths and weaknesses are known	Can shape new employee to business
Internal recruitment — disadvantages	**External recruitment — disadvantages**
Can reinforce negative culture	Risk of unknown staff
Can lead to rivalry for positions	Lost productivity in initial phases of orientation and induction phase
Need established framework for training and merit-based appraisal system	New employee may not fit culture, and may not be accepted by internal rivals
Often attracts a significant number of internal applicants, need to manage unsuccessful applicants who will be demotivated, can lead to poor working relationships	Takes a lot of effort and time
Little value added, no new skills	Risk of legal claims

Many firms consider internal potential candidates first and move to external recruitment when appropriate internal staff are not available. Some positions, such as sales staff, need to be filled immediately and will require a significant campaign, although others can be managed over a longer period at a lower cost.

The recruitment process needs to be managed very carefully and applicants given a realistic job preview during the process, using videos, samples or descriptions of the actual work to avoid expensive acceptance errors, where new employees find the work does not match their expectations and leave the position. Background checking and contact with referees is critical to verify qualifications and experience provided.

16.4.2 General or specific skills

General skills

BizWORD

General skills *include flexibility and versatility, social confidence, positive attitude, motivation, and the ability to work as a team and/or independently.*

Many businesses focus on attracting staff with general skills, attitudes and behaviours that are a good cultural fit for their business. The job can then be customised to suit the recruits who can be trained and developed according to the business's needs. Key **general skills** include flexibility and versatility, social confidence, a positive

attitude, motivation, ability to work as a team or independently, leadership and decision-making styles, willingness to learn, and ability to work under pressure. These behavioural 'soft' skills, are often critical in building a successful workforce, and are not really 'learned', whereas specific skills can be taught.

General skills are important because many jobs today require individuals to work independently and undertake many different tasks. General skills, therefore, are not as narrowly defined as in the past and they are generally more service oriented, making social and information skills increasingly important. Such skills are necessary not only to gain employment but also to progress within a business. Human resource managers value these skills within individuals because they generally indicate that the employee has a capacity and willingness to learn.



FIGURE 16.4 Australia tends to suffer from a skills shortage, so employers are more likely to consider hiring for general skills, such as flexibility and versatility, and upskilling internally.

Increasingly, as online recruiting grows, businesses use their websites to promote their 'brand', the values and culture of their business. They also post generic position statements for positions that regularly come up, and for which many potentially attractive recruits exist. This strategy widens the pool of potential talent available to a business, particularly when coupled with online innovative strategies, such as employee resources.

Specific skills

Most businesses are concerned about skill shortages and still need to target employees with **specific skills** to fill gaps in their business.

Sophisticated software is available to support workforce and recruitment planning. Both short- and long-term strategies need to operate parallel to ensure that businesses have staff with the required skills.

Many businesses are recruiting overseas or using outsourcing and overseas recruitment to overcome skill gaps in their businesses, particularly through skilled migration programs such as the Temporary Skill Shortage visa (formerly 457 visa).

While the need for chefs, skilled tradespersons, building professionals and engineers is well known, there is a significant shortage developing in more highly skilled and professional areas including specialist project management skills.

BizWORD

Specific skills *are highly specialised and are required for some jobs within science, technology and engineering sectors.*

BizWORD

Employee poaching *is the practice of enticing employees to work for another business.*

Industry sources have been critical of Australian firms for not investing in training their staff for developing workforce needs and changing organisational structures. They believe a greater part of the load needs to be shouldered by the very companies complaining about not having enough skilled workers. **Employee poaching** is frequently used.

SNAPSHOT



'. . . significant shortage of trained and qualified people to service the growing number of tourists. . .'

study on

Syllabus area 4	**Recruitment**
Topic 4	Summary screen and practice questions
Concept 3	

Australia needs to invest if it wants tourism

Tourism has been the good news story for Australia's economy over the past year. The latest numbers show 8.2 million international tourists visited Australia in the year to November. This is an 11.4% increase on the year before. Domestic tourism also grew 7% during this period.

Australia's inbound tourism growth is almost triple the world average of 3.9%. Much of this growth came from NE Asia and North America with China, South Korea, Japan and the USA among Australia's fastest growing source markets.

There are a few reasons for this. Including a lower Australian dollar, record low airfares and a perception of safety in an increasingly unsafe world.

But while tourism looks bright for Australia, this rapid growth has revealed underlying problems. There is a significant shortage of trained and qualified people to service the growing number of tourists, and infrastructure in parts of the industry has failed to keep up with tourism demand.

If Australia wants to continue enjoying the benefits of its tourism boom, it needs to address these issues.

Skills

A Tourism Australia report, warned back in 2015 that there was a shortage of 38,000 people in all areas of the tourism industry. If there were no major policy changes this could blow out to over 120,000 people by 2020.

You may think that tourism is made up of unskilled jobs such as waiters, room cleaners, kitchen staff and bellhops. Important as these jobs are, the tourism industry requires people at all skill levels. These include airline pilots, tour guides, computer programmers and a myriad of other jobs. For every ten unskilled positions there is also one at management and supervisory level.

Many of the 2,000 tourism businesses surveyed in the Tourism Australia research found it difficult to recruit appropriately experienced or trained staff to fill vacancies.

The industry has addressed some of these issues by hiring or retaining more experienced employees, some of whom had come out of retirement. Many unskilled positions are being filled by foreign workers on 457 [now Temporary Skill Shortage] visas . . . especially for many of the industry's seasonal jobs.

But there is an urgent need to upgrade and promote tourism and hospitality training at all levels of education. The TAFE sector, which has traditionally been a major source of vocational training, has seen its funding cut by successive governments in recent years. TAFE's place has been largely taken by high fee private colleges. However, many of their students are international students and a significant portion of them will take their new skills back to their home countries.

Infrastructure

There are three urgent infrastructure needs in the Australian tourism industry.

First, there is a shortage of upmarket (4 & 5 star) hotel accommodation in Australia's major gateway and business cities (Sydney, Melbourne, Brisbane and Perth). While the overall hotel occupancy rate for Australia is about 65% the

occupancy rates for luxury and business hotels in these key cities is closer to 90%. This means during peak periods it is almost impossible to find a 4–5 star hotel room in a major CBD.

The shortage of upmarket accommodation has been a contributing factor to a stagnant market in business travel to Australia. This is a stark contrast to the strong growth of holiday travel.

Second, according to Cruise Lines International Association the Australian cruise market has grown more than six fold in the past decade. This rapid growth has created a shortage of port facilities, especially in Australia's most popular cruise embarkation and destination port, Sydney. Unless Sydney is able to offer a third dedicated cruise terminal soon, growth opportunities will be limited.

Finally, a longer term issue is the glacial progress towards a high speed rail link between Brisbane and Melbourne via Sydney and Canberra. To date, Australia's major airports have successfully managed the growth of international and domestic passenger numbers and new airline services. However, high speed rail could relieve pressure on airports. Australia has spent decades debating the pros and cons of high speed rail, while rail China builds 1,500 kms of track every year.

What to do about it

Tourism is a balancing act between creating demand and ensuring the supply of both human resources and infrastructure. Clearly, there is still much to achieve to strike the balance.

The private sector is chipping away at the shortage of upmarket accommodation in Australia's major cities, with several thousand new hotel rooms due to come online over the next few years. However, unlike many of Australia's neighbours, such as Singapore and Malaysia, Australia offers few development and investment incentives to develop accommodation.

Both federal and state governments need to invest more resources in promoting tourism careers, tourism education and training at both the vocational and higher education levels. This includes means-based assistance for young Australians to undertake training and education at nationally accredited training and educational institutions.

Tourism has been treated by Australian governments as a cash cow, with little investment. The fragmented nature of the industry has meant it has lacked the political clout of industries such as mining or agriculture.

As one of Australia's fastest growing sectors, tourism is long overdue for a level of government investment which matches its contribution to economic growth and employment.

Source: 'Australia needs to invest if it wants the tourism boom to continue', *The Conversation*

SNAPSHOT QUESTIONS

1. **Outline** the contribution that tourism has made to the Australian economy.
2. **How** does that contribution compare with global trends?
3. **List** the countries that provide most of Australia's tourism growth.
4. **Account** for the improvement to inbound tourism.
5. **What** is the underlying problem resulting from this tourism growth?
6. **List** the jobs generated from the tourism boom and classify them as skilled or unskilled.
7. **Discuss** the strategies that have been used to fill the shortage in tourism workers.
8. **Outline** the changes to infrastructure needed in the tourism industry. **Why** is this needed?
9. **How** is the government and private sector currently dealing with the issues that have arisen due to the tourism growth?

16.5 Training and development: current or future skills

BizWORD

Training *aims to develop skills, knowledge and attitudes that lead to superior work performance.*

Development *refers to enhancing the skills of the employee in line with the changing and future needs of the organisation.*

Training aims to develop skills, knowledge and attitudes that lead to superior work performance. Training is critical in Australia today, as businesses report significant labour market problems, including a shortage of skilled labour, and a mismatch between what skills are needed and what is available. These problems act as a brake on investment, but can be overcome by business commitment to ongoing training.

Development is focused on enhancing the skills of the employee in line with the changing and future needs of the business. It also encourages employees to take advantage of opportunities to develop a career with the business. The business benefits by retaining the employee's experience and knowledge of the business, and by helping it maintain competitiveness.

SNAPSHOT



'. . . the best outcomes are achieved . . . when the organisation supports the employee's career planning.'

Case study: BDO Australia — career planning

Peter O'Sullivan is Head of People and Culture at BDO Australia.

In reality, careers often develop with little in the way of planning. For example, in professions or organisations where there are well-established career paths, people may progress through the ranks without understanding or considering the range of career options available to them. In other contexts where career paths are less clear, they may move from one role to the next in a reactive or haphazard fashion, without considering how each role helps equip them for a long-term career goal. This tendency to let careers just happen is reinforced when organisations see career planning and development as the sole responsibility of the employee.

At BDO, we recognise that the best outcomes are achieved for both parties when the organisation supports the employee's career planning. At the beginning of an accountant's career, this usually involves participation in a structured graduate program and supporting the employee through their studies towards their professional qualification. These are formative career years, and the investment by BDO and employee alike is significant.

Like most organisations, BDO has a formal process for performance appraisal and professional development planning, and our process involves six-monthly discussions and the documentation of short-term and long-term developmental and career goals. These discussions are significant signposts in the employee's career, providing the opportunity to reflect on achievements and progress, obtain feedback and seek guidance about future goals and next steps, and discuss ideas and options. In addition, on-the-job appraisal, coaching and mentoring are all important aspects of BDO's approach to career planning and development.

BDO also has a learning and development curriculum that encompasses a comprehensive suite of programs tailored to staff at various stages of their career. One of the more innovative programs is our Career Development Workshop. This program is targeted at accountants who have already completed their professional qualification and is largely focused on career planning. Participants reflect on their career progress to date; are provided with detailed information and multiple perspectives on the range of career options available to them both within and outside BDO; and given tools, frameworks and tangible support to develop their own individual career plan. The program recognises that not all of our staff will follow the traditional path to partner, and equips them to make more informed career decisions.

While it will always be up to our employees to take responsibility for driving their career, BDO encourages an approach to career planning and development in which the employee's supervising partner or other direct manager plays an active role. Other stakeholders such as senior partners, mentors, and human resources and learning and development team members also have important roles to play. Our approach is

BizFACT

A recent report states key skills sought by employers of university graduates are both verbal and written skills required in communication, the ability to work in teams and influence others — so called 'soft skills'. However, other skills such as critical thinking, problem-solving, attention to detail and writing were also highly sought and were common across all jobs and industries.

ultimately about providing as many opportunities as possible for reflection, meaningful discussion, learning, goal setting and planning. We want to make sure our people have a sense of control of their career and do not just 'let it happen'.

SNAPSHOT QUESTIONS

1. **What** role does career planning usually play in people's professional lives?
2. **How** does BDO assist people at the start of their career?
3. **Outline** the role of performance appraisal and professional development at BDO.
4. **Explain** the features of the learning and development curriculum that assist staff at BDO.

study on

Syllabus area 4
Topic 4
Concept 4

Training and development
Summary screen and practice questions

In choosing the nature of training and development, businesses need to use a systematic process to evaluate the needs of the business, the supply of these skills in the economy, the demand for these skills, and the changing nature of work and the general pattern of employment.

The shift to a largely service-based economy has seen many traditional skills, particularly those in manufacturing, become obsolete. Businesses need to consider the mix of skills they can develop internally and those for which they need to recruit.

Businesses will need to consider these options:

- invest in further in-house training and development
- recruit staff for specific skills
- retain experts who retire on a part-time basis
- retain women through flexible work structures such as part-time work
- share staff with other firms, or do work for other firms (**insourcing**)
- outsource functions to specialist firms or agencies, even overseas
- sponsor overseas migrants for areas of major shortages
- build networks or alliances with other firms with specialist skills or skills needed in the future.

BizWORD

Insourcing *refers to delegating a job to someone within the business, as opposed to someone outside the business.*

BizFACT

Countries with similar economies to Australia, such as Canada, have identified the following work trends for the future:

- *the complete transition to a service-based economy with primary sector jobs being fully automated*
- *growth in social professions such as teachers, nurses and homecare workers*
- *virtual work undertaken away from traditional workplaces that removes the need for commuting.*



FIGURE 16.5 Children born today will work in jobs that have not yet been invented. Coming soon are these new areas of job growth.

16.6 Performance management — developmental or administrative

Performance management addresses both individual and business performance. Successful individual performance will often translate into the business's strategic objectives being met.

BizWORD

Performance management *addresses both individual and business performance. Successful individual performance will often translate into the business's strategic objectives being met.*

Job design, recruiting the best staff, training and development and rewards are all features of performance management.

The world's most admired businesses all view performance measures for human resources as equal to financial performance measures, and regularly evaluate such reports at board level, clearly indicating that managing people effectively is critical to business success. Figure 16.6 summarises the value of performance management.

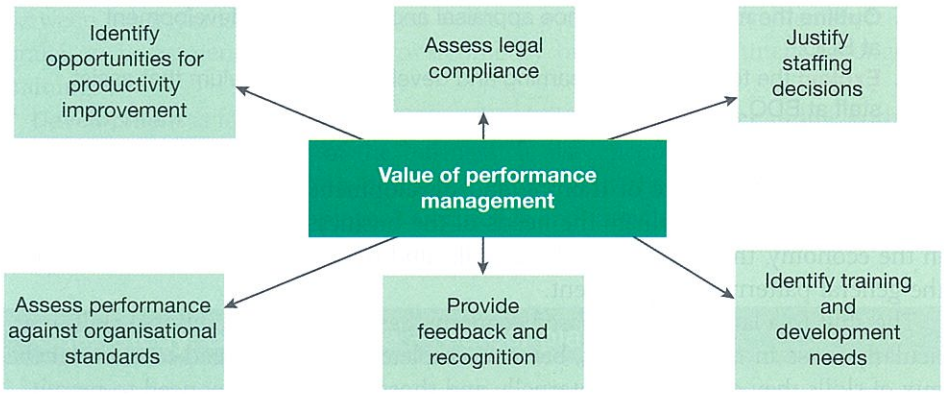


FIGURE 16.6 The value of performance management

Performance appraisal and management systems can be designed to meet two purposes for a business: developmental and administrative.

BizWORD

The **performance management (developmental)** *model improves individual performance through establishing objectives such as reaching sales targets that are consistent with achieving the organisation's goals.*

The **performance management (administrative)** *model assesses the progress of the business in meeting its strategic goals and where necessary identifying the areas for improvement, such as establishing new goals or employee performance.*

Developmental

The **performance management (developmental)** model is focused on using data to develop the individual skills and abilities of employees, so they improve their effectiveness in their roles, overcome weaknesses and are prepared for promotion. This is best achieved through year round periodic feedback and shared discussion that is both empathetic and goal focused.

Administrative

The **performance management (administrative)** model provides information, often following an annual appraisal, which can be used by management for planning in human resource functions such as training, development, rewards, pay levels, benefits and performance improvement. The focus is on collecting data to manage the HRM function more efficiently and ensure that individual and business goals are aligned and strategic goals are met.

SNAPSHOT



Regular feedback equals successful performance appraisal

While the end of the financial year provides businesses with an opportunity to do a 'stocktake' on their financial performance, equally important, but often overlooked, are regular reviews of the team's performance.

It is often said employees are the most important asset. If this is accepted, it would also stand to reason that people leaders would also review the performance of their employees.

. . .

Performance reviews [or appraisals] are a key aspect of keeping your team engaged and 'buying in' to what the business is trying to achieve. However, for some — both people leaders and employees — performance appraisals can be seen as a tiresome and difficult process, but it need not be.

When both parties know what is expected of them, a performance review should not contain any nasty surprises. However, lack of clear expectations is often where problems begin.

Most employees have a strong work ethic and want to do well . . . Notwithstanding, feedback from peers and people leaders is an important gauge for what an employee is doing well and what areas need development.

It is important to remember that feedback should not happen only at the end of the year in the form of an official performance appraisal. Feedback should happen regularly to ensure all parties are on the same page and any issues can be addressed quickly.

This four step process of performance management has traditionally worked well for setting employees up to achieve the best possible results.

Step 1. Ensure expectations are clear, for no other reason than employees are typically more productive when they know what is expected of them and when. These expectations may be set on a weekly basis but also typically cover a longer term, say half yearly or yearly. Some employers fall into the trap of assuming that their staff know what is expected of them. As a people leader, it is your responsibility to be clear.

Step 2. Assess performance regularly. Some people leaders complete an annual performance review and think their job as a people leader is done. Of course, an annual performance review is important to discuss what has been achieved over the year, but performance should be assessed on a regular basis to make sure projects are on track, milestones are being met and any queries resolved. A monthly catch up is a good starting point, to review . . . not only what is being achieved, but also . . . how it is being achieved.

Step 3. Provide feedback on a regular basis. Ideally, you should not need a formal catch up to provide feedback, but it is imperative that feedback is provided when performance is assessed. Feedback should include recognition of the effort, improvements and achievements throughout the past month, quarter or year, which is an excellent motivator for many employees. This is also the time to provide constructive feedback for development areas. Providing constructive feedback to highlight and bridge performance gaps, if delivered in the right way, can be equally motivating, as most employees want to continually improve their knowledge and skills.

Step 4. Continuous development will keep employees engaged and will ultimately result in increased productivity. Development planning looks not only at what the employee needs to do to complete their current role, but also helps to up-skill them for their next role. Development means different things to different people, but typically encompasses learning new skills on the job, mentoring, new responsibilities or stretch targets and formal courses.

Source: Extracts from 'The benefits of performance reviews', 12 June 2014, https://probonoaustralia.com.au

SNAPSHOT QUESTIONS

1. **What** is performance management?
2. **List** the advantages of an informal and frequent discussion with employees.
3. **How** can performance appraisal contribute to an employee's professional development?
4. Use an appropriate graphic template to design a document that **summarises** the four-step process of performance management.

> 'Performance reviews . . . are a key aspect of keeping your team engaged and 'buying in' to what the business is trying to achieve.'

16.6.1 Benefits of effective performance management

The benefits of effective performance management from a developmental and administrative perspective are identified in table 16.3.

The key elements of performance management is the creation of a shared vision of the strategic direction of the business between employees and employers, the establishment of performance objectives and a formal review process.

BizFACT

Under the Fair Work Act (2011) all employees can bring an action for unfair dismissal. It is important for employers to be able to provide documented evidence of poor performance and how this has been communicated to the employee.

TABLE 16.3 Benefits of performance management

Developmental benefits	Administrative benefits
• Assists with human resource planning • Can plan to overcome gaps or weaknesses found in performance • Shows the effectiveness of current selection processes and whether staff recruited match the cultural fit and skills required for the organisation • Identifies training and development or legal compliance needs • Evaluates rewards and benefits programs • Communicates expectations, helps build trust, promotes long-term organisational development. • Helps identify, motivate and retain talented staff for leadership succession • Identifies and documents poor performance, and links it with training and improvement strategies • Helps build best practice culture	• Higher productivity • Better financial performance • Comparison of contribution to organisation and performance against agreed standards • Helps assess rewards and benefits linked to performance • Builds self-efficacy as contributions recognised — important in motivation and retention • Identifies strengths and weaknesses, creating opportunities for training and development, coaching or mentoring • Creates opportunity for employee to provide feedback • Initiative recognised and rewarded • Fosters promotion on merit • Employee focus is aligned with organisational strategy

Establishing a link between performance evaluation and employee development will ensure that staff remain motivated and both they and the organisation benefit.



FIGURE 16.7 To be valued by employees, performance management requires active listening, regular feedback by all parties involved, and mutually agreed and beneficial action plans.

studyon

Syllabus area 4
Topic 4
Concept 5

Performance management
Summary screen and practice questions

16.7 Rewards — monetary and non-monetary, individual or group, performance pay

A well-planned reward system is a key strategy in attracting, motivating and retaining employees. A rewards system can reinforce strategies to facilitate change or support desirable corporate values, such as a focus on the customer.

Monetary and non-monetary rewards

Rewards can be **monetary** or **non-monetary**, as shown in figure 16.8, and evidence suggests a business's reward policies assist to reinforce its culture, values and achieve strategic objectives. A business's sustainable competitive advantage is also linked to a **remuneration** system that seeks to encourage and reward employees. Rewards are seen as a significant tool in motivating staff to higher levels of performance.

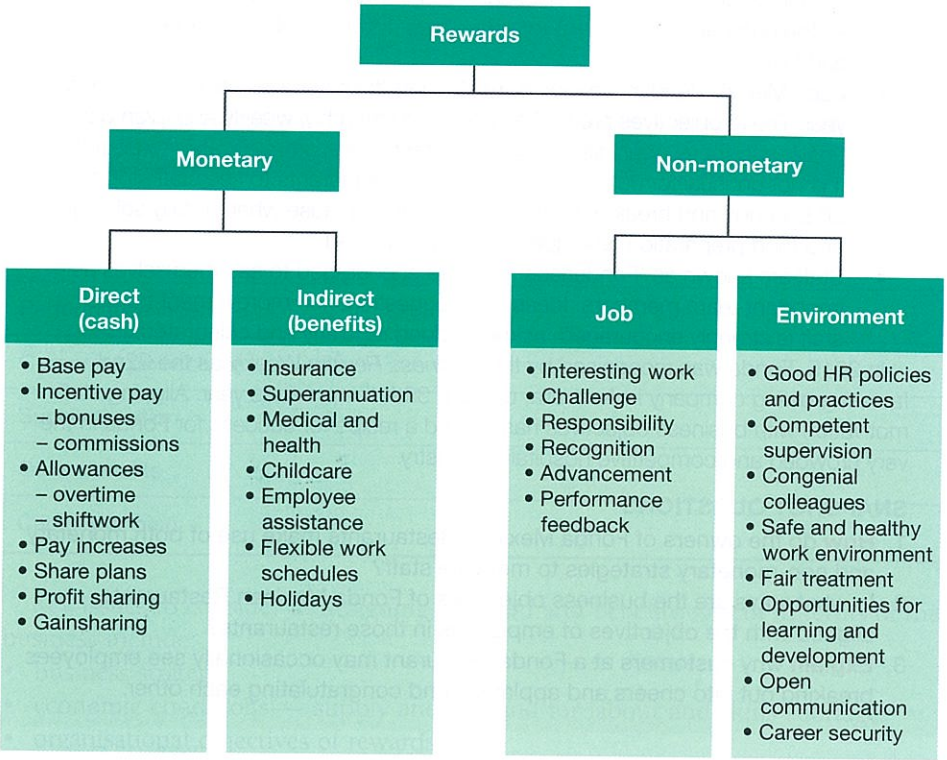


FIGURE 16.8 Types of employee rewards

BizWORD

Monetary rewards *are those reflected in pay or having financial value.*

Non-monetary rewards *are those that do not have a financial value, such as social activities or retirement planning.*

Remuneration *refers to both the financial (e.g. pay) and non-financial (e.g. career security) benefits that employees receive in return for their work effort.*

BizFACT

Employers need to analyse both financial and non-financial rewards to maximise employee engagement and performance. The demographic characteristics of a diversified workforce (gender, age, ethnicity, occupation) all have an impact upon selecting the most appropriate form of remuneration.

Case study: Motivating employees at Fonda Mexican Restaurant

The word 'Fonda' is used in Mexico to describe a house with an open kitchen, where visitors are always welcome. The Fonda restaurant chain was founded in Melbourne by David Youl and Tim McDonald in 2011, and aims to carry on this tradition of a relaxed and welcoming dining experience. Although the restaurant now operates at seven different sites in Melbourne and one in Sydney, David and Tim have chosen not to make use of a franchise model, as they wish to maintain a consistent management culture across each of the restaurants. This culture encompasses the following features:

- Alignment between the business objectives and employee objectives is given highest priority. This means that employees have a direct interest in improving the profits of the business through a system of profit sharing.
- Each branch of the business is managed by a Restaurant Business Leader (RBL). This person is paid a base salary, which is augmented monthly by a 7 per cent share of the profit of that restaurant. The higher the profit, the larger the amount paid to the RBL. Base salaries are kept relatively low (and in line with legal minimums), but the share in the profits has meant that the actual take home pay is generally higher than the industry average.
- Assisting the RBL in each restaurant is a Senior Assistant Business Leader, who is paid 3 per cent of the profits, and two or three Assistant Business Leaders who are each paid 2 per cent. While base salaries for each of the members of the leadership team is also relatively low, their share of profit inevitably means they actually take home salaries that are higher than comparable employees in other restaurants.

SNAPSHOT



> "Alignment between the business objectives and employee objectives is given highest priority."

- The leadership teams meet together monthly with the business owners, when profit share payments are made and ideas for improving productivity are shared. Leaders are encouraged to learn from each other and to celebrate the achievement of business goals.
- Every three months, all staff meet for a 'Buzz Breakfast', at which a wide variety of staff achievements are reported and celebrated.
- An annual awards dinner is held each year for all employees, and this is seen as the company's equivalent to a Brownlow Medal celebration (the AFL best and fairest award).
- Each May, the leadership teams meet to set the objectives for the next financial year. These objectives are broken down into monthly, weekly and even daily goals, and these goals are made measurable and communicated to all staff. It is not unusual for customers in one of the restaurants to see staff stop for 20 seconds and break out into cheering and applause when a daily sales goal or a food preparation time goal has been achieved.
- Staff are known as 'Fondarians', and are encouraged to see themselves as important team members. Ideas and suggestions for improvement from all staff is strongly encouraged, acknowledged regularly and celebrated.

In 2015, Fonda was recognised by the *Business Review Weekly* as the 22nd fastest growing company in Australia, up from 39th the previous year. Aligning staff motivation with business objectives has proved a recipe for success for Fonda in the very crowded and competitive hospitality industry.

SNAPSHOT QUESTIONS

1. **How** do the owners of Fonda Mexican Restaurants make use of both monetary and non-monetary strategies to motivate staff?
2. In what ways are the business objectives of Fonda Mexican Restaurants aligned with the objectives of employees in those restaurants?
3. **Explain** why customers at a Fonda restaurant may occasionally see employees breaking out into cheers and applause, and congratulating each other.

Individual or group reward

Rewards are often related to individual performance; however, this can lead to conflict and rivalry if not managed effectively. All individuals are dependent on others and on efficient workplace systems to achieve high-quality performance. Increasing use of group- and team-based structures have increased the need for cooperation and made it difficult to distinguish performance of individuals within teams. **Gain-sharing plans** and group incentive schemes are often used to support a team-based culture.

BizWORD

A **gain-sharing plan** *involves the benefits of improvements and success, such as productivity improvements, cost savings and sales and profit increases, being reflected in rewards for teams, such as shares, cash bonuses or annual bonuses.*



FIGURE 16.9 A team-based reward system encourages cooperation between the employees in the business. However, it can result in the 'free-rider' phenomena: the team member who contributes little to overall performance but receives the reward nevertheless.

Many tools can be used by the human resource manager in developing a reward system. For example, a grid or matrix could be drawn up to assess the objectives of each reward and the overall effectiveness of the system (an example is shown in table 16.4).

TABLE 16.4 A rewards matrix for a business

Reward component	Reward objectives					
	Attract	Retain	Productivity	Individual contribution	Employee security	Company performance
Base salary	✓	✓				
Gain-sharing plan			✓			
Performance incentive		✓		✓		
Corporate profit share	✓					✓
Superannuation	✓	✓				
Other benefits		✓			✓	
Career planning		✓	✓		✓	

BizFACT

Around one-third of Australian employees never negotiate their pay.

Key issues to consider in designing a reward and benefits system in terms of the business include:

- business strategy
- economic conditions — supply and demand for labour and skills shortages
- organisational objectives of rewards
- rewards and benefits of competitors
- relevant awards and agreements, minimum employment standards
- union power
- profitability/viability of the business.

Key issues to consider in designing a reward and benefits system for individual employees are:

- **performance pay** — remuneration based on distributing rewards according to individual employee performance. In doing so it increases individual accountability and promotes employee development. Performance pay is often related to executive remuneration but is also received by approximately one-third of Australian workers.
- *performance related* — incentive plans for performance above standards or criteria, bonuses, piece rates, commissions, production-related incentives
- *job related* — role and level of responsibility, scope of supervision, base pay, interpersonal skills, knowledge and skills, experience, value to the company (e.g. links with key clients)
- *other individual considerations* — group incentives, the employee's values (e.g. job flexibility vs career planning), specific job conditions (e.g. requiring employees to live overseas) and their individual bargaining power.

BizWORD

Performance pay *refers to remuneration that is based on distributing rewards according to individual employee performance.*

Reward systems that are not clear or fair, or where employees believe there has been favouritism or bias, can lead to internal politicking and conflict, loss of trust and motivation, and higher levels of labour turnover.

The reward system should aim to motivate staff and be equitable, clearly communicated, defensible, relevant, cost effective and integrated with the corporate strategy. It must also be simple to understand and administer, and consistently applied to all employees.

BizFACT

Some argue that businesses may use performance incentive systems as a substitute for more important motivation strategies, such as improved job design, employee participation, and feedback to employees about their work.

SNAPSHOT



'People should get a bonus for outstanding performance.'

Red Star Fashions — the debate around bonuses

Maureen Brady, CEO of Red Star Fashions, pushed the thin pile of papers away and sighed. 'It seems that we have a serious problem. Employee productivity is in decline. We are losing our competitiveness. At this rate, we will make a financial loss by year end. Does anyone have anything to say?'

'Yes', snapped Carolyn Simon, Finance Director. 'The problem is our people are not motivated. Everyone gets paid the same irrespective of their performance. The best people became demotivated — everyone sinks to the lowest common denominator.'

'I agree', interjected Nick Dalmaris, Marketing Manager. 'We don't reward performance. We ignore it. It is no wonder that our people aren't motivated. Why should they be? What do they get for doing a good job? Nothing. This place has become a safe haven for non-performers. They get paid regardless and they know they can't or won't be sacked. It should come as no surprise that we are losing our competitiveness.'

'What do you suggest then?' asked Maureen.

'Pay people on the basis of their performance not on how long they have been with the company', replied Nick.

'Nick is right', Carolyn said enthusiastically. 'We need to get away from seniority and switch to a system of performance-based rewards. We need a bonus system. People should get a bonus for outstanding performance.'

'Stephanie, you have been silent so far, what are your thoughts?'

Stephanie Magolis, HR manager paused, then said, 'The culture of this company is built around teamwork — working together, sharing our knowledge and experiences. Individual performance rewards will destroy the collegiality that exists. Individual rewards promote competition. They will trash our cooperative culture. The present system is fair. Seniority-based rewards recognise loyalty and promote harmony. Individual performance payments do not. All that will happen is that people will spend all their time manoeuvring themselves to gain favour with their bosses. I am opposed to any change. I believe that the introduction of individual performance bonuses would have a most negative effect on the moral fibre of this company.'

'For heaven's sake, Stephanie, you must understand that if we wish to attract and retain talented people, we have to reward them appropriately. Why would a top performer come here?'

'We want a champion team, not a team of champions', Stephanie shot back. 'Performance pay is not about performance, it is about competition and the destruction of a cooperative corporate culture.'

SNAPSHOT QUESTIONS

1. **Outline** the opposing arguments. Who do you agree with? Why?
2. **Discuss** what effect a reward system might have on the culture of an organisation.
3. If you were the HR manager, **propose** the suggestions you would make to improve the productivity and competitiveness of Red Star Fashions.

studyon

Syllabus area 4	**Rewards**
Topic 4	Summary screen and practice questions
Concept 6	

SUMMARY

- Recruitment is the process of locating and attracting the right quantity and quality of staff to apply for employment vacancies or anticipated vacancies at the right cost.
- Most businesses use a mix of internal and external recruitment to maximise opportunities for new ideas and use of existing expertise in the business.
- Australia has long experienced a skills shortage, leading employers to increasingly recruit staff with general skills and upskilling internally.
- Many businesses recruit overseas and poach staff from other businesses to overcome shortages of skilled staff.
- Training aims to develop skills, knowledge and attitudes that lead to superior work performance.
- Development is focused on enhancing the skills of the employee to upgrade their skills in line with the changing and future needs of the business.

- Performance management is a systematic process of evaluating and managing employee performance in order to achieve the best outcomes for a business.
- Feedback from performance appraisal and management provides many benefits to the business and the individual.
- Rewards management is a system of monetary and non-monetary, and intrinsic and extrinsic rewards to attract, motivate and retain employees for their effort and performance.
- An effective reward system is equitable, clearly communicated, relevant, cost effective, simple to administer and aligned with the business's goals.

EXERCISE 16.3 REVISION

1 Beth Gaikwad, manager HRFirst, said: 'A poor recruitment and selection process has negative consequences for the business as well as the individual'. **Discuss**.
2 **Distinguish** between internal and external recruitment.
3 Using table 16.2 as a guide, **clarify** when it is appropriate for a business to use (a) internal recruitment and (b) external recruitment.
4 **Identify** the set of general skills employees need to possess.
5 **How** do human resource managers choose whether to recruit for general or specific skills?
6 'Training improves current skills while development provides for future skills.' **Explain**.
7 **Outline** the purpose of performance management systems.
8 **Describe** the benefits to employers of using both developmental and administrative approaches to performance management.
9 **Describe** four benefits of an effective performance management system.
10 **Distinguish** between monetary and non-monetary rewards, and explain why a mix is best.
11 **Outline** the main features of a well-designed rewards system.

EXERCISE 16.3 EXTENSION

1 **Evaluate** the benefits of developing a training strategy which is focused on future skills in addition to current skills.
2 **Discuss** the benefits and costs of poaching staff from other businesses to overcome skills shortages.
3 In groups, **create** a rewards system either for staff in a university or for journalists at a large metropolitan newspaper. **Justify** your strategy.

16.8 Global strategies: costs, skills, supply

Globalisation of business, as well as technological developments in the internet, human resource applications and telecommunications, has significantly increased the competition faced by any business. These advances have also increased the complexity of managing human resources.

Issues such as high domestic labour costs, a skills shortage, especially apparent in some industries, and a relatively small labour pool have made businesses re-think the management of human resources.

The globalisation that has affected a number of Australian businesses has brought with it the need for change. Increasing competition, shareholder demands for higher returns, privatisation, outsourcing and restructuring have all forced businesses to analyse their strategic direction. Most of these strategic decisions have at their core matters relating to labour costs, skills and supply.

BizWORD

A **subsidiary** *is a company that is owned by another company (referred to as the parent) and it is often located in another country.*

Australia's higher living standards bring with it the expectation of better wages and salaries for workers. Employers are also faced with on-costs such as superannuation that add to the expense of remunerating local staff.

Some businesses have found that these higher labour costs reduce competitiveness and as a result have made the decision to restructure their workforce, including outsourcing some functions to lower labour cost countries. Others have established **subsidiaries** off-shore to take advantage of the opportunity to reduce production costs and gain access to new markets.

Countries such as China have factories able to produce goods at very competitive prices. This has attracted the attention of Australian businesses, which have moved production to China because it is cheaper, causing Australian factories to close.

For example, the Australian company Pacific Brands, known for its Bonds and Holeproof products (amongst others), relocated its manufacturing to China at a cost of some Australian 1800 jobs as it was no longer sustainable to keep its Australian factories open.

The airline Qantas also faced scrutiny for its ongoing restructuring of its domestic maintenance facilities that resulted in a loss of 1550 jobs since 2014. Much of the work previously done in regional centres such as Avalon, Victoria, was relocated to lower labour cost countries such as Singapore and Hong Kong.

Other activities such as basic accounting and legal work, including the processing of insurance policies, is being outsourced to countries such as India. It has a large pool of English-speaking, highly literate and tertiary educated workers able to provide the type of services desired by Australian businesses at a much lower rate than if the work was done in Australia.

The issue of labour force skills has also been significant for many Australian businesses. For some time now local managers have expressed their concern that there is a major issue relating to matching the skills possessed by Australian workers and those needed by business. It is a widely held belief by many of these managers that the Australian education system has not produced workers with the necessary numeracy and literacy skills.

Estimates are that Australian businesses will need in the vicinity of 2 million workers in the next few years and more than 5 million by the start of the next decade. Moreover, this shortage is seen as a major impediment to improving productivity in the workplace. This skills shortage is often blamed on the education system and on some employers who are more intent on importing cheaper labour, outsourcing or recruiting overseas. Australia will have a shortfall of 500 000 workers by the end of the decade and the skills shortage remains an issue as Australia continues to pursue opportunities for economic growth.

Short-term initiatives have been used to overcome the shortage of workers. The Temporary Skill Shortage (TSS) visa was introduced in March 2018. It replaced the temporary work (skilled) visa — the 457 visa. The TSS visa program comprises a short-term (up to two years) visa or a medium-term (up to four years) visa and will support businesses in addressing genuine skill shortages in their workforce. It aims to align with the skill needs of the Australian labour market and tightens eligibility requirements for employer sponsored permanent skilled visas.

Temporary visas serve the economy well in times of skills shortages in the short term, for example, in periods of economic growth. They are especially useful in attracting skilled workers to remote areas where Australian workers are reluctant to go especially in the medical services, engineering and skilled trades. A solid commitment to training Australia's workers is, however, the long-term solution.

The ongoing economic problems in Europe, with a number of long-term unemployed but highly skilled workers, is attracting the interest of some Australian businesses in search of workers. Europe, South Africa, United States and United Kingdom are also providing some Australian businesses with highly experienced senior management.

The supply of workers continues to be a problem for a country of 25 million people. China and India with their huge populations have an abundance of workers keen to find well-paid employment overseas. Australia is allowing skilled workers from these countries to migrate and work here, especially in difficult-to-fill occupations such as IT, and to replace the 100 000 workers Australia loses to business migration each year.

Businesses are sometimes attracted by the lower labour costs on offer in some countries; however, this needs to be more fully explored. Countries like China have a huge supply of labour but much of it is ageing and poorly qualified with low literacy levels. This is compounded by a shortage of younger workers and the limited availability of quality managers. Qualified staff tend to be concentrated in the major cities such as Beijing or Shanghai. Consequently, companies looking to China as a destination for expansion often face higher human resource costs and any benefits derived from such relocation decisions need to be considered in light of these factors.

It is often said that in China nothing is ever black and white — everything is negotiable. Worker rights are often ignored. The right to strike does not exist in law but there is no current law that expressly prohibits it. In addition, independent trade unions are not permitted (the government controls all unions via the All China Federation of Trade Unions) but instead are seen as an instrument of government policy where worker entitlements are secondary to the promotion of government interests.

Further, the change to a more market-based economy in China means there are inconsistencies in workplace laws that can appear to support unscrupulous management practices. This has given rise to criticism of some multinational businesses that have sought to benefit from this lack of structure and taken advantage of China's supply of low-cost labour in situations where the required skill level is relatively low.

High levels of corruption mean that government officials may also ignore health and safety hazards and other offences such as the employment of child labour. More recently, however, international organisations are putting pressure on the Chinese government and transnational organisations to take a more moderate view on the freedom of workers to belong to unions, as illustrated in the following Snapshot.

Case study: Foxconn's labour union elections put Chinese workers' rights under the spotlight

Apple's China-based contractor, Foxconn, is following a trend of increasing unionisation at transnational corporations in China by holding its first-ever democratic labour union elections.

As reported by the International Trade Union Confederation in 2012, branches of the All-China Federation of Trade Unions have been established for Chinese operations of Wal-Mart, Carrefour, Motorola and Samsung.

. . .

In 2012, the Fair Labor Association (FLA), an independent organisation which monitors labour standards on behalf of over thirty transnational corporations, found multiple violations of labor standards included in the FLA's Workplace Code of Conduct. One of the actions recommended by the FLA was to conduct more democratic union elections and eliminate management dominance from the union, strengthening workers' rights to freedom of association.

Under Chinese law, workers are not free to join the union of their choice, and unionisation is heavily regulated by the state. However, under the 2008 Rainbow Plan, the Chinese government has encouraged greater unionisation and collective bargaining, including in transnational corporations operating in China. The atmosphere is therefore more positive for unionisation. The FLA's 2012 report criticised Foxconn's practices as contrary to both Chinese and international law.

SNAPSHOT



> Under Chinese law, workers are not free to join the union of their choice, and unionisation is heavily regulated by the state.

Its recommendations on making Foxconn's unions more representative encourage the company to follow new, local regulations.

China remains an outsider to most of the international treaties, which guarantee freedom of association and union rights. It has signed the International Covenant on Economic, Social and Cultural Rights, but has declared that the right to form and join unions will be subject to the Chinese constitution and internal law. This reservation could effectively take away what the international treaty gives. China has been criticised within the United Nations for its failure to guarantee free unions, and several complaints against China have been brought to the International Labour Organisation (ILO)'s Freedom of Association Committee.

The FLA's Workplace Code of Conduct is based on ILO treaties, including those on freedom of association. Since China has not signed these treaties, it is understandable that the FLA grounded its criticism of Foxconn in Chinese as well as international law. This makes the recommendations more acceptable to Foxconn and to Chinese authorities, and therefore more likely to be followed. The recent announcement of democratic union elections demonstrates the success of the FLA's strategy of blurring the difference between the requirements of Chinese and international law.

Poor labour practices at Foxconn have placed Apple under pressure. NGOs such as China Labor Watch and Students and Scholars against Corporate Misbehaviour publicised allegations of abuse of Foxconn employees, with a focus on Apple, Foxconn's largest client. This publicity led Apple to appoint the FLA in early 2012 to audit Foxconn.

The FLA approach of linking international and Chinese law in its criticisms shifts the blame from the state to the company. The result, which could be repeated in other Chinese contractors to transnational corporations, is acceptance of stronger freedom of association standards. The method of maintaining commitment to international standards while masking them as internal law is a strategy worth adopting more widely. Even if China refuses to sign human rights treaties protecting freedom of association, a bit of creative thinking can make practical improvements to working conditions and access to union representation possible.

Source: Holly Cullen, 'Foxconn's labour union elections put Chinese workers' rights under the spotlight', *The Conversation*, 13 March 2013

SNAPSHOT QUESTIONS

1. **Identify** the companies that have supported increased unionisation in their China-based contractors/operations.
2. **What** factors gave rise to more democratic union elections?
3. **Outline** the purpose of the 2008 Rainbow Plan.
4. Who is the FLA? **Describe** its role in promoting democratic union elections in China factories.
5. **What** strategy does the author recommend to improve conditions in China's factories and also increase the likelihood of union membership for workers?

studyon

Syllabus area 4
Topic 4
Concept 7

Global context: costs, skills and supply
Summary screen and practice questions

16.9 Workplace disputes

Disputes are conflicts, disagreements or dissatisfaction between individuals and/or groups. Conflict between stakeholders is inevitable in workplaces. Stakeholders often have conflicting interests, particularly over the degree to which employees should share in the profits.

Workplace conflict can lead to problems such as higher levels of absenteeism, low productivity, legal claims and high staff turnover, which may be even more costly in the long run.

The Australian Bureau of Statistics (ABS) maintains statistics about official, or overt, disputes. An **industrial dispute** is a disagreement over an issue or group of issues between an employer and its employees, which results in employees ceasing work.

Strikes refer to situations in which workers withdraw their labour. They are the most overt form of industrial action and aim to attract publicity and support for the employees' case. Strike action is more common in public sector organisations and in the mining sector.

BizWORD

An **industrial dispute** *is a disagreement over an issue or group of issues between an employer and its employees, which results in employees ceasing work.*

Strikes *refer to situations in which workers withdraw their labour.*



FIGURE 16.10 Strikes can attract publicity and support for the employees' case.

Lockouts occur when employers close the entrance to a workplace and refuse admission to the workers. In some lockouts, management has been brought in by helicopter to avoid a **picket** line of workers. Lockouts have been used frequently in long disputes in manufacturing to promote concession bargaining, to push employees to sign individual agreements, and in response to strike action.

Each withdrawal or refusal is made to enforce a demand, to resist a demand or to express a grievance. Legal claims for matters such as discrimination, harassment and bullying are not included in these disputes.

The level of disputes varies within and between industries and businesses. Some employers seek to minimise conflict, others stifle it through tough tactics, while others manage more collaboratively through negotiation with staff and unions.



FIGURE 16.11 A picket line is formed by striking workers to prevent vehicles and non-striking workers from entering the workplace.

BizWORD

Lockouts *occur when employers close the entrance to a workplace and refuse admission to the workers.*

Pickets *are protests that take place outside the workplace, generally associated with a strike. Unionists stop the delivery of goods and try to stop the entry of non-union labour into the workplace.*

BizFACT

The types of strikes include the following:

- *Sympathy strikes are those called in support of a group of workers already on strike.*
- *Rolling strikes occur over a period of time, in between working periods.*
- *Rotating and revolving strikes occur where workers at different locations take turns to strike.*
- *Political strikes involve employees taking strike action over political issues, against government policy or actions.*
- *Wildcat strikes are those that take place without union approval.*
- *Lightning strikes occur without an employer being notified.*
- *General strikes involve a large number of workers in different industries going on strike simultaneously.*
- *Stop-work meetings involve employees stopping work to hold a meeting on an industrial issue during work time.*

BizFACT

Managerial policy is one of the most common causes of disputes. Disputes arising from managerial policy may be related to award restructuring, terms and conditions of employment, enterprise bargaining, production limits or quotas, promotion, discipline, personal disagreements and changing work practices.

The major causes of disputes recognised by the ABS are disputes relating to negotiation of awards and enterprise agreements. These issues typically include disputes about:

- remuneration. This includes matters such as wages, allowances, entitlements and superannuation.
- employment conditions. These include matters such as working hours, leave, benefits and other general employment conditions.
- job security issues. These include retrenchment of employees, downsizing, restructuring, use of contractors, outsourcing, re-classification of the workforce, and other industry-related matters (see the following Snapshot).

Matters outside agreements also cause disputes, for example:

- health and safety. These matters typically relate to physical working conditions, including safety matters, and workers' compensation provisions, protective clothing and equipment, uncomfortable working conditions, employee amenities, equipment condition, and overly strenuous physical tasks.
- managerial policy. These issues include decisions and policies of line managers, such as disciplinary matters, suspensions, discrimination, decisions that impact upon work and family issues, production limits or quotas, principles of promotion, and other work practices.
- union issues. These matters relate to employer approaches to the union, inter-union and intra-union disputes (e.g. demarcation disputes), sympathy stoppages in support of employees in another industry, and recognition of union activities.
- political or social protests.

SNAPSHOT

Analysing the causes of two workplace disputes and the strategies used to resolve them



'. . . Hutchison Ports breached the enterprise agreement by failing to properly consult workers . . .'

Case study: Workplace dispute 1 — Hutchinson Ports Australia and the Maritime Union of Australia

Hutchinson Ports Australia used an unusual procedure for advising nearly 100 workers in both its Sydney and Brisbane terminals that their services were no longer required.

In a text message and email sent to workers late at night they were informed that:

> . . . your position will not be retained. There are no redeployment opportunities. The intended last day of your employment will be Friday 14 August 2015. Accordingly you are [sic] will not be required to attend work effective immediately. We will of course pay you your normal salary to your last date of employment.

Disbelieving (and now sacked) workers were locked out of the business the next day and although they and 100 supporters formed on-site pickets in both Sydney and Brisbane, management was adamant that the workers would not be recalled. Workers across the sites responded with a four-hour stop work meeting to give them an opportunity to consider their next step in support of sacked colleagues.

The Maritime Union of Australia was called in on behalf of its members at the business and it immediately lodged the matter with the Fair Work Commission and the Federal Court of Australia, arguing Hutchison Ports breached the enterprise agreement by failing to properly consult workers and caring little about a dispute resolution clause before announcing the redundancies.

A court ordered injunction was issued to stop the dismissals and the on-site pickets were subsequently suspended. Management was able to meet with the union to articulate its concerns (believed to be about workplace inefficiencies) and a satisfactory settlement to the dispute sought.

The company eventually decided that it would accept voluntary redundancies in lieu of the sackings and about 25 per cent of the workers took this option. A further incentive for redundant employees came in the form of an additional payment of $20 000 above their legal entitlements.

In return the company would now be able to employ workers on a casual basis, however, the redundant workers could apply for these positions.

Workers had a slight increase in the length of the working week to 32 hours and they were also expected to offer some flexibility around rostering.

Hutchinson Ports Australia stated that it would benefit by being able to be more competitive through effective cost management and indicated that as the opportunity presented itself workers would be allowed to return to full-time work should they choose to do so.

SNAPSHOT QUESTIONS

1. **Identify** the parties to the dispute.
2. **What** was the cause/s of the dispute?
3. **Identify** the types of industrial action taken by both employees and their employer.
4. **Analyse** the strategies used to resolve the dispute.

Case study: Workplace dispute 2 — Bathurst Hospital and the Health Services Union

Some 150 workers supported by the Health Services Union (HSU) recently staged a four-hour strike to raise awareness of an alleged culture of bullying, harassment and intimidation at Bathurst Hospital. Catering, security, cleaners and other health professionals employed at the hospital intended their demonstration to be a two-hour stop work meeting but due to a perceived lack of interest by management it was extended. Further, if a satisfactory outcome was not achieved the HSU and its members were prepared to call a 24-hour strike if necessary.

The HSU called for an investigation into claims of a poor work culture at Bathurst Hospital, which they argued had developed over the previous seven years, rife with low morale, bullying and intimidation, unfavourable roster changes, health and safety concerns and pay rates.

As the stop work meeting entered its fourth hour a spokeswoman for Bathurst Hospital indicated that the workers' claims were being taken seriously and that an independent consultant would be employed to investigate the staff grievances.

At the same time Bathurst Hospital had to deal with a long running dispute over other staffing issues including unreasonable workloads. Claims that staffing numbers were inadequate and that this placed additional pressure on workers were made before the Industrial Relations Commission.

A spokesman on behalf of the hospital said that meaningful discussions were being had and that progress being made.

SNAPSHOT QUESTIONS

1. **Identify** the parties to the dispute.
2. **What** was the cause/s of the dispute?
3. **Identify** the types of industrial action taken by both the employees and their employer.
4. **Analyse** the strategies used to resolve the dispute.

> '. . . claims of a poor work culture . . . rife with low morale, bullying and intimidation, unfavourable roster changes, health and safety concerns and pay rates.'

16.9.1 Resolution of disputes

The key stakeholders involved in resolving disputes include employees, employers, governments, trade unions, employer associations, courts and industrial tribunals (see figure 16.12). The Fair Work Commission describes dispute resolution as the processes whereby disputes are brought to an end. The three processes are:

1. a negotiated outcome — the parties work out the solution for themselves
2. a mediated outcome — an independent mediator assists with the development of an agreement
3. an arbitrated/adjudicated agreement — an independent arbitrator or court determines how the matter will be resolved and makes a legally binding order.

BizFACT

Most workplaces have never experienced industrial disputes such as strikes or lockouts. Many firms now try to develop a work environment in which disputes are minimised through collaborative working relationships and by training staff in procedures, policies and guidelines for managing disputes. Effective human resources requires prompt and equitable settlement of disputes.

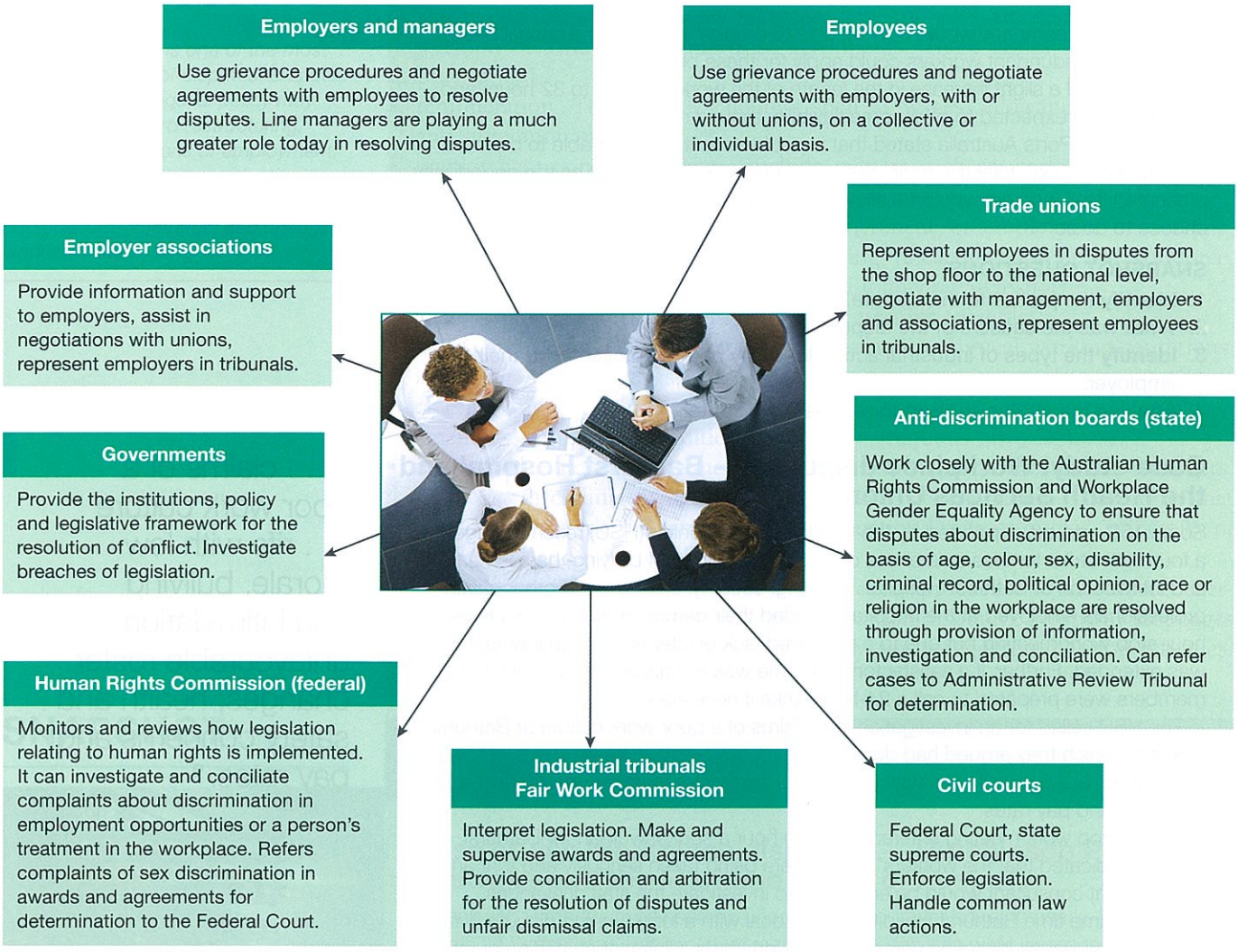


FIGURE 16.12 Key stakeholders and their role in resolving workplace disputes

BizWORD

In good faith *means the parties meet regularly with a willingness to reach an agreement.*

Before either party may take protected industrial action, there must also be proof that both parties have attempted to bargain **in good faith**. For cases where collective or enterprise bargaining does not resolve disputes in the workplace, conciliation is still available through the Fair Work Commission.

When disputes develop, a number of methods can be used to try to resolve them.

Negotiation

BizWORD

Negotiation *is a method of resolving disputes when discussions between the parties result in a compromise and a formal or informal agreement.*

Negotiation is a method of resolving disputes when discussions between the parties result in a compromise and a formal or informal agreement. This process can benefit the parties involved by increasing their knowledge of company policy, business's objectives, workers' concerns and issues involved in implementing change.

Most Australian industrial disputes are resolved by resumption of work, without negotiation, such as following a stopwork meeting. This may later lead to an agreement change. Most other disputes are resolved by negotiation without the intervention of a third party. In such cases, employees return to work following industrial action for a pre-determined period (such as after a 24-hour strike). Options available to the parties involved may be determined by the nature of the industrial agreement covering employees (federal/state) and the goals of the parties.

Mediation

Mediation is the confidential discussion of issues in a non-threatening environment, in the presence of a neutral, objective third party. The third party may be independent and agreed on by key parties in a dispute, or a representative from a business, tribunal or government agency, such as the Fair Work Commission, the Australian Human Rights Commission (AHRC) or the Anti-Discrimination Board (in New South Wales).

Mediation as an alternative dispute resolution technique is increasingly popular in Australia. It allows the parties to become empowered by resolving their own disputes, and it reduces the risk of disputes escalating and leading to expensive legal costs or industrial action. It is often required as the fist step in the resolution of a dispute.

BizWORD

Mediation *is the confidential discussion of issues in a non-threatening environment, in the presence of a neutral, objective third party.*

Grievance procedures

Grievance procedures are formal procedures, generally written into an award or agreement, that state agreed processes to resolve disputes in the workplace. Grievance procedures are useful in reducing the risk of an issue rapidly becoming a serious dispute. Most businesses have established a formal process, now required in modern awards and other agreements, by which issues can be handled. The steps in a typical grievance procedure are shown in figure 16.13.

BizWORD

Grievance procedures *are formal procedures, generally written into an award or agreement, that state agreed processes to resolve disputes in the workplace.*

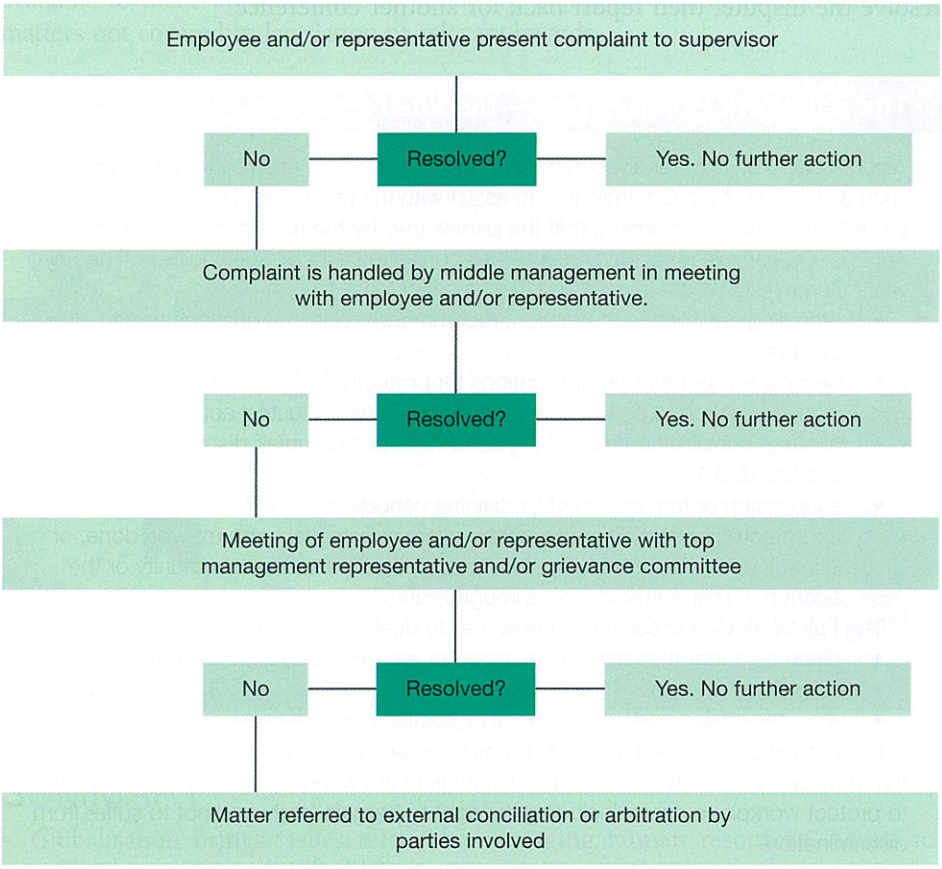


FIGURE 16.13 Steps in a typical grievance procedure. Complaints may be resolved at any of the stages indicated.

BizFACT

Around 70 per cent of managers are involved in grievance handling, and cite the most common issues as personality conflicts, allowances and pay, and discipline.

BizFACT

Conciliation usually means that the solution is owned by the parties to the dispute, whereas arbitration means that the decision is imposed upon the parties.

A conciliated outcome will mean that both parties are committed to making the decision successful, whereas an arbitrated result will more than likely mean a winner and a loser and some resentment.

Effective grievance procedures require a full description of the complaint to be made by the employee(s) with the complaint. The person the grievance is made against should be given details of the allegation and an opportunity to provide their views. The process may deal with individual or collective issues, and matters such as changes being implemented in the workplace that will affect or cause

conflict between staff. It is a useful strategy for resolving issues before they escalate. The Fair Work Commission recommends that issues be quickly resolved, handled sensitively and professionally, and in a manner that is fair, so that employees have confidence in the process.

Involvement of courts and tribunals

Industrial disputes that escalate to the level of courts and tribunals are most likely to occur when disputes have passed their nominal expiry date, bargaining has commenced towards a new agreement, and negotiations have failed. Employees and employers then enter a period where industrial action may be protected until a new agreement is developed.

Conciliation and arbitration

When a dispute has not been resolved through negotiation at the workplace, it may be referred to the Fair Work Commission (see the next Snapshot), who will appoint a conciliation member to hear both sides of the dispute. Conciliation is a process where a third party is involved in helping two other parties reach an agreement. The conciliation member calls a conference and attempts to help both sides reach an agreement. The member may require all parties to continue negotiations, reduce the ambit of the dispute or develop other strategies to resolve the dispute, then report back for another conference.

SNAPSHOT

'The aim of the act is to protect workplace rights.'

The Fair Work Commission — dispute resolution

When a dispute is not resolved in the workplace, it may be referred to a third party, such as the Fair Work Commission, to assist with the resolution. The role of the Fair Work Commission is to ensure that the parties play by the rules of the *Fair Work Act 2009*. Clear rules provide certainty and consistency for all stakeholders. The Fair Work Commission's role in resolving disputes includes:

- providing conciliation, mediation, recommendations and opinions to parties in disputes
- hearing and authorising applications for protected industrial action. For industrial action to be lawful it must be protected industrial action
- hearing, conciliating and making determinations on unfair dismissal claims (see section 16.9.1)
- suspension or termination of bargaining periods or protected action or unprotected action. This may occur where substantial harm may be done, or is imminent, to the parties involved or to a third party, the community or the economy. This is enforceable through orders in the courts.

The Fair Work Commission is empowered to deal with disputes relating to:

- disputes under the terms of an award or a collective or enterprise agreement
- bargaining disputes
- disputes arising under the general protections provisions.

Under the Fair Work Act, protection has been provided against adverse actions that may cause discrimination or disadvantage in the workplace. The aim of the act is to protect workplace rights, including the right to bargain freely and not to suffer from discrimination.

SNAPSHOT QUESTIONS

1. **Outline** the situations in which the Fair Work Commission assists in resolving issues.
2. **State** the roles the Fair Work Commission can play in resolving disputes.
3. **Identify** the possible outcomes of disputes that are referred to the Fair Work Commission.

If conciliation fails the matter may be referred to arbitration, if it is in the award or agreement, or if the parties agree. Arbitration is a process where a third party hears both sides of a dispute and makes a legally binding decision to resolve the dispute.

In this situation, a member or a panel of members hears both sides of the dispute in a more formal, court-like setting. A judgement, for example an **order**, is handed down based on the merits of the evidence that becomes legally binding on all parties. Orders may end a restrictive work practice or behaviour, such as a lockout, or require a secret ballot of union members if strike action is proposed. The Fair Work Commission may also order that staff be reinstated or that the parties return to the tribunal at a later date for further negotiations.

Common law action

Common law action is open to any party involved in or affected by industrial action. Parties may make direct claims for damages caused by the parties taking the action, or for breach of contract resulting from such action. An employer may ask a state or territory supreme court or the Federal Court for an injunction or stop order to prevent unlawful interference with the employer's trade or business, for example where a nuisance is created by a picket line. This option is not available if the action is a protected action during a bargaining period. Such action is costly and generally considered a 'last resort'. Common law action in civil courts is also available to those on individual common law contracts of employment disputing matters not covered in legislation or relevant awards.



FIGURE 16.14 One of the benefits of the successful resolution of industrial conflict is improved working relationships.

BizWORD

Orders *are decisions that require employees or employers to carry out a direction from the tribunal. They may be inserted in awards or agreements.*

BizFACT

The Fair Work Act 2009 *provides protections of rights, including:*

- *workplace rights*
- *the right to engage in industrial activities*
- *the right to be free from unlawful discrimination*
- *the right to be free from undue influence or pressure in negotiating individual arrangements.*

Industrial action will not be protected if it:

- *is taken while a bargaining period has been suspended*
- *relates significantly to a demarcation dispute*
- *is in support of claims for a multi-enterprise or greenfields agreement*
- *covers matters not considered lawful in the dispute*
- *contravenes any Fair Work Australia orders.*

SUMMARY

- Globalisation brings issues related to managing human resources. Access to sufficient numbers of skilled labour affects business decision making.
- The rapid growth of global outsourcing illustrates the potential for firms to develop creative strategies that access lower labour cost, while complying with regulations and pay scales in overseas countries.
- An industrial dispute is a disagreement over an issue or group of issues between an employer and its employees, which results in employees ceasing work.
- The level of disputes varies within and between industries and businesses. Some employers seek to minimise conflict, others stifle it through tough tactics,

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Syllabus area 4
Topic 4
Concept 8

Workplace relations and disputes
Summary screen and practice questions

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Syllabus area 4
Topic 4
Concept 9

Workplace dispute resolution
Summary screen and practice questions

while others manage more collaboratively through negotiation with staff and unions.

- The major causes of disputes recognised by the ABS are disputes relating to negotiation of awards and enterprise agreements. These issues typically include disputes about remuneration, employment conditions and job security issues.
- The key stakeholders involved in resolving disputes include employees, employers, governments, trade unions, employer associations, courts and industrial tribunals.
- Negotiation is a method of resolving disputes when discussions between the parties result in a compromise and a formal or informal agreement.
- Mediation is the confidential discussion of issues in a non-threatening environment, in the presence of a neutral, objective third party.
- Costs of industrial disputes include the cost of lost production and wages, loss of customer support, disruption to trade and social conflict.
- The Fair Work Commission has the power to resolve industrial disputes through conciliation or arbitration.
- Common law action is open to any party involved in or affected by industrial action.
- Benefits of industrial action include improvements in relationships and conditions.

EXERCISE 16.4 REVISION

1 **What** are the circumstances where a lockout or a picket would be used during an industrial dispute?

2 **Summarise** each of the methods available to resolve industrial disputes.

3 **Identify** the method used to describe the way the following disputes have been resolved.
   (a) Garth Enterprises makes an enterprise agreement with a majority of its employees, represented by the Australian Workers' Union.
   (b) Anna Baber and her employer PX Media ask the Australian Human Rights Commission to help them settle their dispute.
   (c) The Fair Work Commission orders Scali Ltd to reinstate 12 workers sacked last month.
   (d) Chow Machines finally reaches agreement with the CFMEU after regular meetings with the Fair Work Commission and the union.
   (e) Ramstine is fed up with his workmates playing practical jokes on him. He complains to Kevin Ly, his supervisor, who records the complaint and, as it is serious, takes it to the firm's group specifically established to help deal with such problems.

4 **Why** do many businesses not experience industrial disputes such as strikes?

5 **Identify** the criteria a party must prove to the Fair Work Commission before being permitted to take industrial action.

6 **Describe** how the focus on conflict resolution has changed over the last few years.

7 Recent legislation has forced employers and employees to increasingly resolve issues in the workplace. **Discuss** the advantages and disadvantages of this approach.

8 **Describe** common law action. **Explain** why it is generally considered a 'last resort'.

9 **Explain** how disputes can be costly to a business and the economy.

16.4 EXTENSION

1 **Analyse** the issues in the following situation and **propose** a solution for Marie. Use information available from the **Fair Work Online** website to assist you in considering this situation.

on Resources

Weblink: Fair Work Online

Marie's employer tells her she will not be paid for the next week because her employer intends to lock out Marie and three other workmates during a bargaining period leading up to the negotiation of a new enterprise agreement. He states that, if she does not agree to his new conditions after the lockout, she will be dismissed.

2 'Sometimes an open dispute in the workplace can be beneficial.' **Evaluate** this statement.

3 In groups, use newspapers and the internet to **investigate** a range of industrial disputes. **Create** a PowerPoint presentation or video clip to report to the class on the costs of the disputes.

on Resources

- **Digital doc:** Chapter summary (doc-24818)
- **Interactivity:** Chapter crossword (int-7179)
- **Interactivity:** Multiple choice quiz (int-7180)

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Sit HSC exam