

Future Directions 2014–15: Initiative 29



Productivity and innovation in enterprise agreement clauses: an overview of literature, data and case studies at the workplace level

Section 1

Samantha Farmakis-Gamboni and Kelvin Yuen, Workplace and Economic Research Section

Section 2

Michael Preston and Milena Katić, Workplace and Economic Research Section

December 2014

The contents of this report are the responsibility of the authors and the research has been conducted without the involvement of Members of the Fair Work Commission.

ISBN 978-0-9874935-8-3

© Commonwealth of Australia 2014

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968* (Cth), all other rights are reserved. Requests and inquiries concerning reproduction and rights should be addressed to:

Diana Lloyd, Manager, Media and Communications

GPO Box 1994

Melbourne VIC 3001

Phone: 03 8661 7680

Email: Diana.Lloyd@fwc.gov.au

Acknowledgements

This report, *Productivity and innovation in enterprise agreement clauses: an overview of literature, data and case studies at the workplace level*, is the work of Michael Preston, Milena Katic, Samantha Farmakis-Gamboni and Kelvin Yuen of the Workplace and Economic Research Section, Fair Work Commission.

The authors are grateful for review and comments provided by Professor Peter Gahan of the University of Melbourne and Centre for Workplace Leadership. The authors would also like to thank those organisations that assisted in distributing information about the project, including the Office of the Fair Work Ombudsman, the Australian Labour and Employment Relations Association, the Australian Chamber of Commerce and Industry, Australian Industry Group and Australian Council of Trade Unions.

The research for this report, and the report itself, benefitted from the assistance and feedback of a Review Panel of representatives of the Australian Chamber of Commerce and Industry, Australian Industry Group and Australian Council of Trade Unions. The authors would like to thank the Review Panel for its assistance with the project and comments received on the report.

Finally, thanks go to the employers, employees and their representatives who generously gave their time to nominate their enterprise agreement clauses as well as to those who participated in interviews for the case studies.

The contents of this research report, however, remain the responsibility of the authors.

Table of Contents

Introduction	1
The Commission's role in the promotion of productivity at the workplace.....	2
Aims of the project	3
Project design and structure of the report	4
1 Drivers of productivity growth: an overview of literature and Australian data	7
1.1 Measurement of productivity	7
1.2 Determinants of productivity.....	10
1.3 Relationship between enterprise bargaining (including enterprise agreement clauses) and productivity at the workplace.....	18
1.4 Conclusion.....	21
2 Findings from case studies on enterprise agreement clauses	23
2.1 Selection of clauses	23
2.2 Approach to interviews and case studies.....	24
2.3 Overview of clauses	24
2.4 Case study findings summary table	25
2.5 Conclusion.....	28
3 Conclusions.....	29
3.1 Findings in relation to the research questions	29
3.2 Lessons and options for future work to develop practitioner focused resources.....	32
References.....	36
Attachment A An analysis of Australian data relating to enterprise agreements and productivity.....	39
Attachment B Case studies	45
Attachment C Clauses discussed in the case studies.....	71
Attachment D Nominated clauses.....	84

Abbreviations

ABS	Australian Bureau of Statistics
ANZSIC	Australian and New Zealand Standard Industrial Classification
AWRS	Australian Workplace Relations Study
BLD	Business Longitudinal Database
Commission	Fair Work Commission
EEH	Employee Earnings and Hours
Fair Work Act	<i>Fair Work Act 2009</i> (Cth)
Future Directions Program	Future Directions 2014–15: Continuing the Change Program
GDP	Gross Domestic Product
GVA	Gross Value Added
HPWP	High Performing Work Practices
HRMP	Human Resource Management Practices
JLMC	Joint Labour Management Committee
MFP	Multi Factor Productivity
R&D	Research and Development
WAD	Workplace Agreements Database

Introduction

This report seeks to provide a resource to practitioners seeking to develop enterprise agreement clauses which may contribute to workplace productivity.

The importance of improving Australia's productivity performance is widely acknowledged. The Productivity Commission has stated that:

Productivity growth is a means to an end. It is an important determinant of long-term economic growth and real per capita income growth, which in turn are crucial (but not the only) determinants of living standards and wellbeing.

Productivity growth is an indicator of greater efficiency on the part of producers. It occurs where they are better able to harness physical and human resources to increase their production of goods and services and thus reduce their unit costs (and, generally, their unit prices).

Higher productivity growth leads to improved returns to the owners of capital (including shareholders) and to labour. It enables greater consumption of goods and services per person, including education, health and other community services (Productivity Commission 2013: 6).

The challenges and complexity associated with achieving improved productivity have been the subject of significant public discussion, particularly over the past decade. The President of the Fair Work Commission (Commission) set out the dimensions of the challenge in a 2012 speech:

There can be little doubt that declining productivity growth is one of the key issues facing Australian work places.

One thing that economists agree on is that productivity growth is a good thing. Our productivity performance as a nation underpins our standard of living. As Paul Krugman, the Nobel Prize winning economist said:

'Productivity isn't everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.'

Australia's productivity performance, however measured, has declined substantially since the late 1990s.

Paradoxically the past decade has been one of the almost uninterrupted growth in economic activity, employment and household disposable income and a dramatic reversal in Australia's terms of trade.

The apparent contradiction between falling productivity rates and rising living standards can be explained by the surge in Australia's terms of trade.

But the consequences of poor productivity growth will catch up with us and impact on living standards. The factors that have shielded us to date are shifting – an ageing population is eroding labour force participation rates and it seems likely that Australia's terms of trade have peaked and will decline as the commodity price cycle runs its course. These factors will have an adverse impact on future economic growth (Ross 2012).

More recently, the Secretary of the Commonwealth Department of Treasury outlined that the challenge remained ongoing:

We can no longer rely on rising terms of trade as a source of income growth.

In addition, the ageing of the population will place downward pressure on income growth from increasing workforce participation.

In the medium term, income growth will therefore largely be determined by our success in raising our productivity.

Increasing productivity to achieve the income growth that we are used to will be a significant challenge (Parkinson 2014).

The importance of improving productivity and the role of institutions such as the Commission was discussed by the Fair Work Act Review Panel (2012: 19) in its report, *Towards more productive and equitable workplaces – an evaluation of the Fair Work legislation*. The Fair Work Act Review Panel made a number of recommendations in relation to encouraging productivity, including the recommendation to actively encourage more productive workplaces by sharing information with employers, employees and their representatives about provisions in enterprise agreements that have been found to enhance productivity:

The Panel recommends that the role of the Fair Work institutions be extended to include the active encouragement of more productive workplaces. This activity may, for example, take the form of identifying best-practice productivity enhancing provisions in agreements and making them more widely known to employers and unions, encouraging the development and adoption of model workplace productivity enhancing provisions in agreements, and disseminating information on workplace productivity enhancement through conferences and workshops. The Panel does not consider that amendments to the FW Act are required to implement this recommendation (2012: 85).

The Commission, as Australia's national workplace relations tribunal, has a role in relation to productivity conferred on it under the *Fair Work Act 2009* (Cth) (Fair Work Act). This is discussed below.

The Commission's role in the promotion of productivity at the workplace

The Commission's functions under the Fair Work Act include "promoting cooperative and productive workplace relations."¹ Further, in performing its functions, the Commission is required to promote the objects of the Fair Work Act, including:

- section 3 provides that it is an object of the Fair Work Act to "provide a balanced framework for cooperative and productive workplace relations that promotes national economic prosperity and social inclusion for all Australians", including through "achieving productivity and fairness through an emphasis on enterprise-level collective bargaining";² and
- the objects of Part 2–4 of the Fair Work Act relating to agreement making include the object to enable "collective bargaining in good faith, particularly at the enterprise level, for enterprise agreements that deliver productivity benefits"³ and to facilitate the making of enterprise agreements.⁴

It is also noted that the Australian Government recently introduced a Bill, the *Fair Work Amendment (Bargaining Processes) Bill 2014*, which seeks to amend provisions of the Fair Work Act to include a requirement that, in approving an enterprise agreement, the Commission is to be satisfied that productivity was discussed during the bargaining process.⁵

¹ See section 576(1)(2)(aa) of the Fair Work Act.

² See section 3 of the Fair Work Act, in particular sections 3(1) and 3(1)(a).

³ See section 171(a) of the Fair Work Act. The meaning of the term 'productivity' in the context of the Fair Work Act was considered by a Full Bench of the Fair Work Commission in *Schweppes Australia Pty Ltd v United Voice - Victoria Branch* [2012] FWAFB 7858, paras 32-49; See also *Parks Victoria v The Australian Workers Union and Ors* [2013] FWCFB 950

⁴ See sections 171(b) and 576(1)(c) of the Fair Work Act.

⁵ Fair Work Amendment (Bargaining Processes) Bill 2014, Item 1 of Schedule 1.

The Commission, Fair Work Ombudsman⁶ and others⁷ provide a range of information and assistance to employers, employees and their representatives on enterprise bargaining and agreement making. At the Commission this includes:

- the publication of information materials, including guides and benchbooks, on agreement making to assist both employers and employees in bargaining for an enterprise agreement and the approval process involved in agreement making;⁸
- the provision of workplace level briefings and information, on request, by members of the Commission;⁹ and
- the undertaking of, and contribution to, research on the agreement making process.¹⁰

In addition to these materials, a key initiative of the Commission in seeking to meet its legislative remit relating to productivity is a program of measures set out in '*Future Directions 2014–15: Continuing the Change Program*' (Future Directions Program). Released in May 2014, the Future Directions Program outlines a number of projects the Commission is undertaking to, among other matters, 'reflect the continuing importance of the Commission's role in promoting cooperative and productive workplace relations'(2014: 3).

This report is the outcome of one such project.¹¹

Aims of the project

The aim of this project was to produce a resource which would provide:

- a starting point for practitioners and others in workplaces with an interest in identifying or developing clauses in enterprise agreements which may contribute to workplace productivity; and
- a source of information to guide any future work seeking to explore the development of more detailed resources in this area.

To do this, the project has sought to address the following three questions:

1. What are the key drivers of productivity growth identified in the research literature?
2. Within this context, what are the drivers of workplace level productivity identified in the literature, and what Australian data is available to inform an understanding of the relationship between enterprise agreement clauses and productivity?
3. What can employers, employees and their representatives tell us about enterprise agreement clauses they consider to be productivity enhancing or innovative in their enterprises, workplaces or work roles?¹²

⁶ See: <http://www.fairwork.gov.au/about-us/policies-and-guides/best-practice-guides/improving-workplace-productivity-through-bargaining>

⁷ For example, see C Sutherland, *Best Practice in Workplace Agreements: Report for the Victorian Office of the Workplace Rights Advocate*, July 2008.

⁸ See: <https://www.fwc.gov.au/awards-and-agreements/agreements>.

⁹ See: <https://www.fwc.gov.au/creating-fair-workplaces/commission-engagement-strategy/public-engagement>

¹⁰ See for example: General Manager's three year reports into developments in agreement-making: <https://www.fwc.gov.au/about-us/reports-publications/general-managers-reports>, commissioned research: <https://www.fwc.gov.au/creating-fair-workplaces/research/annual-wage-review-research/previous-research> and its support of linkage grants for research into the area of bargaining: <https://www.fwc.gov.au/creating-fair-workplaces/commission-engagement-strategy/research-community>.

¹¹ See initiative 29 in Fair Work Commission, *Future Directions 2014 -15: Continuing the Change Program*, May 2014, p.25.

Questions 1 and 2, in addition to providing for a discussion of key concepts relating to productivity that form the background to this project, were posed to explore the extent to which existing research literature and data can inform an understanding of the relationship between particular enterprise agreement clauses and productivity at the workplace level.

Question 3 then asks whether employers, employees and their representatives are able to provide a further or different perspective on how identified enterprise agreement clauses may contribute to productivity at the workplace level.

While these research questions are expressed quite broadly, it is important to note that the project did not intend to provide a comprehensive or conclusive discussion of the many ways that productivity may be enhanced in workplaces or enterprises, whether through enterprise agreements or otherwise.

Rather, the aim was to provide an accessible resource, both for those at the workplace level and for the Commission, its stakeholders and other institutions, which may seek to share information and resources to promote improvements in productivity.

Project design and structure of the report

This report is comprised of a literature review and an overview of relevant Australian data (Section 1) and findings from qualitative workplace-level case studies (Section 2).

The report's approach was guided by a Review Panel made up of representatives of the Australian Chamber of Commerce and Industry, Australian Industry Group and Australian Council of Trade Unions who assisted with the scoping of the project, selection of clauses for inclusion in case studies and overall review of this report.

A summary table of case study findings is provided at Section 2.4 (p. 26).

The full case studies are provided at Attachment B.

Section 1: Drivers of productivity growth: an overview of literature and Australian data

There is substantial research literature on the factors that contribute to improved productivity and innovation in the workplace. This section seeks to address research questions 1 and 2 by providing an overview of this literature with particular emphasis on workplace-level productivity drivers.

To further inform research question 2, an analysis of literature and available Australian data was undertaken to explore the links between enterprise agreement clauses and productivity enhancement. Data was chiefly drawn from Australian Bureau of Statistics (ABS) sources and the Department of Employment's Workplace Agreements Database (WAD).

This analysis in particular formed part of the project to:

- determine if, and how, this data can be used to measure and inform productivity at the enterprise level;
- highlight the uses and limitations of existing data sources for identifying innovative and productivity and enhancing clauses in enterprise agreements; and
- identify factors which may assist future research efforts and approaches to gathering information on productivity enhancing enterprise agreement clauses.

¹² To note, in this report the term 'workplace' is used to encompass both workplaces and enterprises or parts of enterprises (which may incorporate one or more workplaces), unless context indicates otherwise.

Of note, data from the Australian Workplace Relations Study (AWRS), a major study into Australian enterprises undertaken by the Commission,¹³ were not available for analysis at the time of publication of this report. Section 2 provides an outline of the insights that could be gained from this data source in 2015.

Section 2: Findings from case studies on enterprise agreement clauses

This section aims to address research question 3, namely to seek the views of employers, employees and their representatives about enterprise agreement clauses they considered to be productivity enhancing or innovative in their enterprises, workplaces or work roles.

The findings from the case studies are based on data gathered from 17 telephone interviews conducted by the Commission's research staff with employers, employees and their representatives. The clauses for inclusion in the case studies were selected following a public invitation from the Commission in June 2014 for employers and employees (and representatives) to nominate enterprise agreement clauses which in their experience had been innovative or productivity enhancing.¹⁴

The methodology adopted for the collection of case study data was an exploratory qualitative approach. The main reasons for this approach were:

- given the complexity of the concepts of 'productivity' and 'innovation', pursuing a perceptions-based approach allowed Commission staff to facilitate participants' discussion of the terms expansively and as viewed in practice rather than through the prism of technical terms and definitions; and
- given the Australian studies and detailed data on this topic, as discussed in section 1, as well as the variety of factors that influence productivity at the workplace level, an exploratory methodology was considered relevant to further understanding the steps that could usefully be taken to provide practical information to employers, employees and representatives seeking to make enterprise agreements which promote productivity and innovation at their workplace.

As a qualitative study, it is important to emphasise that the case studies should not be taken to provide a measure or verification as to whether the nominated clauses enhance innovation or productivity in the workplace. Rather, the case studies seek to illuminate subjective perceptions of productivity in the workplace. The case studies presented in this report are enterprise or workplace specific. Therefore the relevance of the studies to other enterprises will depend on a range of workplace factors including the comparability of industry, work practices, staffing profile, competition and other factors.

Further detail on the research design for the case studies is described in Section 2.

Section 3: Conclusions

This section sets out findings in relation to the research questions outlined above arising out of the review of literature and data in Section 1 and the case study findings in Section 2. It also discusses how these findings relate to the project's aim of explore the provision of resources targeted at the practitioner level, informed by the limitations of the case study research.

Notwithstanding these limitations, this research is an initial contribution to exploring one of the many facets of productivity and innovation in Australian workplaces. In particular, it provides an insight into the complexity associated with developing resources for practitioners, given the highly workplace

¹³ See: <https://www.fwc.gov.au/creating-fair-workplaces/research/australian-workplace-relations-study>

¹⁴ Fair Work Commission, *Commission launches research into productive agreement clauses*, Media Release, 17 June 2014. See: <http://www.fwc.gov.au/documents/documents/media/releases/17-Jun-2014.pdf>.

specific nature of the operation of the clauses on which case studies were prepared. This section considers how the findings of this study could help to inform future work on the relationship between enterprise agreement clauses and productivity or innovation with a view to developing further resources.

1 Drivers of productivity growth: an overview of literature and Australian data

This section provides an overview, drawing on recent literature, of productivity (including innovation) and its determinants as well as presenting available Australian data for reference. A particular focus of the discussion is centred on one of the factors considered to drive productivity - management practices and work arrangements. This was considered relevant given the intersection such practices and arrangements can have with enterprise agreements.

This section is structured as follows:

Section 1.1 outlines the different measurements of productivity;

Section 1.2 presents a literature review on studies on the determinants of productivity including an examination of the effects of management practices and work arrangements on productivity; and

Section 1.3 discusses research into the relationship between enterprise bargaining and productivity, and available Australian data relating to enterprise agreement clauses and productivity.

1.1 Measurement of productivity

Productivity is typically measured as output divided by input: that is, as output per unit of input (ABS 2013). Productivity increases when a lower quantity of inputs is used to produce a unit of output (Productivity Commission 2013). Productivity is therefore a measure of how effectively and efficiently resources are used in production to produce a given level of output (Green, Toner and Agarwal 2012).

As there are different ways of measuring outputs and inputs, there are different measurements of productivity. The ABS produces the following three estimates:

- **labour productivity**—measured as output per unit of labour input, which is total output divided by employment (hours worked);
- **capital productivity**—measured as output per unit of capital input, which can be calculated by dividing capital stock or funds invested in plant, buildings and land into total output; and
- **multifactor productivity**—measured as output per unit of combined inputs of capital and labour.

Labour productivity and capital productivity are partial factor productivity measures, as they measure the contribution of just one factor of production, either capital or labour, to the production of total output. As a result, partial productivity measures do not provide an overall analysis of changes in productivity. For example, an improvement in labour productivity may not be caused by gains achieved in worker efficiency, but rather through other factors, such as an increase in the amount of capital that each unit of labour has to work with (known as capital deepening) or technological change.

Multifactor productivity (MFP) addresses these limitations by measuring the contribution of multiple inputs, such as capital and labour, to total production. This measure accounts for changes in the level of total output in terms of changes in the quantity of each factor over time. Specifically, estimates of MFP are designed to inform how much economic growth originates from productivity growth (increased outputs from the same quantity of inputs) and how much from increased inputs (increased outputs from more capital goods or additional working hours).

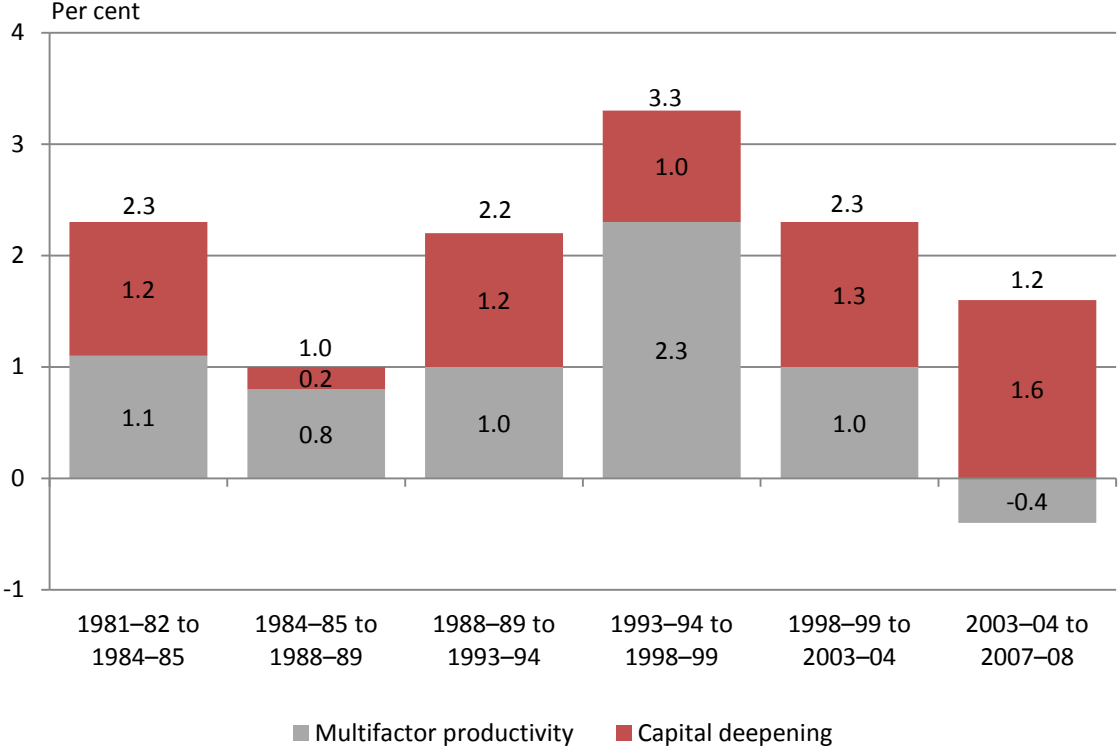
Therefore, MFP measures the difference between the growth in the volume of output and the growth in the volume of inputs, which may reflect more than just technological progress and include other factors such as: economies of scale; reallocation effects of capital and labour; climatic events; variations in capacity utilisation; measurement error and changes in the labour force and management practices (ABS 2013: 422; Productivity Commission 2013: 5). As a result, a change in MFP reflects

the change in output that cannot be accounted for by the change in combined inputs and differences in productivity are typically calculated as a residual—that is, productivity is inferred as the gap between output and inputs that cannot be accounted for by conventionally measured inputs (Bloom and Van Reenen 2010). As Syverson (2011: 330) states 'as with all residuals, it is in some ways a measure of our ignorance: it is the variation in output that cannot be explained based on observable inputs.'

However, there are theoretical and methodological problems associated with constructing and analysing productivity estimates (Green, Toner and Agarwal 2012). The ABS advise that MFP measures are developed for conducting analysis of long-term productivity growth and are not ideal for the assessment of short-term productivity fluctuations. The ABS also notes that caution needs to be exercised in interpreting productivity measures, which are derived as a 'residual', and are therefore subject to any errors in the output and input measures. Taking these factors into account, the ABS comments that MFP estimates are most useful when analysed as average growth rates between growth-cycle peaks, which tends to also remove much of the random error (ABS 2013: 439).

Figure 1 shows the annualised labour productivity growth in the Australian market sector over productivity cycles. It reveals that productivity growth has declined in the most recent cycles, with labour productivity growth falling to 2.3 per cent in the 1998–99 to 2003–04 cycle, and 1.2 per cent in the 2003–04 to 2007–08 cycle. This decrease is attributed to the fall in multifactor productivity, which dropped to 1 per cent in the 1998–99 to 2003–04 cycle, and to –0.4 per cent in the 2003–04 and 2007–08 cycle.

Figure 1: Annualised labour productivity growth in the Australian market sector over productivity cycles



Note: Data before 1998-99 use the ANZSIC 1993 definition of the market sector. Under the ANZSIC 1993 classifications, the market sector includes all industries except for Property and business services, Government administration and defence, Education, Health and community services and Personal and other services. In contrast, under the ANZSIC 2006 classifications, the market sector includes all industries except Public administration and safety, Education and training and Health care and social assistance.

These industries are excluded as it is difficult to calculate productivity in these industries. This is because the outputs in these industries are not marketed and/or are derived either wholly or primarily by using either deflated input cost data or hours worked as indicators of output.

Source: ABS, *Australian System of National Accounts, 2007-08*, Catalogue No. 5204.0; ABS, *Australian System of National Accounts, 2013-14*, Catalogue No. 5204.0.

Notwithstanding the methodological problems, MFP is the preferred measure of productivity and ‘is most commonly used in rigorous productivity analysis’ (ABS 2013: 420).

Measuring productivity at the firm level is difficult to undertake due to the lack of quality micro data available in Australia. The ABS, *Business Longitudinal Database* (BLD) is a longitudinal dataset that contains business characteristics and financial data to help analyse changes in the performance over time of a cohort of small and medium businesses. Unfortunately, sound quantitative measures of productivity, such as MFP, are difficult to estimate using the BLD, as variables such as effective full-time labour, capital and value added are difficult to generate.¹⁵

¹⁵ For more information see S Farmakis-Gamboni and K Yuen, [An overview of productivity, business competitiveness and viability](#), FWA Research Report 1/2011.

1.2 Determinants of productivity

This section provides a brief discussion of the determinants of productivity and the framework of factors affecting productivity, followed by a more detailed review of studies that examine the effect of management practices and work arrangements on productivity in the workplace.

While it is not in the scope of this section to provide a detailed discussion on growth theory, Solow (1956) proposed that productivity growth could be explained solely by exogenous technological progress—that is the technology available to firms is unaffected by the actions of the firms, including research and development (Jones 2001).

Romer (1990: 71) commented that ‘in the 1950s, economists attributed almost all the change in output per hour worked to technological change’ and argued that technological change is endogenous and ‘arises in large part because of intentional actions taken by people who respond to market incentives’ (Romer 1990: 72).

Similarly, Banks (2012: 6–7) noted that while innovation is an important contributor to productivity, ‘the innovation that counts is a much richer concept than the exogenous technological advances espoused in economics textbooks.’ Banks (2012: 7) argued that the introduction of new technologies alone does not raise productivity, but it is the way in which these technologies are applied that matters. This is achieved through the implementation of new business models at the firm level, which include changes in work arrangements:

While genuinely new technologies are important in extending the ‘production possibility frontier’ – particularly ‘enabling’ technologies like electricity or ICT that have multiple applications – whether and how well organisations apply technologies in practice is more important to a country’s productivity (PC 2004a, 2007a). New or different management practices, work arrangements and supply-chain structures also contribute, as can improved delivery systems and customer relationships. Unfortunately, firm-level data on innovation leave much to be desired in seeking to trace this multi-faceted process.

In addition, Banks (2012) and Syverson (2011) have both noted that that management decisions on work practices and arrangements are conditioned by governments, as they affect the environment in which firms operate. Banks (2012: 7) commented:

Decisions that shape the productivity performance (and profitability) of enterprises are ultimately the responsibility of their managers. The quality of management is therefore clearly very important — not just in private enterprise (where market disciplines play a useful role) but also within the not-for-profit and government sectors. That said, managements’ decisions, and the consequences of those decisions, are conditioned by governments — both through the myriad of ‘rules’ within which organisations must operate, and by governments’ taxing and spending behaviours.

1.2.1 Framework of factors affecting productivity

The Productivity Commission (1999) developed a framework of factors affecting productivity. This framework drew upon the *fundamental influences* and *underlying factors* that can influence the *immediate causes* of productivity growth.¹⁶

While the framework is considered to assist a better understanding of the main productivity determinants, the Productivity Commission (Productivity Commission 2013: 9) notes that understanding what drives changes in productivity is highly complex:

¹⁶ For a more detailed review see S Farmakis-Gamboni and K Yuen, [An overview of productivity, business competitiveness and viability](#), FWA Research Report 1/2011.

There is a vast literature focussing on the importance of various drivers such as technological innovation, knowledge and human capital. But innovations need to be useful and adopted by firms, knowledge must be applied, and human capital must be developed. In other words, there are many other factors and interrelationships at play.

Below is a brief overview of the ‘immediate causes’ and ‘underlying factors and fundamental influences’ of productivity growth.

1.2.1.1 Immediate causes

Immediate causes of productivity are described by the Productivity Commission as ‘those which have close and tangible links to input/output relationships in production’ (Productivity Commission 1999: 54).

The key immediate causes to productivity (further discussed below) include:

- human capital accumulation;
- physical capital accumulation;
- research and development, technologies and innovation;
- firm-level organisation, management practices and work arrangements;
- economies of scale and scope and gains from specialisation;
- resource allocation; and
- firm/plant turnover.

Human capital accumulation can influence productivity in two ways. An increase in knowledge can raise workers’ output per hour worked and increase the rate of innovation through the development of technologies (Barnes and Kennard 2001; Laplagne and Bensted 1999). Human capital is considered to be a key driver of workforce participation and labour productivity (Forbes et al. 2010).

Physical capital accumulation¹⁷ can have a direct impact on labour productivity as an increase in capital enables workers to utilise more capital and raise productivity. It can also have an indirect effect on multifactor productivity through the adoption of new technology and a re-design of organisation structure (Productivity Commission 1999).

Investment in research and development (R&D), technologies and innovation has also been found to impact on productivity.¹⁸ Investment in technologies can increase labour productivity through capital deepening, which results in a higher capital to labour ratio and means that workers have more capital to utilise. For example in the retail trade industry, Johnston et al. (2000) found that technological change, such as scanning and computerisation, increased productivity by reducing labour input and changing management systems.

Economies of scale and scope and gains from specialisation can improve productivity through techniques of mass production and specialisation through learning by doing. Syverson (2011: 344) noted that ‘the very act of operating can increase productivity’ and that experience allows producers to identify opportunities for process improvements.

¹⁷ Physical capital accumulation refers to the acquisition of capital equipment, such as machinery, buildings or computers.

¹⁸ R&D reflects an accumulation of business knowledge and ideas that influence the development of technology (Parham 2003).

Better resource allocation both within firms and between firms can improve productivity by allocating resources to production activities that create more output (Productivity Commission 2013), while plant/firm turnover can raise productivity through the expansion of more productive businesses at the expense of their unproductive counterparts (Productivity Commission 2013: 10).

Syverson (2011) stated that pressure from other competitors within an industry can affect levels of productivity through two key mechanisms. The first mechanism acts to force some firms to exit as more efficient producers enter the market, raising productivity and the expectation that new potential entrants must perform at a high standard. The second mechanism acts through increased efficiency within firms. Increased competition can induce firms to take more initiatives and adopt productivity-raising techniques through innovation or workforce re-organisation.

Improvements to productivity can be gained from the organisational structure of the firm which can be reflected in the production techniques managed, supply arrangements achieved and/or the teamwork developed (Productivity Commission 1999). Jones et al. (2006) found that productivity can be raised when employees have opportunities to participate and receive pertinent awards. They also found that there are benefits to innovative work practices even in instances where employees are required to do simple tasks that are relatively low skilled.

Koch and McGrath (1996) also found positive and significant effects on labour productivity for organisations that adopted sophisticated human resource planning. They argued that an organisation's human resource management has a significant relationship to the productivity of its employees.

Work arrangements are also considered to have an impact on productivity. Banks (2010: 7) stated that 'the dismantling of centralised wage fixation and advent of enterprise bargaining [in Australia] was a key consequence that enabled firms more scope to fashion remuneration and work practices to the circumstances of their markets and regions'. The relationship between enterprise bargaining and productivity is discussed further in Section 1.3.

What can workplaces do to raise productivity?

Overall, studies suggest that workplace productivity can be raised by:

- Implementing effective Human Resource Management (HRM) practices that include information sharing, development talks, performance monitoring and efficient supervision;
- Investing in employee development and internal promotion;
- Acquiring new technologies and/or the accumulation of physical capital that create organisational change and the adoption of more efficient processes; and
- Implementing new, more efficient work practices.

1.2.1.2 Underlying factors and fundamental influences

Underlying factors have an indirect effect on productivity through their influences on a number of the immediate causes. These factors include competition, openness of the economy to trade and investment and demand and supply conditions (Productivity Commission 1999: 156). For example, the incentive to maximise profits and increase competition may influence a firm to adopt new management practices or acquire new technologies (Productivity Commission 2013: 10).

Fundamental influences are basic factors which can affect productivity over the long term. These can relate to resource endowments, demography, geography, government policy and institutional frameworks. Government policy and institutions may affect determinants of productivity, as policies

related to education and training and improvements in technologies and innovation are likely to influence productivity growth.

Fundamental influences, such as policy reform, have increased business competitiveness through domestic and international developments. Parham (2002a: 196) noted that, since the mid 1980s, policy reforms have promoted productivity by strengthening competition through increased incentives; opening the economy to trade, investment and technologies developed overseas; and providing greater flexibility by less regulatory restrictions and more flexible labour markets, to adjust production processes and firm organisation and improve productivity.

For example, domestic developments, such as the introduction of enterprise arrangements 'has provided a framework to facilitate the redesign of work arrangements within enterprises and allocate labour to where it can be most productively used' (Productivity Commission 1999: xxxi). International developments, such as the removal of Australia's barriers to trade in goods and services, have exposed domestic producers to greater competitive pressure (Productivity Commission 1999). In effect, 'increased competition provides incentives for businesses to improve productivity in order to maintain and improve their financial positions' (Productivity Commission 1999: xxxi).

What external factors can affect productivity at the workplace?

Overall, the external environment in which the firm operates will likely influence the immediate causes of productivity.

Therefore, the managerial practices or work arrangements adopted by a business to increase productivity and efficiency, will likely be influenced by the level of competition faced, the demand and supply conditions that prevail, the openness of the economy to trade and investment and the governing institutional framework.

1.2.2 Management practices, work arrangements and productivity

This section provides a more detailed review of studies that examine the effects of management practices and work arrangements on productivity in the workplace. Section 2 of this report further explores firm-level practices and arrangements by presenting the findings of case studies on a selection of enterprise agreement clauses viewed by employers, employees or their representatives as promoting productivity in the workplace.

In particular, this section reviews literature which examines the following relationships:

- competition, innovation and productivity; and
- innovation and leadership in management practices and productivity.

Green (2013:1) stated that the main factor in productivity growth is innovation, which includes research and technological change but also non-technology innovation. The latter reflects changes made to increase management skills and capabilities. This form of innovation is considered to be a necessary condition 'for reinvigorating Australia's productivity performance, competitiveness and long-term growth':

With falling terms of trade and a high dollar, Australia must improve its productivity performance, which will depend on a greater rate of technological change and innovation, including non-technological forms of innovation such as design-led innovation, new business models and high performance work and management practices. (Green 2013: 4).

1.2.2.1 Competition, innovation and productivity

Productivity, innovation and competition are considered to be related concepts. For instance, competition may provide an incentive for businesses to implement factors that improve productivity, such as investment in innovation activities, which in itself is considered to also enhance competition. Causality across these variables remains unclear, as it is difficult to determine whether increased productivity leads to investment in innovation and efficient work practices or vice versa. As Syverson (2011: 339) states, 'establishing causality definitely remains a key issue for research'.

Dolman and Gruen (2012: 9) note that 'management, like productivity, is all about how well resources are used in production'. In discussing the economics of productivity growth, they discuss the impact tariff cuts had on workplaces, to demonstrate the importance that competitive forces play in driving innovation and reorganising work practices:

The broad sweep of economic reforms beginning with the reduction in tariffs in the 1970s brought greater product market competition, labour market flexibility, macroeconomic stability and financial market efficiency. These reforms played an important role in bringing about the reorganisation of production and work practices to enable firms to reduce costs and take advantage of developments in technology, thereby enhancing productivity growth in the 1990s. In part they succeeded by challenging old work practices and rewarding firms that developed new business models (Dolman and Gruen 2012: 13)

Soames, Bruncker and Talgaswatta (2011) analyse the relationship between competition, innovation and productivity in Australia. They provide a review of theoretical and empirical literature and discuss the Schumpeterian and anti-Schumpeterian relationship¹⁹ between innovation and competition. In undertaking this analysis, Soames et al. used the ABS, *Business Longitudinal Database (2005–06, 2006–07 and 2007–08)* to examine the relationship between competition and innovation separately to the association between innovation and productivity. The researchers found evidence of the anti-Schumpeterian view as competition-related indicators used in the analysis are strongly and positively associated with an increase in the propensity to innovate. They found that the propensity for firms to innovate was associated with:

- stronger competition—having more competitors, having a lower price-cost margin, being an exporter, and reporting downward pressure on profit margins in order to remain competitive; and
- having greater market share and larger firm size.

In terms of innovation and productivity, their results indicated a positive and statistically significant association between completing an innovation activity and reporting a productivity improvement in the following year. Further detail on these findings is presented in the following section.

In their review of Australian management practices, Green et al. (2009) stated that organisations should focus on innovation and entrepreneurial and management talent, which are factors considered critical in driving competitiveness and economic growth. Green et al. (2009) commented that:

... a cost-effective way of improving the productivity performance of Australian firms is to promote a transformation in the calibre of the management and leadership of our organisations. This is the key to a more innovative, dynamic and sustainable economy into the future (Green et al. 2009: 3).

¹⁹ The theory developed by Schumpeter (1942) argues that stronger competition leads to less innovation, as the incentive to innovate arises from the accrual of potential profits to the firm and that such profits will be higher where firms have a degree of market power. Conversely, the 'anti-Schumpeterian' view posits that competition is likely to be positively associated with innovation, as firms operating in a competitive market will be innovative to remain viable.

Based on a survey undertaken on managers across a number of countries,²⁰ Bloom and Van Reenen (2010) found that competition is associated with better management practices. The survey asked respondents to report the number of competitors they faced and the results indicated that the average management score was significantly higher when firms reported facing more competitors. Bloom and Van Reenen (2010: 215) remarked that this could be a result of inefficient firms exiting the market or increased pressure to improve practices in order to remain viable:

In general, we interpret this finding as showing that competitive product markets are associated with better management practices. This result could arise through a variety of channels. For example, one route for competition to improve management practices may be through selection, with badly run firms exiting more speedily in competitive markets. A second route may be through incentives to improve practices, which could be sharper when competition 'raises the stakes' either because efficiency improvements have a larger impact on shifting market share or because managers are more fearful of losing their jobs.

Banks (2012: 7) also commented that innovation and 'creative destruction'²¹ are 'crucial determinants' of productivity and reflect firms' contribution to a country's productivity performance.

1.2.2.2 Innovation and leadership in management practices and productivity

This section reviews studies that examine the relationship between innovation and productivity in the workplace, where innovation is sought through improvements in organisational and managerial practices.

An innovation is the introduction of a new or significantly improved good or service; operational process; organisational/managerial process; or marketing method (ABS 2014). These are defined as:

- goods or services—any good or service or combination of these which is new to a business (or significantly improved). Its characteristics or intended uses differ significantly from those previously produced/offered;
- operational processes—new or significantly improved methods of producing or delivering goods or services of a business (including significant change in techniques, equipment and/or software);
- organisational/managerial processes—new or significantly improved strategies, structures or routines of a business which aim to improve performance; and
- marketing methods—new or significantly improved design, packaging, placement, pricing, promotion or sales method aimed to increase the appeal of goods or services of a business or to enter new markets.

Therefore the type of innovation that can be enhanced through leadership and management practices is through the implementation of effective organisational/managerial processes that are expected to improve workplace outcomes.

Using the ABS, *Business Longitudinal Database (2005–06, 2006–07 and 2007–08)* Soames, Bruncker and Talgaswatta's (2011) econometric analysis found a positive and statistically significant association between all four types of innovation and the likelihood of survey respondents perceiving their productivity to have improved. The positive association was particularly strong for innovation in goods and services and operational process innovations. The researchers also noted that firms that are not

²⁰ Countries included Australia, Brazil, Canada, China, France, Germany, Great Britain, Greece, India, Italy, Japan, Northern Ireland, Poland, Portugal, Republic of Ireland, Sweden and the United States.

²¹ Creative destruction reflects the demise of less successful firms which enables the more 'creative' (innovative and productive) use of the released labour and capital in other firms or industries (Banks 2012: 7).

innovators are more likely to report a decline in productivity, compared with those that innovate (Soames, Bruncker and Talgaswatta 2011: 40).

An association was also found in recent data obtained from the ABS, *Selected Characteristics of Australian Businesses 2012–13*, which reported that Australian innovation-active businesses²² were more than twice as likely to report an increase in productivity (33 per cent) than non innovation-active businesses (14 per cent) from the previous year.²³

In drawing on similar ABS data on innovation in Australian companies, Stevens (2014) commented that the trend over recent years has been for more companies to be developing innovations, rather than abandoning attempted innovations. During 2012–13, 33 per cent of Australian businesses had innovation still in development, compared with 6 per cent of businesses that had abandoned at least one innovative activity.²⁴ Stevens also suggested that the observed growth in labour productivity per hour in past years resulted from changes in work practices (Stevens 2014: 5).

Managers are considered to drive productivity differences at the firm level as a result of their managerial practice or talent. Syverson (2011: 336) stated that:

Managers are conductors of an input orchestra. They coordinate the application of labour, capital, and intermediate inputs. Just as a poor conductor can lead to a cacophony rather than a symphony, one might expect poor management to lead to discordant production operations.

Orazi et al. (2014) presented a review of research that examined the role of leadership in contributing to better workplace outcomes. The review noted that in order to improve productivity and innovation, good leadership and skilled management is required. These skills relate to being flexible, adaptive and transparent at the workplace:

There are of course many ways for productivity and innovation to be improved. One important means is through the management and leadership of our workplaces. Good leadership and skilled management have been shown to have significant positive effects on productivity, profitability, and the ability of organisations to adapt and change to meet emerging challenges. These challenges require a different set of management skills and capabilities: they will require management to be flexible, adaptive, and transparent (Orazi et al. 2014: 5).

The review also noted that workplace leadership does not reside in senior management alone, but includes the ability to work collaboratively with peers and colleagues. Implementing management practices that promote engagement at the workplace and creating incentives for employees to contribute to better workplace outcomes:

This implies that workplace leadership will not reside in senior management alone, but will come from interactions among managers, work teams, and employees, as well as employee representatives, all of whom bring new ideas and new ways of doing things to the task of improving workplace outcomes. This will involve new management approaches based on investments in skills, opportunities for employee voice and engagement in the workplace, and quality jobs that provide incentives for employees to contribute (Orazi et al. 2014: 5).

Bloom and Van Reenen (2010) noted that persistent differences in productivity at the firm level largely reflect variations in management practices. Bloom and Van Reenen undertook a survey that focused

²² Innovation-active businesses are businesses which have undertaken any innovative activity during the reference period including: introduction of any type of innovation; and/or the development or introduction either still in progress or abandoned.

²³ ABS 2014, *Selected Characteristics of Australian Businesses, 2012–13*, Catalogue No. 81670.0.

²⁴ ABS 2014, *Innovation in Australian Businesses*, Catalogue No. 8158.0, Table 1.

on aspects of management practices, such as performance monitoring, setting appropriate targets and providing incentives for good performance. Based on a sample of manufacturing firms, their results found that higher management scores²⁵ were robustly associated with better performance in terms of productivity, profitability, growth rates, survival rates and market value.

Findings drawn from the Australian Management Practices and Productivity global benchmarking project was undertaken by Green et al. (2009). The project provided a review of management practices in Australian manufacturing firms. The link between these practices and productivity at the firm level was undertaken on 439 medium and large sized firms. The qualitative study found that the quality of management practices had a measurable impact on labour productivity, sales and the number of employees in the firm. Results found that a single point increase in the management score²⁶ was associated with an increase in output equivalent to a 56 per cent increase in the labour force or a 44 per cent increase in invested capital (Green 2009: 6).

Orazi et al. (2014) also discussed the influence of leaders on the introduction of particular human resource practices, known as High Performing Work Practices (HPWP). HPWPs are described as 'bundles of HR practices intended to enhance organisational performance through recruiting, developing, motivating, and retaining employees' (Orazi et al. 2014: 54).

Phipps (1995) reviewed a study conducted by Macduffie who found strong evidence that innovative human resource practices increased firm-level performance and national competitiveness. Macduffie analysed the relationship between human resource practices, manufacturing policies and productivity using data from plants in the United States, Japan, Europe, Australia, Korea, Taiwan, Mexico and Brazil. He found that, regardless of location, plants using team-based work systems, extensive training and performance-based compensation linked with flexible production operations, outperformed mass production plants in terms of quality and productivity.

Koch and McGrath (1996) also found positive and significant effects on labour productivity for organisations that adopt sophisticated human resource planning, recruitment and selection strategies, particularly for capital intensive organisations. They argued that:

... this set of findings supports the resource-based view of strategy, in which the competitiveness of firms is believed to be related, at least in part, to investments in firm-specific assets. Investments explored here include the planning for, recruitment, selection and development of firm-specific human capital assets (Koch & McGrath 1996: 352).

Using a unique panel data set containing Japanese firms, Kato and Morishima (1995) also looked at the effects of specific Human Resource Management Practices (HRMP). They found significant productivity enhancing effects for all HRMPs and found that the productivity gains would change as the practices aged. For example, they found that the introduction of joint labour-management committees (JLMC) would increase productivity initially by 9 per cent annually. The productivity gains would then rise, peaking at 11 per cent 23 years after the introduction of the JLMC, and gradually diminish, calling for a new innovation in information sharing.

Green (2009) and Syverson (2011) noted that since aspects of managerial inputs – such as management effectiveness and quality are difficult to quantify – management productivity is difficult to

²⁵ Management scores were obtained from an interview-based evaluation tool that defines and scores from 1 (worst practice) to 5 (best practice) based on 18 basic management practices.

²⁶ The management score is a measurement derived from 18 management characteristics. See Green (2009) for more information.

measure. As Syverson (2011: 336) observed 'it's not just time allocation that matters but what the manager does with their time, like how they incentivize workers or deal with suppliers.'

Notwithstanding difficulties associated with the measurement of managerial inputs, Green (2013) contends that:

It is increasingly recognised that productivity is determined not only by tangible technologies such as machinery and new products, but also intangible technologies such as management techniques and new processes. ...

Changes in workplace organisation, team structures, communication and managerial leadership all affect productivity at the firm level, making human resource management, as well as skills and education, critical for firms (Green 2013: 8).

What is the relationship between innovation and productivity?

- Innovation at the workplace can include the introduction of a new or significantly improved good or service; operational process; organisational/managerial process; or marketing method.
- Research suggests that firms engaged in innovation are more likely to report improved productivity than those that don't.
- Non-technological innovation such as improved work processes or management techniques may enhance workplace outcomes and improve productivity. This type of innovation is supported by good leadership, skilled management and employee engagement.

1.3 Relationship between enterprise bargaining (including enterprise agreement clauses) and productivity at the workplace

This section reviews literature and available Australian data relate to the relationship between work arrangements, in particular workplaces that participate in enterprise bargaining, and productivity.

As outlined earlier in this section, the Productivity Commission has identified fundamental influences that can affect productivity, such as the governing institutional framework.

While undertaking an inquiry into public infrastructure, the Productivity Commission performed a detailed study of nearly 3000 enterprise agreements for civil and engineering construction enterprises from 2000–2013. The report noted that the Department of Employment identified very few agreements with specific measures to improve productivity (Productivity Commission 2014: 527) and stated that:

it is hard to isolate numerically the effects of workplace arrangements, including industrial relations, from all the other factors shaping workplace productivity, especially given small and inadequate datasets and statistical noise (Productivity Commission 2014: 543).

At the time of publication, there were limited Australian data on businesses available that could be used to shed detailed light on the link between enterprise agreements that contain clauses or measures to improve productivity and the effect of such clauses or measures (if any) on firms' productivity levels.²⁷

An analysis by the Commission's research staff of data obtained from the Department of Employment's WAD (which captures all enterprise agreements registered in the national system) provided a total number of enterprise agreements that contained clauses related to 'commitments to

²⁷ In particular longitudinal micro data. Longitudinal micro data is able to facilitate an analysis of data obtained at a fine level of detail for a panel of businesses over time.

improving productivity' and 'specific productivity measures' by industry (see Attachment A). Some findings of this analysis are that:

- 48.1 per cent of registered enterprise agreements contain clauses which contain 'commitments to improving productivity',²⁸
- 38.4 per cent of registered enterprise agreements contain clauses on 'specific productivity measures',²⁹
- the level of use of such clauses varies by industry;
- a comparison by industry of the usage of these clauses with ABS data on labour and multifactor productivity growth suggests that there does not appear to be a directly observable association with either measure. However, it should be noted that if an association was found, this may not be evidence of a causal relationship because as outlined above, productivity growth can be influenced by a range of factors; and
- the WAD provides information on whether a federal enterprise agreement contains clauses on 'commitments to improve productivity' and 'specific productivity measures'. The scope for more detailed analysis was constrained to the extent that the WAD does not contain or provide detailed information on the aspect of productivity that is sought to be improved nor whether the clause contains strategies for improvement or measurement.

The research literature in this area presents a variety of findings in regards to the relationship between productivity and enterprise bargaining, with some studies suggesting some form of positive association may exist and others concluding that there is little or no connection between them.

Tseng and Wooden (2001) found that firms that engage in enterprise bargaining are more productive than firms that do not participate in enterprise bargaining, however they warn that the causal relationship is unclear. For instance, high productivity firms may be more likely to engage in enterprise bargaining than less productive firms. Loundes et al. (2003) stated that enterprise agreements can help remove inefficient work and management practices by trading off wage increases for changes in work practices. In this instance, productivity is only enhanced in the short run, after the removal of these inefficiencies. Loundes et al. argued, however, that enterprise agreements can affect long-run productivity growth if they encourage innovation, the adoption of new technologies and training. Both Tseng and Wooden and Loundes et al. highlight the data limitations in this area, with Tseng and Wooden arguing that to establish a causal relationship between enterprise bargaining and productivity, better micro data which track the output performance of firms over time are necessary (Wooden and Tseng 2001; also in Wooden 2002; Loundes et al. 2003; Hancock et al. 2007).

The report of the Fair Work Act Review Panel, *Towards more productive and equitable workplaces: An evaluation of the Fair Work legislation*, commented on the diverse sources of productivity growth. While noting the influence of technological innovation and human capital accumulation on productivity, it stated that 'most of these diverse sources of productivity gains are unconnected or only loosely

²⁸ For the purpose of coding of the WAD, clauses on 'commitments to improving productivity' represent some form of commitment to improving productivity, which is either a general statement of intent to improve productivity or a set of specific measures to improve productivity at the workplace (Department of Employment (2014) *WAD Coding Manual*, unpublished document).

²⁹ For the purpose of coding to the WAD, clauses on 'specific productivity measures' encapsulate specific policies, procedures and/or practices that are directly linked to improving productivity (Department of Employment (2014) *WAD Coding Manual*, unpublished document). For example this measure includes agreements where there are productivity incentive payments with quantifiable measures and quantifiable productivity related Key Performance Indicators. However, this measure is not able to differentiate between the types of specific policies, procedures and/or practices adopted to improve productivity at the workplace.

connected with changes in the workplace or with bargaining between employees and employers' (2012:72).

Townsend, Wilkinson and Burgess (2013) performed two case studies in Australia to consider whether enterprise bargaining contributed to organisational efficiency and productivity enhancement and whether enterprise bargaining had a positive or negative consequence in the workplace. The case study sites included one manufacturing firm and one hotel.³⁰ Bargaining at both sites was performed at the workplace level. The manufacturer was entering into its fifth round of enterprise bargaining and the hotel had recently ratified its second agreement. The report found that senior managers of both organisations believed that productivity gains were not achievable through negotiations and further concluded that the organisations' management did not perceive any 'positive productivity effects flowing from bargaining' (Townsend, Wilkinson and Burgess 2013: 113).

Thornthwaite and Sheldon (2012) examined the take up by employers of enterprise bargaining. They noted that while employers expected potential benefits to arise from enterprise bargaining at the firm level, their expectations had declined once the bargaining process had commenced, with mostly minimal changes occurring, such as changes to shiftwork systems and penalty rates:

Many employers saw enterprise bargaining as an opportunity to try something creative regarding work organisation, working conditions, classification structures and reward systems. However, as many of our interviewees conceded, in practice, this often meant little more than seeking changes to shiftwork systems and penalty rates (Thornthwaite and Sheldon 2012: 264).

Thornthwaite and Sheldon (2012) also found that improvements in workplace relationships, flexibility or productivity were addressed outside the bargaining framework:

Indeed, according to leading employer association officials we interviewed, many of the employers who 'lived the enterprise bargaining dream' of improvements to productivity and organisational culture, now consider the role of enterprise agreements and the bargaining processes that generate them to be of fairly minor significance. Having greatly reduced their expectations of what enterprise bargaining can deliver, they no longer see enterprise bargaining as 'the be all and end all' for gaining improvements in workplace relationships, flexibility or productivity. Rather, of those still interested in those goals, most tend now to pursue them outside formal enterprise bargaining processes through such avenues as employee engagement programs (Thornthwaite and Sheldon 2012: 264–265).

Hayter et al. (2011) noted that the scope of issues that are able to be included in bargaining extend beyond wages, hours and working conditions to include the productive performance of work and employee involvement in how work is performed. This was also discussed in Fakhfakh et al. (2011) who looked at the effect of involving employees or their representatives in change processes. Based on a survey of British and French firms (and despite the different employee relations systems that exist between countries), they found that among workplaces that introduced change, workplaces that did not involve employee representatives or only informed them, tended to perform worse than workplaces without employee representation. They suggest that the difference may reflect poor industrial relations and poor management. In contrast, workplaces involving employee representatives in the change process were described to have a similar or better performance than workplaces without employee representation. Fakhfakh et al. (2011: 127) commented that "[t]his is consistent with the hypothesis that employee voice facilitates change by allowing employee concerns to be credibly taken into account in change processes."

³⁰ The manufacturer and hotel form part of a larger organisation with sites both within Australia and overseas.

Hancock (2012) noted that there is no certainty about the productivity effects of enterprise bargaining because the counterfactual situation is unknown. Hancock contends 'that there are good grounds for doubting that enterprise bargaining contributed much, if anything, to productivity - still less to ongoing productivity growth' (Hancock 2012: 301).

Gahan and Pekarek (2014) however contended:

Getting workplace relations right is obviously important, but it may be that we expect too much from legislation and the formalities of enterprise agreements. If we are to improve productivity, and generate more innovation and creativity at work, better leadership and more capable management may be a better place to start.

What Australian data is available on relationship between enterprise agreement clauses and productivity?

- Data from the WAD is able to show use of productivity related clauses in enterprise agreements including prevalence by industry. However this resource does not provide a further level of detail on specific aspects improved by those clauses or whether the clauses contain measures to assess their impact.
- There is limited longitudinal micro data available on the performance and wage-setting experiences of Australian businesses to enable further detailed analysis in this area,
- The AWRS, to be released in 2015, may be able to provide more detail on this question by collecting data on employment arrangements and business performance, such as productivity and innovation. It also collects data on employee engagement activities and managements' engagement with the workforce.

1.4 Conclusion

A review of the literature found that there are a number of different measures of productivity. Multifactor productivity remains a preferable measure as it accounts for changes in the level of total output in terms of changes in the quantity of factor inputs, such as capital and labour, over time. Multifactor productivity measures are appropriate for analysing long-term rather than short-term changes in productivity.

Human capital and physical capital accumulation, research and development, technologies and innovation and management practices and work arrangements are, in addition to other factors, considered to be determinants of productivity. Determinants of productivity also influence business competitiveness but the causality is difficult to determine. However, competition plays an important role in promoting innovative and productive workplaces, which may lead to changes in management practices and work arrangements.

Drawing on the framework of factors affecting productivity, the external environment in which firms operate (influenced by underlying and fundamental factors) will impact on the immediate causes of productivity. Therefore, the managerial practices or work arrangements adopted by a business to increase productivity and efficiency will likely be influenced by the level of competition faced, the demand and supply conditions that prevail and the institutional framework.

The review of innovation in management practices and its association with productivity however consistently found that non-technological innovation, through improved management techniques and processes may enhance workplace outcomes and improve productivity. This type of innovation requires the collective effort of good leadership, skilled management and employee engagement.

Turning to the relationship between enterprise bargaining and productivity in particular, the review noted mixed research findings. While some research has found that firms that engage in bargaining are more productive than those that don't, other research has contended that enterprise bargaining has not contributed much, if at all, to productivity. The literature also highlighted the difficulty in finding a causal relationship. The focus of the literature in this area is on enterprise bargaining and enterprise agreements, rather than on particular clauses within agreements.

Further, an analysis of the available data on enterprise agreements that contain clauses to improve productivity, at an industry level, suggests that there is no directly observable association between enterprise agreements and ABS measures of productivity.

In light of these findings, it is clear that an analysis of Australian data provides limited insight into the use of enterprise agreement clauses to improve productivity at the workplace and the effect particular clauses have in regards to raising productivity.

Analysis at the workplace level may shed more light on these matters. Section 2 explores the views of employers, employees and their representatives in regards to how clauses from enterprise agreements that they nominated are innovative or enhance productivity in their workplace.

2 Findings from case studies on enterprise agreement clauses

This section seeks to answer Research Question 3 of this project, namely, what employers, employees and their representatives can tell us about clauses they consider to be productivity enhancing or innovative in their enterprises, workplaces or work roles.

As outlined in the introduction to this report, the consideration of productivity in enterprise agreements is an object the Commission must have regard to.³¹

To explore the research question, this section presents findings from eight case studies that have been generated from 17 exploratory interviews with employers, employees and representatives about the operation of enterprise agreement clauses that were nominated as being productivity enhancing or innovative. These participants were involved in making the agreements from which clauses were nominated and/or had knowledge and experience of the operation of the clauses in the workplace.

A summary table of case study findings is provided at Section 2.4 (p. 26).

The full case studies are provided at Attachment B.

Outlined below is an overview of the process of selecting clauses to examine in this research and the approach taken to collecting and reporting the qualitative data.

2.1 Selection of clauses

On 13 June 2014, the Commission invited all employers, employees and their representatives to nominate any enterprise agreement clauses that they believed were innovative or productivity enhancing.

Invitations for nominations were issued via the Commission's website and email subscriber lists. A number of peak bodies, government agencies and other organisations assisted by distributing information about the research through their communication channels.

From June to August 2014, clauses from 26 enterprise agreements were nominated. A list of these clauses (excluding those not included at the request of a participant) is at Attachment D.

Commission staff, in conjunction with the project's Review Panel of representatives from the Australian Chamber of Commerce and Industry, Australian Industry Group and Australian Council of Trade Unions, reviewed the nominated clauses and selected a sample of clauses for conducting case studies.

In selecting clauses for the case studies, consideration was given to including a variety of clause types as well as, to the extent possible, reflecting a range of industries/sectors and employment sizes across the selection of enterprises that were studied. However, as a qualitative study, the intention was not for the clauses on which case studies were prepared to be representative of all clauses in agreements nor for the types of clauses, industries/sectors or enterprise sizes to be representative of those elements.

There was also a requirement that consent be given from all representatives involved in making the enterprise agreement for the nominated clauses to be included in the case studies, as well as practical considerations regarding availability of the participants.³² Where a replacement clause had to be identified for the preparation of a case study due to practical limitations, an endeavour was made to

³¹ See in particular Fair Work Act, s. 3(a); s. 171(b)

³² In two instances, case studies could not be included as consent from all parties could not be obtained.

retain a mix of clause types, industries/sectors and enterprise sizes. The Review Panel was also consulted where any changes to the clauses to be included in the case studies were made during the data collection process.

The enterprise agreement clauses examined in the case studies are set out at 2.4 below.

2.2 Approach to interviews and case studies

Following selection of the clauses to be included in the case studies, Commission staff undertook telephone interviews with selected participants from October to November 2014. Interviews were sought with both an employer (or management representative) and an employee (or employee representative) in order to reflect both perspectives of how the clauses operate and whether they are perceived to enhance productivity and innovation.

Interview participants were identified based on the nominator's advice as to who was most familiar with the background of the clause and its operation in the workplace on both the employer and employee side.

All interviewees were asked questions to provide information on the following:

- an overview of the workforce covered by the agreement;
- reasons why the clauses were introduced;
- how the clauses operate;
- perceptions of productivity, innovation or other benefits at the workplace as a result of the clauses; and
- workplace specific factors or limitations of the clauses' operation.

These topics are broadly reflected in the subheadings of the case studies (see Attachment B).

Data was collected using a semi-structured interview guide so that all of the key topics were canvassed, while allowing flexibility to explore experiences and perceptions of interviewees as appropriate. The questions posed to interviewees recognised the complexity of measuring productivity and innovation (discussed in Section 1) and were therefore left open-ended to the extent possible. In particular, as noted in the Introduction, in these interviews, Commission staff did not seek to apply particular definitions of productivity or innovation to interviewees' comments nor test the interviewees' claims using any objective measures. Further, as the focus of the case studies was on participants' discussion of the nominated clauses, they did not seek to examine other factors that may contribute to productivity or innovation.

The telephone interviews took between 15 and 45 minutes and, in most instances, the bulk of participants' comments relevant to the clause being discussed were included in the case study (see Attachment B).

Each participant was provided with a copy of the case study for which they were interviewed and consent was obtained for all case studies included in the report.

2.3 Overview of clauses

The clauses included in this research came from approved enterprise agreements from a range of industries/sectors including building, local government administration, manufacturing, cleaning services, licensed and registered clubs and food and beverage manufacturing.

The selected clauses were found to fit into three broad types as outlined below.

Flexibility and leave

Nominated clauses from the three agreements listed below broadly related to flexibility around when and how work is performed as well as additional leave entitlements:

- *Cerebos Foods – Part Time Local Sales Representatives Enterprise Agreement 2013*
- *Coles Supermarkets Australia Pty Ltd And Bi-Lo Pty Limited Retail Agreement 2011*
- *Surf Coast Shire Council Enterprise Agreement No. 8 2013–2016*

Skills

Nominated clauses from the three agreements listed below broadly related to the development and deployment of skills:

- *Charles Sturt Campus Services Enterprise Agreement 2013*
- *Murwillumbah Services Memorial Club Ltd Enterprise Agreement 2014*
- *Thiess New South Wales Building Enterprise Agreement 2012–2016* (workplace flexibility and classifications)

Incentives and engagement

Nominated clauses from the three agreements listed below broadly related to measures to provide incentives for employees or engage employees in order to improve workplace practices:

- *Alcoa Australia Rolled Products Yennora Agreement 2013*
- *Thiess New South Wales Building Enterprise Agreement 2012–2016* (consultative committee and productivity allowance) and *Thiess Pty Ltd Regional NSW Civil Road Constructions State Agreement 2013–2017*

A summary table of findings from the case studies is provided below.

2.4 Case study findings summary table

The case studies seek to enable the reader to understand why and how participants perceived nominated enterprise agreement clauses to be innovated or productivity enhancing at the workplace level.

However, as concluded in Section 1, in addition to the wide range of factors that contribute to productivity (many of which are contingent on influences outside of the workplace), it is very difficult to isolate particular factors and their contribution to any productivity enhancement. As exploratory qualitative research, the case studies should therefore not be used to demonstrate a causal relationship between the operation of enterprise agreement clauses and particular productivity or innovation outcomes.

It is also important to note that whether a clause in one of the case studies is applicable to a workplace other than the one in which it currently operates will depend on a number of factors including the profile of the workforce and other workplace practices within which it operates. The case studies endeavour to provide contextual information such as the type of work performed by employees covered (see summary table below) to assist readers to determine if a clause could be applied in other settings.

These limitations and what they may mean for future work in this area are discussed further in Section 3.

The table below indicates the clauses discussed in the case studies, the enterprise agreements in which the clauses are found and a summary of each case study.

The full case studies are at Attachment B while the full text of the clauses is at Attachment C.

Content theme	Enterprise agreement and clauses	Summary
Flexibility as to when and how work is performed	<p>Cerebos Foods – Part Time Local Sales Representatives Enterprise Agreement 2013</p> <p>1.2 Purpose of Agreement</p> <p>2.4 Hours of Work</p> <p>Case study at Attachment B, p. 45.</p>	<ul style="list-style-type: none"> • Clauses provide for employees to determine when work is performed • Type of work: merchandising work in supermarkets • Perceived by participants to enhance productivity by changing the relationship between managers and employees, improving performance and facilitating retention
	<p>Coles Supermarkets Australia Pty Ltd And Bi-Lo Pty Limited Retail Agreement 2011</p> <p>5.3.6 Flexible employment arrangement</p> <p>6.8 Emergency services leave</p> <p>Case study at Attachment B, p. 48.</p>	<ul style="list-style-type: none"> • Clauses relate to a system for the employer and employees to agree periods of additional leave over a 12 month period and provision of additional paid emergency services leave • Type of work: predominantly retail work, as well as some departmental managers and classifications relating to baking and meat work • Clause 5.3.6 perceived by participants to be innovative • Perceived by participants to enhance productivity by facilitating retention and planning certainty and increasing flexibility
	<p>Surf Coast Shire Council Enterprise Agreement No. 8 2013–2016</p> <p>4.3 Family Violence</p> <p>Case study at Attachment B, p. 51.</p>	<ul style="list-style-type: none"> • The clause provides an entitlement to leave for employees experiencing family violence • Type of work: a range of council services; from parks and garden crew to engineers, accountants and customer service • Perceived by participants to be innovative • Perceived by participants to enhance productivity by limiting the work hours lost due to family violence

Content theme	Enterprise agreement and clauses	Summary
Development and deployment of skill	<p>Charles Sturt Campus Services Enterprise Agreement 2013</p> <p>12 Salary progression</p> <p>51 Transitional arrangements</p> <p>Schedule A Salary rates</p> <p>Schedule C CSCS Position Descriptors</p> <p>Case study at Attachment B, p. 54.</p>	<ul style="list-style-type: none"> • Clauses create a structure for skill development, linked to classifications, and provide arrangements for employees to transition to enterprise agreement • Type of work: primarily cleaning • Perceived by participants to enhance productivity primarily by increasing the skill level of employees and linking skill level to remuneration, with consequent improvements in quality assurance and safety
	<p>Murwillumbah Services Memorial Club Ltd Enterprise Agreement 2014</p> <p>44 Training</p> <p>Case study at Attachment B, p. 58.</p>	<ul style="list-style-type: none"> • Clauses provide for employer resourcing of core and elective training • Type of work: primarily hospitality • Perceived by participants to enhance productivity primarily by increasing the skill level of employees, which the employer connected with improved revenue, efficiency and staff retention
	<p>Thiess New South Wales Building Enterprise Agreement 2012–2016</p> <p>6 Workplace Flexibility</p> <p>Attachment A Classifications</p> <p>Case study at Attachment B, p. 60.</p>	<ul style="list-style-type: none"> • Clauses provide flexibility around scope of work performed by employees and link skill development to the classification structure • Type of work: building and construction • Perceived by participants to enhance productivity by increasing range of work able to be performed, enabling skilled employees to be engaged earlier and retained for longer
Incentives and engagement	<p>Alcoa Australia Rolled Products Yennora Agreement 2013</p> <p>8 Commitment through teamwork and the use of ABS Tools</p> <p>Case study at Attachment B, p. 63.</p>	<ul style="list-style-type: none"> • Clause provides mechanism to engage employee teams in the process identifying, formulating and implementing measures to improve efficiency and other outcomes • Type of work: primarily operator and mechanical and electrical trade work • Perceived by participants to be innovative • Perceived by participants to enhance productivity by facilitating improved work practices, resulting (for example) in increased

Content theme	Enterprise agreement and clauses	Summary
		production
	<p data-bbox="373 360 743 427">Thiess New South Wales Building Enterprise Agreement 2012–2016</p> <p data-bbox="373 468 624 535">37 Project Consultative Committee (PCC)</p> <p data-bbox="373 575 676 642">10 Productivity/performance allowance</p> <p data-bbox="373 683 746 786">Thiess Pty Ltd Regional NSW Civil Road Constructions State Agreement 2013—2017</p> <p data-bbox="373 826 711 893">Schedule D Thiess Productivity Allowances</p> <p data-bbox="373 934 730 1001">Case study at Attachment B, p. 66.</p>	<ul data-bbox="772 338 1294 629" style="list-style-type: none"> • Clauses relate to employer-employee consultative committees and productivity allowances paid on projects • Type of work: building and construction • Clause 37 perceived by participants to enhance productivity: through promoting industrial harmony

2.5 Conclusion

The case studies explore participants' views of nominated enterprise agreement clauses, which dealt with matters ranging from skill development to employee involvement in improving work processes. The case studies set out the views of participants regarding the type of work performed by employees covered by the agreement and perceptions of the ways in which clauses they nominated enhanced productivity or innovation.

Many of the clauses were described as being related to factors similar to some of those discussed in Section 1 as potentially relating to productivity or innovation, including: change in work arrangements, competitiveness, changes in organisational or managerial processes, engagement, targets and incentives for employees, training and human resource planning.

The case studies also highlight the complex issues associated with any exploration of enterprise agreements and productivity. In particular, in each case the operation and effect of the clauses discussed was highly dependent on organisational context and shaped by the policies or practices and particular work or operations to which they relate. More detailed discussions of this by participants can be found in the full case studies at Attachment B.

Informed by these limitations, the conclusion of the report discusses the findings of the case studies in the context of the research question 3 and the aims of the project, including lessons and options for future practitioner focused work in this area.

3 Conclusions

The aim of this project, as outlined in the Introduction, was to provide a resource for practitioners to assist those seeking to develop enterprise agreement clauses which may contribute to workplace productivity.

To do this, the project has sought to explore relationships between clauses in enterprise agreements and productivity and innovation by addressing the following questions:

1. What are the key drivers of productivity growth identified in the research literature?
2. Within this context, what are the drivers of workplace level productivity identified in the literature, and what Australian data is available to inform an understanding of the relationship between enterprise agreement clauses and productivity?
3. What can employers, employees and their representatives tell us about enterprise agreement clauses they consider to be productivity enhancing or innovative in their enterprises, workplaces or work roles?

The report's findings against these research questions are outlined below.

3.1 Findings in relation to the research questions

What are the key drivers of productivity growth identified in the research literature?

Section 1 of the report provided a review of the determinants of productivity and the framework of factors affecting productivity (which included factors originating outside of the workplace) as adopted by the Productivity Commission. This was followed by a more detailed review of studies that examined the effect of management practices and work arrangements, in particular enterprise bargaining, on productivity at the workplace. One immediate cause identified by researchers as driving improved productivity was technological change, particularly enabling technologies such as ICT.

This section also highlighted Productivity Commission research which identified 'underlying factors' and 'fundamental influences' that affect productivity, which are factors originating beyond the workplace level and can have an indirect effect on productivity performance. Underlying factors include: competition, openness to trade and investment and demand and supply conditions in the economy. Fundamental influences are factors which may affect productivity in the long-term and relate to resource endowments, demography, geography, government policy settings and institutional frameworks, including international developments.

Research Question 1—summary of findings

The research literature identifies direct (or immediate) and indirect drivers of productivity. Indirect drivers originate outside of the workplace and range from economic conditions to demography and geography. Causes directly impacting on productivity within the workplace include technological change or improved managerial and work practices.

What are the drivers of workplace level productivity identified in the literature and what Australian data is available to inform understanding of the relationship between enterprise agreement clauses and productivity?

As noted above, the external environment in which enterprises operate may influence the more immediate, workplace-level drivers of productivity. In addressing research question 2, the report outlined a range of these drivers as identified in the literature. These include:

- human capital accumulation—for example, if employees receive training to acquire new skills or knowledge this can enable them to work more productively;
- physical capital accumulation—for example, where new machinery is acquired which improves the way employees work;
- research and development, technologies and innovation—for example, technological change facilitates the introduction of productivity enhancing technologies;
- firm-level organisation, management practices and work arrangements—for example, employees may work more productively if given the opportunity to participate in daily operations and receive pertinent awards;
- economies of scale and scope and gains from specialisation—for example through introducing techniques of mass production and the process of ‘learning by doing’;
- allocation of resources within firms from lower to higher productivity activities; and
- firm/plant turnover, where less productive businesses decline and are replaced by their more productive competitors.

The literature also found that innovation may contribute to productivity by leading to the introduction of new or different management practices, work arrangements or supply chain structures. Further, while attributing causality to particular drivers of productivity in this area can be difficult, one study identified an association between innovative activity and productivity.

Relationship between enterprise bargaining (including enterprise agreement clauses) and productivity at the workplace

The review of literature noted mixed findings on the relationship between bargaining and productivity, with some studies finding that firms that engage in bargaining are more productive than those that do not, and others contending that enterprise bargaining has not contributed much, if anything, to productivity. The literature also highlighted the difficulty in finding a causal relationship in this area. The focus of the literature in this area was on enterprise bargaining and enterprise agreements, rather than on particular clauses within enterprise agreements.

Some Australian data are available on enterprise agreements and productivity related clauses. Using these data, research has included an analysis undertaken by the Productivity Commission into enterprise agreements in the civil and engineering construction sector from 2000–2013, as well the analysis undertaken by Commission staff for this report into the numbers of federal enterprise agreements which contain clauses related to ‘commitments to improving productivity’ and ‘specific productivity measures’. However, it is noted that the data are unable to determine a causal relationship between the existence of particular clauses and productivity improvement – chiefly due to the range of factors identified by the literature that influence productivity as well as firm level data limitations.

This is consistent with the view expressed in a number studies that, to establish a causal relationship between enterprise bargaining and productivity, better micro data which track the output performance of firms over time are necessary. To that extent, it was noted that the forthcoming AWRS (to be available in 2015), will contain some new data on the proportion of enterprises that have processes or practices in place to measure labour productivity, the level at which labour productivity is measured (e.g. organisation-wide to individual worker level) and whether productivity is benchmarked against internal or external standards or other guidelines, as well as subjective measures of how and why labour productivity levels had changed compared to the previous financial year. It will be possible to cross-classify these data by employment arrangements.

In light of the mixed findings in the literature and limitations of existing data, findings of firm-level case studies, such as those undertaken by this report, may assist in generating insights into measures used at the workplace to improve productivity and the effect these measures have in regards to raising productivity.

Research Question 2—summary of findings

A wide range of workplace level drivers of productivity are identified in the literature, including increasing employee skill levels, introducing new machinery or making changes to firm level organisation, management practices and work arrangements. Regarding enterprise bargaining and productivity in particular, the literature and analysis of Australian data in this area do not provide a clear conclusion, suggesting workplace level case studies may provide further insights.

What can employers, employees and their representatives tell us about enterprise agreement clauses they consider to be productivity enhancing or innovative in their enterprises, workplaces or work roles?

To address research question 3, the project sought to explore one direction for gathering further workplace level information by asking a selection of employers, employees and their representatives which enterprise agreement clauses they consider to be productivity enhancing or innovative in their enterprises, workplaces or work roles.

This question was addressed in Section 2 of the report, which provides a snapshot of how clauses from eight enterprise agreements, nominated as being productivity enhancing or innovative, operate in workplaces. Through interviews with employers, employees and their representatives, case studies (summarised in Section 2, and provided in full at Attachment B) sought to provide an insight into how the nominated clauses operate, their coverage, why they were introduced and perceptions of participants as to how the workplace practices they have enacted, in their view, have enhanced productivity or innovation.

Each case study provides contextual information, not able to be gathered from the enterprise agreement itself, about how the nominated clauses operate in the work environment and the various practices and policies that support or underpin the operation of the clauses. This highlights the operating context of the clauses and indicates some of the factors outside of the clauses which may contribute to perceived productivity enhancement.

In addition, the case studies highlight that clauses are often closely tied to particular operations, roles or workplaces within an enterprise. Further, that the nature and extent of coverage within an enterprise or workplace may be a useful indicator of how broadly applicable are the work practices that the clauses enact across industries or sectors and how effectively they could be enacted in a different setting.

The case studies demonstrate that some employers, employees and representatives do consider one or more clauses to be productivity enhancing or innovative in their workplace. Where this is the case, three broad clause content themes were identified:

- clauses perceived as providing **increased workplace flexibility, including around when work was performed or attendance for work;**
- clauses perceived to play a part in **developing a higher skilled workforce, including through incentives or links with classification structures;** and
- clauses perceived to **engage employees in identifying, formulating and/or implementing improved workplace practices through consultation structures and/or incentives.**

The case studies, through identifying clauses that particular employers or employees (and representatives) consider to be productivity enhancing or innovative, provide practitioners with a starting point for developing enterprise agreement clauses which enhance productivity or innovation.

In using this resource, it is important to recognise the limitations of the case studies. A discussion of these limitations and ways future research could assist the further development of practitioner focused resources are discussed below.

Research Question 3—summary of findings

Employers, employees and representatives in the case studies reported that the clauses they nominated as being productivity enhancing or innovative contributed to increased workplace flexibility, a higher skilled workforce or improved work practices. In light of the limitations of the case studies, further work may assist the development of practitioner level resources.

3.2 Lessons and options for future work to develop practitioner focused resources

The interview material presented in the case studies, while illuminating the perceptions of participants regarding the association between nominated clauses and productivity or innovation, also points to the challenges associated with gathering and analysing qualitative data in this area.

To support the development of future resources for practitioners on enterprise agreement clauses which can drive workplace productivity and innovation, and particularly in light of initial findings that a number of nominated clauses responded to, or operate under, workplace specific factors, further research may be needed if targeted workplace or industry-level resources are to be developed.

A discussion of the limitations identified by the case studies and options for future research to aid this is discussed below.

3.2.1 Limitations of case study approach

An overarching limitation of the case studies in Section 2 of the report is that, as qualitative research, they are not representative of all enterprise agreements or of the views of all those involved in making them. The initial design was set up to reflect the views of participants, as expressed in interviews, about the nominated clauses, and it is acknowledged that these views may not be applicable in the context of other enterprise agreements or workplaces.

Further, the enterprise agreement clauses which were the focus of the case studies were identified via a nomination process initiated by a public invitation and, as such, may reflect a selection bias. Interviews were conducted with those who nominated enterprise agreements, with selection of further interview participants guided by the nominator's advice as to who was most familiar with the background of the clause and/or its operation. As a result, while Commission staff sought to interview both an employer (or management representative) and an employee (or employee representative) in order to reflect both perspectives of how the clauses operate, the views of these participants about the clauses may therefore not be representative of all of those within the workplace (or more broadly).

Other key limitations of the case studies arising out of the scope or methodology of the project include:

- as the interviews did not seek to apply technical definitions of productivity or innovation to interviewees' comments regarding the nominated clauses, the case studies represent the views of interviewees regarding what constitutes productivity or innovation, which may differ from technical definitions and from one case study to the next;

- while interviewees were asked to explain the basis of their view regarding the relationship of the clauses to productivity or innovation, these views were not tested against objective measures of productivity or innovation and additional evidence (for example, financial or production records) was not sought to support this;³³ and
- as the focus of the case studies was participants' discussion of the nominated clauses, they did not seek to examine other factors that may contribute to, or be necessary in achieving, productivity or innovation in their workplace. While not within the scope of this project, these other factors may also be relevant to understanding how participants considered productivity or innovation has been achieved.

In considering how to approach further work in this area, a key issue is that in most cases the responses of participants are understandably focused on the particular work environment in which the clauses operate. This was reflected in the explanations outlined in the case studies around perceptions of productivity, innovation or other benefits, which were generally closely tied to the characteristics of the workforce, history, culture, outputs or type of work performed at that workplace or enterprise.

Other issues arising out of this project include:

- The case studies indicate that there is often a complex relationship between a given clause and the underlying work arrangement or management practice to which it relates. In many cases, clauses were described as being one part of a broader framework, with policies, organisational structures and informal custom and practice within a workplace all contributing to or supporting the practice.
- As outlined in Section 1, there are factors not directly related to workplace relations which can contribute to productivity enhancement. For example factors such as the introduction of new technology are unlikely to appear in enterprise agreement clauses, but can contribute to productivity. These external factors are not considered in the case studies for this project, but could be taken into account for completeness in any future work in this area. Equally, while this project focused on matters dealt with in enterprise agreement clauses, workplace contexts in which these same matters are dealt in other ways (for example, though non-binding policies and procedures) could also be examined.
- The clauses that were examined in the case studies did not contain the terms 'productivity' or 'innovation' or otherwise refer to those concepts. As a result, searches of agreement content that rely on the presence of these terms (such as by using the WAD as discussed in Section 1) are unlikely to capture all clauses perceived to be productivity enhancing or innovative, or where there is a commitment to enhancing productivity through the operation of an enterprise agreement.
- The level of information available about why clauses were introduced and other background matters varied considerably between the case studies, depending on the longevity of the clause and the history of participants' involvement with the clauses.
- The case study participants who generously volunteered their time for this project and openly shared their experiences and perceptions in the telephone interviews made the preparation of the case studies possible. However, in some cases participants expressed concern that the publication of these insights may reveal sensitive information (in particular commercially sensitive

³³ The varying level of understanding at the workplace level about what is meant by productivity is discussed in A Morehead, M Steele, M Alexander, K Stephen, K & L Duffin, *Changes at Work: The 1995 Australian Workplace Industrial Relations Survey*, 1997.

information), in some cases resulting in withdrawal of the case studies from the research. A different approach to analysis and reporting that addresses this issue could be considered for future research.

- As outlined in Section 2, this research relied on individuals to opt-in to participating in the research through nominating clauses. This methodology, accompanied by a communication campaign conducted through the Commission's communication channels and that of supporting organisations, yielded nominations of clauses in 26 enterprise agreements. Although sufficient for the purposes of this project, other recruitment methodologies would also be required if a larger, representative or more diverse sample was sought.

The overarching lesson to be learned from these issues is that, to develop resources in this area, further research is needed in order to draw conclusions about whether a specific clause would be able to produce a measurable productivity enhancement or innovation and if so, whether it would operate to produce the same measurable enhancements in one workplace as it does in another. Options for such research are discussed further below.

3.2.2 Options for future work to develop further practitioner focused resources

The issues described above highlight that there is significant scope for further qualitative or other research to examine if and how the operation of enterprise agreement clauses can enhance workplace productivity or innovation. Such research could enable clear and potentially targeted (industry or otherwise) resources in relation to enterprise agreement clauses and productivity.

One option would be to conduct a more detailed exploration of one of the three types of enterprise agreement clauses outlined above at section 3.1. While these types of clauses may reflect only some of the range of clauses that may contribute to productivity enhancement, this exploratory research has identified a need to further refine the focus of research to either look at particular types of clauses or particular sectors or industries.

The small number of enterprise agreements examined in this research, compared to the number approved each year by the Commission, suggests a further targeted study may yield further useful material in this regard.

As the literature review and data analysis in Section 1 identified, establishing causality for productivity enhancement and isolating the manner and the extent to which various factors contribute to productivity is difficult. Future research would benefit from processes that seek to verify the experiences and perceptions of employers, employees or their representatives regarding the role of enterprise agreement clauses in promoting productivity or innovation. This could include the addition of objective methods of measuring productivity and further subjective measures at the workplace level as well as gauging the extent of the contribution (if any) made by enterprise agreement clauses compared to workplace policies or other factors that sit outside of those clauses (such as advancements in technology).

One of the challenges of this research was to understand the genesis of the nominated clauses and to examine whether perceived productivity levels had changed over time. A further consideration for any future research could be to encompass the broader bargaining and enterprise agreement making process into the study in addition to reflecting on clauses that are already in operation. For example, a longitudinal research design that commenced during the bargaining process, where both parties were committed to achieving productivity enhancements through the enterprise agreement, would allow for the examination of changes over time and an assessment of whether, and how, the objectives were met.

An investigation of methods for communicating research such as this to employers, employees and their representatives would also be beneficial. Work in this area may be valuable given the complexity of the issues and the enterprise and workplace specific nature of the operation of clauses highlighted in the case studies. For example, if it was proposed that model clauses or similar guidance material should be developed, one of the key challenges would be to examine whether this material could be prepared at a level of abstraction sufficient to overcome these workplace specific considerations, while remaining detailed enough to provide a useful resource.

As outlined in Section 2 and above in this conclusion, future research may also draw on, or be informed by, analysis of data from the AWRS which is scheduled to become available in the first half of 2015. This data is likely to allow for analysis on a range of productivity indicators across industry and employment size categories and could provide some useful insights to help focus future qualitative research, as well as being a resource for reporting on indicators of productivity across all Australian enterprises in the national workplace relations system.

All of these options would provide opportunities to build on the findings of this report to further the methods used to identify productivity enhancing enterprise agreement clauses in order to inform the important issue of enhancing productivity and innovation in Australian workplaces.

References

- Australian Bureau of Statistics (2014), *Selected Characteristics of Australian Businesses, 2012–13*, Catalogue No. 8167.0.
- Australian Bureau of Statistics (2013), *Australian System of National Accounts: Concepts, Sources and Methods*, Catalogue No. 5216.0.
- Banks G (2012), *Productivity policies: the 'to do' list*, Economic and Social Outlook Conference, 'Securing the Future', Melbourne, 2 November 2012.
- Banks G (2010), *Successful Reform: Past Lessons, Future Challenges*, Annual Forecasting Conference of the Australian Business Economists, 8 December, Productivity Commission, Canberra.
- Barnes P and Kennard S (2002), *Skill and Australia's productivity surge*, Staff Research Paper, Productivity Commission, Canberra.
- Bloom N and Van Reenen J (2010), 'Why do management practices differ across firms and countries?', *Journal of Economic Perspectives*, vol. 24, no. 1, pp. 203–224.
- Caspersz D, Gillan M and White D (2011), 'State, Ideology and the Emergence of 'Good Faith' Collective Bargaining Regulation in Australia', *Journal of Industrial Relations*, vol. 53, no. 5, pp. 632–646.
- Cooper R (2011), 'Industrial Relations in 2010: 'Dead, Buried and Cremated?', *Journal of Industrial Relations*, vol. 53, no. 3, pp. 277–287.
- Dolman B and Gruen D (2012), *Productivity and structural change*, 41st Australian Conference of Economists, Victoria University, Melbourne, Australia, 10 July 2012.
- Dowrick S (2002), 'Ideas and Education: Level of growth or effects?', Thirteenth Annual South East Asian Seminar on Economics, Melbourne, June 20–22, 2002.
- Fakhfakh F, Perotin V and Robinson A (2011), 'Workplace change and productivity: does employee voice make a difference', in S Hayter (ed) *The Role of Collective Bargaining in the Global Economy, Negotiating for Social Justice*, International Labour Organization, Edward Elgar Publishing Limited.
- Fair Work Act Review Panel, *Towards more productive and equitable workplaces – an evaluation of the Fair Work legislation*, Department of Employment and Workplace Relations, August 2012, p.19.
- Farmakis-Gamboni S and Yuen K (2011), *An overview of productivity, business competitiveness and viability*, FWA Research Report 1/2011.
- Forbes-Mewett H, Griffin G, McKenzie D (2003), 'The Australian Industrial Relations Commission: Adapting or Dying?', *International Journal of Employment Studies*, vol. 11, no. 2, October.
- Forbes M, Baker A and Turner S (2010), *The Effects of Education and Health on Wages and Productivity*, Productivity Commission Staff Working Paper, Melbourne.
- Gahan P and Pekarek A (2014), *Enterprise bargaining no great problem, but no panacea either*, The Conversation, 27 February 2014, <http://theconversation.com/enterprise-bargaining-no-great-problem-but-no-panacea-either-23353>.
- Green R (2013), *The role in management in lifting productivity*, <<http://www.awpa.gov.au/events/Documents/The-role-of-management-in-lifting-productivity.pdf>>.
- Green R, Toner P and Agarwal R (2012), *Understanding productivity Australia's choice*, The McKell Institute, University of Technology Sydney.

- Green R, Agarwal R, Van Reenen J, Bloom N, Mathews J, Boedker C, Sampson D, Gollan P, Toner P, Tan H, Randhawa K and Brown P (2009), *Management matters in Australia: just how productive are we?*, report commissioned by the Department of Innovation, Industry, Science and Research, Canberra.
- Hancock K (2012), 'Enterprise bargaining and productivity', *Labour & Industry: a journal of the social and economic relations of work*, vol. 22, no. 3, pp. 289–301.
- Hancock K, Bai T, Flavel J and Lane A (2007), *Industrial Relations and Productivity in Australia*, National Institute of Labour Studies, Flinders University, Adelaide.
- Hayter S, Fashoyin T and Kochan T A (2011), 'Review Essay: Collective Bargaining for the 21st Century', *Journal of Industrial Relations*, vol. 53, no. 2, pp. 225–247.
- Johnston A, Porter D, Cobbold T and Dolamore R (2000), *Productivity in Australia's wholesale and retail trade*, Staff Research paper, Productivity Commission.
- Jones D C, Kalmi P and Kauhanen A (2006), 'Human Resource Management Policies and Productivity: New Evidence from an Econometric Case Study', *Oxford Review of Economic Policy*, vol. 22, no. 4, pp. 526–538.
- Koch M J and McGrath R G (1996), 'Improving Labor Productivity: Human Resource Management Policies Do Matter', *Strategic Management Journal*, vol. 17, pp. 335–354.
- Laplagne P and Bensted L (1999), *The role of training and innovation in workplace performance*, Staff Research Paper, Productivity Commission, Canberra.
- Loundes J, Tseng Y and Wooden M (2003), 'Enterprise bargaining and productivity in Australia: What do we know?', *The Economic Record*, vol. 79, no. 245.
- Morehead A, Steele M, Alexander M, Stephen K & Duffin L (1997), *Changes at Work: The 1995 Australian Workplace Industrial Relations Survey*, Longman, Melbourne.
- Orazi D, Good L, Robin M, Van Wanrooy B, Butar Butar I, Olsen J and Gahan P (2014), *Workplace leadership, A review of prior research*, Centre for Workplace Leadership, University of Melbourne.
- Parham D (2003), *Sources of Australia's productivity revival*, Productivity Commission, Journal Paper, viewed 20 February 2012, <http://www.pc.gov.au/data/assets/pdf_file/0018/9225/soapr.pdf>.
- Phipps P A (1995), 'Firm Productivity and Competitiveness', *Monthly Labour Review*, p. 64.
- Parkinson M (2014), *Challenges and Opportunities for Australia over the next decade*, Presentation to Association of Mining and Exploration Companies Convention, Perth, 2 July 2014.
- Productivity Commission (2014), *PC Productivity Update*, May 2013.
- Productivity Commission (2014), *Public infrastructure*, Inquiry Report No. 71 (Volume 2), Canberra.
- Productivity Commission (2009), *Australia's Productivity Performance: Submission to the House of Representatives Standing Committee on Economics*, September.
- Productivity Commission (1999), *Microeconomic reforms and Australian Productivity: Exploring the Links* (Volumes 1 and 2), Research Paper, Productivity Commission, Canberra.
- Ross, IJK (2012), *The Challenge of Workplace Productivity*, Presentation to Macquarie University, The Future of Work Symposium Series, Sydney, 29 November 2012.

Soames L, Bruncker D and Talgaswatta T (2011), *Competition, Innovation and Productivity*, Research Paper, ABS Catalogue No. 1351.0.55.035.

Sloan J (2010), 'Evaluating the Fair Work Act', *Policy*, vol. 26, no. 4, Summer 2010–11.

Sutherland C (2008), *Best Practice in Workplace Agreements: Report for the Victorian Office of the Workplace Rights Advocate*, Office of the Workplace Rights Advocate, Melbourne.

Syverson C (2011), 'What determines productivity?', *Journal of Economic Literature*, vol. 49, no. 2, pp. 326–365.

Thormthwaite L and Sheldon P (2012), 'Employer and employer association experiences of enterprise bargaining: being careful what you wish for?', *Labour & Industry: a journal of the social and economic relations of work*, vol. 22, no. 3, pp. 255–274.

Townsend K, Wilkinson A and Burgess J (2013), 'Is enterprise bargaining still a better way of working?', *Journal of Industrial Relations*, vol. 55, no. 1, pp. 100–117.

Tseng Y and Wooden M (2001), *Enterprise bargaining and productivity: evidence from the BLS*, Melbourne Institute Working Paper, No. 8/01.

An analysis of Australian data relating to enterprise agreements and productivity

This attachment presents an overview of analysis of registered federal enterprise agreements that contain clauses related to ‘commitments to improving productivity’ and ‘specific productivity measures’ as coded by the Department of Employment’s Workplace Agreements Database (WAD). The analysis is undertaken at the industry level with productivity estimates also provided.

Following a discussion of the data sources used, the data are analysed in two stages. The first stage identifies industries that have a high proportion of collective agreements (Section A.2), while the second stage presents an analysis of industries selected in stage one. For each industry selected, data are presented on the proportion of registered federal enterprise agreements that contain these productivity clauses and their productivity performance for a given period (Section A.3).

A.1 Data sources

Data are obtained from Australian sources such as the ABS and the Department of Employment’s WAD. This section provides a discussion of the sources used.

A.1.1 Workplace Agreements Database

The WAD is a census database compiled by the Department of Employment that contains information about federal enterprise agreements that have been certified or approved by the relevant statutory authority since the introduction of enterprise bargaining in 1991.³⁴ On average about 8000 agreements are added to the WAD each year with around 200 separate data fields coded by staff of the Department of Employment.

The WAD contains data on agreements such as industry (using the Australian New Zealand Standard Industrial Classification (ANZSIC) 2006 classification), sector, duration of agreement and number of employees covered. Other key characteristics such as the title of the agreement, the section of the Act under which the agreement was approved and the parties involved in the bargaining process are also entered. Where available, the database includes wage information (including quantum of the average annualised wage increase (AAWI) and timing of increases).³⁵ Agreements certified or approved since 1 January 1997 also have their conditions of employment, such as core provisions and individual flexibility terms, coded.

While the database contains extensive information on the content and characteristics of federal enterprise agreements, it does not include information about actual workplace changes that result from the implementation of an agreement.

For the purpose of this analysis, the WAD was used to identify enterprise agreements that contain clauses related to ‘commitments to improving productivity’ and ‘specific productivity measures’.

Clauses on ‘commitments to improving productivity’, for the purpose of coding the WAD, are where a clause in an agreement represents some form of commitment to improving productivity, which is either a general statement of intent to improve productivity or a set of specific measures to improve

³⁴ Enterprise bargaining commenced in October 1991 though the ‘Prices and Incomes Accord Mark VII’ however to note the principle of enterprise bargaining was federally legislated in 1993 via the *Industrial Relations Reform Act 1993* (Cth).

³⁵ Department of Employment, *Workplace Agreements Database*, viewed 28 August 2014, <https://employment.gov.au/workplace-agreements-database>

productivity at the workplace.³⁶ However, clauses coded for this measure do not distinguish between the two types of clauses. For example, from this measure, it is not clear whether the workplace has only indicated a general commitment to improve productivity or has specified a set of measures designed to improve productivity at their workplace.

From January 2011, the WAD has presented additional information on clauses in enterprise agreements that relate to 'specific productivity measures'. Clauses coded for this measure for the WAD encapsulate specific policies, procedures and/or practices that are directly linked to improving productivity.³⁷ For example, it includes agreements where there are productivity incentive payments with quantifiable measures and quantifiable productivity related key performance indicators (KPIs). However, this measure is not able to differentiate between the specific policies, procedures and/or practices adopted to improve productivity at the workplace.

A.1.2 Australian System of National Accounts

The ABS Australian System of National Accounts provides data on the annual national accounts, such as measures of Gross Domestic Product (GDP) and its components and productivity measures. It also includes breakdowns of these data by industry. The Australian System of National Accounts is conducted annually, with the first survey undertaken in 1961.

For the purpose of this analysis, the Australian System of National Accounts data are used to analyse labour productivity by industry. Labour productivity in this instance is defined as Gross Value Added (GVA) per hour worked.

A.1.3 Estimates of Industry Multifactor Productivity

The ABS Estimates of Industry Multifactor Productivity publication contains data on multifactor productivity by industry. The scope of the industries is limited to the market sector, and as such, multifactor productivity estimates are not included for Public administration and safety, Education and training and Health care and social assistance. The publication was first undertaken in 2007 and has been conducted annually since.

For the purpose of this analysis, the Estimates of Industry Multifactor Productivity are used to analyse multifactor productivity by industry.

A.1.4 Employee Earnings and Hours

The ABS Employee Earnings and Hours (EEH) Survey provides data on the composition and distribution of earnings and hours of employees and how their pay is set. Information is collected from a sample of employers who select a random sample of employees from their payrolls. The EEH covers all employing organisations except for enterprises in the Agriculture, forestry and fishing industry, private households employing staff and foreign embassies and consulates. The EEH Survey was first undertaken in 1993 and has been conducted biennially in May of each year since 1996 (except for 2008 when it was undertaken in August).

The methods of pay collected are:

- award only;
- collective agreement;

³⁶ Department of Employment (2014) *WAD Coding Manual*, unpublished document.

³⁷ Department of Employment (2014) *WAD Coding Manual*, unpublished document.

- individual arrangement; and
- owner manager of incorporated enterprise.

For the purpose of this analysis, the EEH is used to identify industries that have a high proportion of employees covered by collective agreements. Note that the ABS definition of a ‘collective agreement’ encompasses collective agreements registered at the state or federal level as well as unregistered written or verbal collective agreements.³⁸ Employees are classified into the collective agreement category if they had the main part of their pay set by a registered or unregistered collective agreement or enterprise award.³⁹

A.2 Industry and collective agreement coverage

This section provides data on the coverage of collective agreements by industry.⁴⁰ As Section A.3 analyses the incidence of enterprise agreements that have clauses related to improving productivity (i.e. clauses that relate to ‘commitments to improving productivity’ and ‘specific productivity measures’), industries that have high proportions of collective agreements are selected for analysis.

Table A.1 shows collective agreement coverage by industry. In general, around four in ten employees have their pay set by collective agreements across all industries. Industries highlighted in the table report a proportion of collective agreements *above* the all industries’ average.

Table A.1: Collective agreement coverage within industry

	Proportion of collective agreements within industry (%)
Mining	42.3
Manufacturing	34.3
Electricity, gas, water and waste services	65.6
Construction	23.4
Wholesale trade	12.3
Retail trade	42.1
Accommodation and food services	23.8
Transport, postal and warehousing	56.3
Information media and telecommunications	32.9
Finance and insurance services	44.8
Rental, hiring and real estate services	10.4
Professional, scientific and technical services	8.7
Administrative and support services	23.3
Public administration and safety	85.9
Education and training	81.9
Health care and social assistance	60.9
Arts and recreation services	43.9
Other services	8.3
Market sector	48.8
All Industries	42.0

Source: ABS, *Employee Earnings and Hours, Australia, May 2012*, Catalogue No. 6306.0.

³⁸ ABS, *Employee Earnings and Hours, Australia, May 2012*, unpublished survey instrument.

³⁹ ABS, *Employee Earnings and Hours, Australia, May 2012*, glossary.

⁴⁰ Employees are classified to the ‘collective agreement’ category if they had the main part of their pay set by a registered or unregistered collective agreement or enterprise award. See ABS, *Employee Earnings and Hours, Australia, May 2012*, glossary.

Further analysis will be undertaken on industries highlighted in Section A.3. However, industries from the non-market sector, such as Public administration and safety, Education and training and Health care and social assistance, will be excluded due to the difficulty in measuring productivity in these industries.

A.3 'Commitment to productivity improvement' and 'specific productivity measures' clauses in enterprise agreements and productivity growth

This section provides data on productivity growth and the incidence of clauses in enterprise agreements, that either contained a 'commitment to improve productivity' and/or 'specific productivity measures'. The following industries considered in Section A.2, have been selected for further analysis:

- Mining;
- Electricity, gas, water and waste services;
- Retail trade;
- Transport, postal and warehousing;
- Finance and insurance services; and
- Arts and recreation services.

Before analysing whether there is an association between productivity growth and the incidence of clauses on commitments to productivity improvements in enterprise agreements for these selected industries, it is important to show the proportions of federal enterprise agreements that contain clauses for all industries. Table A.2 show these data for the period from 1 January 2010 (when the safety net provisions of the Fair Work Act commenced⁴¹) to 30 June 2014. Note that data on enterprise agreement clauses related to 'specific productivity measures' are only available from 1 January 2011 and the analysis of these data are restricted to the period between 1 January 2011 and 30 June 2014.

In general, almost half of all registered federal enterprise agreements contain clauses on commitments to improve productivity, which covers 40.9 per cent of employees covered by federal enterprise agreements. A lower proportion of registered federal enterprise agreements, 38.4 per cent, contain clauses on 'specific productivity measures', accounting for 31.9 per cent of employees covered by federal enterprise agreements.

Focusing on the industries selected for analysis, over half of all employees covered by a federal enterprise agreements in Electricity, gas, water and waste services and Financial and insurance services were covered by federal enterprise agreements that contained clauses on commitments to productivity improvements. Proportions were also relatively significant for Mining, Retail trade and Transport, postal and warehousing, with around four in ten enterprise agreement employees covered by these clauses. In contrast, proportions were relatively low in Arts and recreation services, with three in ten enterprise agreement employees covered by these clauses.

Similarly, there were high proportions of enterprise agreement employees covered by agreements that contained clauses on 'specific productivity measures' in Finance and insurance services and Electricity, gas, water and waste services, covering 62.9 and 49.1 per cent of enterprise agreement employees, respectively. Proportions were relatively low for the other selected industries, particularly

⁴¹ From 1 January 2010, the 'safety net' provisions commenced operation for the Fair Work Act which included the commencement of the 'better off overall' test and an assessment of enterprise agreements against modern awards (see Part 2-4 Fair Work Act).

for Retail trade where only one in ten employees covered by enterprise agreements were covered by a specific productivity measure clause.

Table A.2: Proportion of enterprise agreements containing clauses on commitments to improve productivity and specific productivity measures by industry

	'Commitment to improve productivity' clause		'Specific productivity measures' clause	
	Agreements	Employees	Agreements	Employees
	%	%	%	%
Agriculture, forestry and fishing	50.6	58.9	28.3	28.7
Mining	40.4	40.5	30.4	32.7
Manufacturing	56.5	60.7	40.8	42.9
Electricity, gas, water and waste services	51.5	56.1	43.0	49.1
Construction	64.1	63.3	46.2	45.4
Wholesale trade	49.5	63.6	32.4	52.6
Retail trade	26.7	40.0	22.4	9.2
Accommodation and food services	16.0	5.6	8.5	3.7
Transport, postal and warehousing	41.6	40.0	26.6	30.6
Information media and telecommunications	38.3	40.7	27.9	53.6
Financial and insurance services	35.9	51.5	32.8	62.9
Rental, hiring and real estate services	47.9	49.1	48.9	49.1
Professional, scientific and technical services	41.5	34.8	30.0	25.3
Administrative and support services	42.8	25.4	34.2	20.9
Public administration and safety	51.5	66.5	37.5	53.1
Education and training	19.9	27.1	9.4	7.8
Health care and social assistance	17.0	25.0	7.1	19.4
Arts and recreation services	23.5	30.0	15.6	20.8
Other services	41.1	47.7	23.2	28.5
Market sector	52.6	43.4	34.3	29.5
All industries	48.1	40.9	38.4	31.9

Note: The period of analysis for the improvement to productivity clause is between 1 January 2010 and 30 June 2014, while it is between 1 January 2011 and 30 June 2014 for the specific productivity measures clause.

Source: Department of Employment, *Workplace Agreements Database*, June 2014.

Table A.3 examines productivity performance in industries with high proportions of collective agreements, in order to determine whether there is any association between productivity growth and the incidence of 'commitment to productivity' and 'specific productivity measures' clauses in enterprise agreements. Productivity performance is assessed using labour and multifactor productivity measures between June 2009 and June 2012.

Table A.3 shows that there does not appear to be a directly observable association between ABS measures of productivity growth and the inclusion of productivity clauses in enterprise agreements, among industries that have a high proportion of collective agreements. The data show that results vary by industry, with some exhibiting growth above the market sector average and others below.

To that extent, it should be noted that if an association was found, this may not be evidence of a causal relationship because, as described in Section 1, productivity growth can be influenced by a range of factors.

Table A.3: ABS productivity measures against incidence of clauses referencing productivity

	Annualised labour productivity %	Annualised multifactor productivity %	Proportion of employees covered by enterprise agreements with 'commitment to improve productivity' clause %	Proportion of employee covered by enterprise agreements with 'specific productivity measures' clause %	Proportion of collective agreements within industry %
Electricity, gas, water and waste services	-0.8	-3.5	56.1	49.1	65.6
Financial and insurance services	2.0	0.8	51.5	62.9	56.3
Mining	-4.9	-6.5	40.5	32.7	42.3
Retail trade	3.5	1.8	40.0	9.2	44.8
Transport, postal and warehousing	3.9	1.7	40.0	30.6	42.1
Arts and recreation services	1.0	-0.3	30.0	20.8	43.9
Market sector	1.9	-0.1	43.4	31.9	48.8

Note: Labour and multifactor productivity growth is annualised between June 2009 and June 2012. The period of analysis for the improvement to productivity clause is between 1 January 2010 and 30 June 2014, while it is between 1 January 2011 and 30 June 2014 for the specific productivity measures clause. Labour productivity is defined as gross value added per hour worked.

Source: Department of Employment, *Workplace Agreements Database*, June 2014; ABS, *Employee Earnings and Hours*, Australia, May 2012, Catalogue No. 6306.0; ABS, *Estimates of Industry Multifactor Productivity*, 2012–13, Catalogue No. 5260.0.55.002; ABS, *Australian System of National Accounts*, 2013–14, Catalogue No. 5204.0.

Case studies

B.1 Flexibility and leave case studies

Nominated clauses from the four agreements listed below broadly related to flexibility around when and how work is performed as well as additional leave entitlements.

B.1.1 [Cerebos Foods – Part Time Local Sales Representatives Enterprise Agreement 2013](#)

The nominated clauses in this case study provide for employees to determine when work is performed under the agreement, within broad parameters set by the employer.

Clause 1.2 Purpose of Agreement

'The Agreement is intended to provide employees with Part Time and other conditions of employment which enables each employee to better balance their individual work and family responsibilities.

The nature of the Merchandiser work undertaken in grocery retail stores such as Woolworths and Coles, which may operate on a 24/7 basis, provide a unique opportunity for employees to work on days and at times that best suit their individual needs.

On the basis that the work, (which the employee is advised of up to three months in advance), is completed on a weekly basis, the Agreement empowers each employee to determine the days on which they work, as well as their starting and finishing times.

Each employee can change, at any time, without notification to or approval of the Company, the days on which they work, as well as their starting and finishing times.

This enables each employee to better cope with planned and unexpected family events, while maintaining their take home pay, thus providing the basis to better balance their individual work and family responsibilities.

The Agreement replaces the *Cerebos (Australia) Limited Part Time Local Sales Representatives Enterprise Agreement 2010*.

[The other nominated clause – 2.4 Hours of Work – is reproduced at Attachment C]

Data collection details

Telephone interviews were conducted with the Industrial Relations Manager (referred to below as the IR Manager) of Cerebos (Australia) Limited⁴² (Cerebos) and an employee of Cerebos (referred to below as the employee). The findings below are based on these interviews.

Overview of workforce covered by the agreement

The IR Manager noted that the *Cerebos Foods – Part Time Local Sales Representatives Enterprise Agreement 2013* currently covers about 10 local sales representatives who perform merchandising work in supermarkets to promote the company's products.

⁴² Cerebos is a multinational food manufacturing business, with products in the sauce, spice and coffee categories, see <http://www.cerebos.com.au/Business/About.aspx>.

The employee interviewed was a permanent part-time local sales representative who had worked at Cerebos for just over two years and was working 20 hours a week for the company at the time of the interview.

Background to introduction of the clauses

The IR Manager outlined that the key motivation for introducing the clauses was to provide employees with maximum flexibility consistent with ensuring that ‘the work gets done.’

Retailers moving to longer or 24/7 opening hours were also described by the IR Manager as facilitating introduction of the clauses, as merchandising work could be performed at almost any time.

How the clauses operate

The IR Manager described Clause 1.2 ‘Purpose of the Agreement’ and Clause 2.4 ‘Hours of Work’ of the agreement as operating to allow employees to choose the days and times when they perform their work, including flexibility to change days and times without notification, provided that the work is done in time for the promotion, special or catalogue for the product.

Prior to the introduction of these clauses, the IR manager noted that sales representatives would often be in supermarkets at busy times when performing merchandising work was difficult; ‘it didn’t make sense’.

The employee described her approach to planning her hours under the current agreement provisions:

I normally did [hours] like a Monday, Tuesday, Wednesday. And I would start sometimes quite early, I don’t know what you find early, but sometimes I’d be in store 8 o’clock and I’d do ... two 8-hour days and then probably a 2-hour day the following day—depending on what I was doing—or I’d do three 6-hour days. It just, it all went back to what sort of work I was doing. [employee]

The employee also noted that she would ‘rather get in and get out before the heavy traffic of customers flows through.’

Perceptions of productivity, innovation or other benefits at the workplace

Asked about any benefits to productivity at the workplace as a result of the clauses, the IR manager assessed that the agreement had been ‘very good for the business’ because:

Money is made by making sure that the work is done as per the marketing campaign. That’s where we make our money, that’s where we make our sales and the way the agreement has worked we’ve been able to show in stores that we are pulling the sales out of each of these stores. [IR manager]

More broadly, over time the arrangements under the clause had ‘changed the nature of the relationship’ between employees and managers. These employees’ work had previously been more process driven, but the new clauses had changed this and helped produce improved performance ‘by valuing employees [and] integrating them into campaigns [which] ensured they perform well on the ground.’ The employee also expressed the belief that part-time employees felt valued and included in the company. The IR manager explained further that:

It really instils that task focus, doing it well and doing it consistently. They show each other what they’re doing and there is uniformity about how things done ... They have a phone link up, they’ll email photos to each other or put them on notice boards here. There is focus on the job, on the task to be done and how did they do it. We sell gravies, for example, and if they managed to get a special location next to the meat department there’d be a hoopla about that. [IR manager]

The flexible work arrangements implemented under the clauses had also benefitted the company by facilitating the retention of skilled merchandising employees:

The retention rate has certainly been good, and I include the retention rate even when a person does move on to another job in the Company. A good number have move[d] on to territory manager positions for example, and some to senior roles with other companies. But while they're with us they're doing the work well. [IR manager]

While acknowledging that the flexibility meant that you had to be well organised, the employee stated that it was 'the right way to do it' and explained that it minimised time wasting as well as making her work interesting and allowing for reallocation of resources:

I consider it to be less of time wasting because my planning is really, really good and ... I just think it doesn't become mundane ... it goes very quickly because you're enjoying what you're doing ...

I went to another territory on Monday to help out another lady with some work so it's very flexible and that flexibility makes it interesting ... [employee]

The IR manager explained that the key benefit for employees was to allow them to balance work and family:

People have plans, family or private occasions, things they want to attend to and sometimes they're not planned. What this allows them to do is focus on the work, how they're going to do the work, what is the best time for them to do it and it allows them to get the work done but still get other things done in terms of their personal life. [IR Manager]

The employee reiterated this view, noting that she chose her hours based on both the work that is required and her life outside of work:

Just fitting in with the work that I do. Sometimes it would take a bit longer to do things like you'd call on a few extra stores and then the next day I didn't have to call on so many stores...

I've got a family so it suited me to do that. And if I needed to go away or anything I would work a Tuesday, Wednesday, Thursday so I could have the Monday off or the Friday off ... so pretty much just to sort of help everybody. [employee]

Workplace specific factors or limitations

Regarding challenges associated with implementing the clauses, the IR manager described the shift in mindset required, particularly for managers who found it difficult not to know where an employee was at any one time and 'no-one clocking on or off anymore.'

The IR manager explained that, prior to the agreement, operational managers specified the times that employees should be in supermarkets. For managers, new arrangements under the agreement were a 'fundamentally different way of thinking,' while employees had to take more responsibility for where and how work was performed, he said.

For the company, the introduction of the clauses acknowledged the reality that 'when employees aren't working in one location ... they are much harder to control.' The essence of the agreement was to move away from the idea that managers needed to know when work was being done, the IR manager said.

The IR manager further added that it was important that the company was able to monitor performance of the work, however this could be done by checking store sign-in sheets and the photos of the work completed that the employees send to their manager. In this way the focus of the clauses was on 'transparency rather than trust.'

B.1.2 Coles Supermarkets Australia Pty Ltd And Bi-Lo Pty Limited Retail Agreement 2011

The clauses examined in this case study relate to a system for the employer and employees to agree periods of leave over a 12 month period and provision of additional paid emergency services leave to attend local and non-local emergencies.

Clause 5.3.6 Flexible employment arrangement

'A permanent team member (excluding a Department Manager/Team Leader) may, by agreement with the Company, take pre-approved leave for specified periods of time to enable the team member to meet individual circumstances subject to the following:

- (a) The guaranteed periods of leave will be set for at least the following 12 months by agreement between the team member and the Company. These periods can be changed by mutual agreement. The 12 month period referred to in this subclause may also be varied by mutual agreement;
- (b) The team member and the Company will agree to the hours of work per four week cycle. All work will be rostered in line with the rostering principles of this Agreement;
- (c) By agreement, team members may work during their guaranteed periods of leave. Payment for these hours will be at the team member's ordinary time earnings plus any applicable penalties. Team members will also accrue leave for these hours;
- (d) The team member and the Company will review annually the guaranteed periods of leave...'

[The full text of clause 5.3.6 and clause 6.8 (emergency services leave) are reproduced at Attachment C]

Data collection details

Telephone interviews were conducted with an official of a union that represents employees covered by the enterprise agreement (referred to below as the union representative) and an employment relations manager of Coles Supermarkets Australia Pty Ltd⁴³ (referred to below as the ER manager).

The case study is based on these interviews.

Overview of the workforce covered by the agreement

The interviewees noted that the *Coles Supermarkets Australia Pty Ltd and Bi-Lo Pty Ltd Retail Agreement 2011* applies to approximately 90 000 employees engaged predominantly in retail work, as well as some departmental managers and classifications relating to baking and meat work in Coles and Bi-Lo supermarkets.

Background to introduction of the clauses

The ER manager recalled that the flexible employment arrangement clause was relatively new, having been first inserted into the agreement when it was made in 2011. He said the large number of part-

⁴³ Coles Supermarkets Australia Pty Ltd is a supermarket retailer which operates more than 700 supermarkets (including Bi Lo branded stores) across Australia. See: <http://www.wesfarmers.com.au/our-businesses/coles.html>

time and full-time employees who were working parents at Coles created the impetus for introduction of the clause:

We thought this kind of thing might appeal to people so they can plan their year out in advance and know and line up with school holidays or whatever other forms of commitments they had and it would allow us the ability to plan in advance rather than be stuck at short notice. [ER manager]

The emergency services clause had been in place for a much longer period, pre-dating the current agreement.

How the clauses operate

The flexible employment arrangement clause enables an employee to reach an agreement with the employer to take leave for a specified time or times within a 12 month period. The employee may access paid (annual or long service) leave or request unpaid leave.

An example of the operation of the clause given by the ER manager was of an employee who wanted to work during the school term but have periods of leave during school holidays. The clause would enable the employee and their manager to agree to take leave around that requirement at the beginning of the 12 month period.

The union representative identified other possible uses of the flexible employment arrangement clause which included taking periods of time to travel, study or meet family responsibilities:

It enables the person to go to the company and say in the forthcoming year I want to do this and I therefore want to take leave from the company knowing that at the end of the period I can come back and just resume my normal employment. [union representative]

The emergency services clause enables employees to take leave to attend emergencies, and provides a mechanism through which this leave can be quickly sought and approved when an emergency arises. The ER manager explained that the entitlement to paid leave for employees engaged in emergency services work was a key element of the clause:

If our team members are engaged in various voluntary services, like the SES, fire fighting, team members offering their services on a voluntary basis, then we felt that was a good thing from a community perspective. We do try to reflect the communities we operate in terms of our demographics and customer base and team members doing that should receive some payment from the company, even though it was voluntary and unpaid by the relevant bodies. Unlike the National Employment Standards our emergency services leave provides for payment and the payment is linked to whether it's a local emergency or not. If it's a local emergency for the team members there's effectively no restriction, it just can't be used unreasonably and if it's not a local emergency then it's limited to two days. [ER manager]

Perceptions of productivity, innovation or other benefits at the workplace

The union representative expressed the view that a productivity enhancing effect of the flexible employment arrangements clause was to enable the company to retain skilled employees who might otherwise resign to pursue their outside interests or responsibilities:

The company gets to keep the person whom it has trained in a particular part of the business. Rather than find that if a person wants to go off ... and there is no provision under the agreement for them to do so therefore the person leaves and the company has to find a new person and train them ... the company would have to start from square one. The second aspect is the person who is taking advantage of the leave is obviously going to be a happier employee and therefore a more productive employee. [union representative]

The ER manager characterised the clause as an innovative measure in the context of the agreement:

Yes its innovative for us, may not be for other people but in effect it's just booking your leave in advance, it's quite simple the concept but sometimes it's the simple things that make a difference. [ER manager]

In terms of broader benefits, the ER manager said the clause formed part of the package of benefits included in the agreement that helped the company to attract and retain staff. As the clause became more widely used (see the discussion around challenges below), it also held out the possibility of assisting the company in planning around employees' scheduled leave:

So say we have a group of team members and they might wait just before the school holidays to say I want to take this period of time off and then our managers at that time are then saying I'm now stuck I have to re-arrange and bring new people in and change hours and change rosters but if you had advance notice those store managers could pre-plan ... I can re-arrange and have more planning certainty. [ER manager]

The union representative described the flexible work arrangement clause as providing a 'win-win' for employees and the employer:

What it means is the company can give a person the time off without pay and without losing the person. For example, if a person wants to travel but does not have enough annual leave, the company can give them leave under this provision without losing the person. They haven't lost the skills and knowledge which is a big benefit to the company. [union representative]

In relation to the emergency services clause, the ER manager said there was an innovative aspect in providing entitlements above the statutory minimum, with benefit to employees, the company and the community:

It's a flexibility benefit in terms of for team members to fulfil their voluntary duties so team members get flexibility out of it. From our perspective, it provides a degree of flexibility because we're allowing and we know that team members and workers have external interests and we know that they're doing other things outside of the company so it provides an additional benefit in terms of our employment proposition to people coming to work in the business to say well we understand you're working for Coles but you may have external commitments and if those commitments meet the requirements in this clause we'll actually fund that even though from a company perspective we're not getting any labour in return but we know it's for a good community cause. [ER manager]

The union representative agreed that 'it's good PR for the company... and it provides a mechanism for the company to pitch in because they would be inclined to do it anyway.'

Workplace specific factors or limitations

A key challenge with the operation of the flexible employment arrangement clause highlighted by the ER manager was that it appeared to have had only limited uptake since its introduction in 2011:

It hasn't generated a lot of queries. It's a bit tricky this one, it could be a combination of things. It could be that people haven't taken it up because it doesn't suit them, they like whatever other arrangements they have got in place and they've got local arrangements already in place which work for them, so that's a possibility. They've got various local arrangements in place with their store managers and they don't want to disturb those. [ER manager]

While direct information on use of the clause wasn't available, the ER manager considered the clause may need to be modified, or further communication made to employees about its existence, to increase its use:

We are going through bargaining now so when we finalise the new agreement we will do a new education campaign as part of the roll out. We would include this in there, even though it's not going to change, to re-educate team members and managers about what's in there.

We are proud of the clause and proud of the flexibility, it just might mean we might need to get some more information out there so people understand. [ER manager]

There were few difficulties identified by the ER manager or union representative with the emergency services clause. The ER manager said use of the clause varied significantly depending on whether a major emergency had occurred. In the past year that hadn't occurred so usage had been relatively low:

I think the number of team members that have used that in the past 12 months is only 32. So it's not high and it doesn't get abused. [ER manager]

The union representative expressed the view that in his experience, the clauses were straightforward in their operation and had presented few difficulties to the employer or employees.

B.1.3 Surf Coast Shire Council Enterprise Agreement No. 8 2013–2016

The clause discussed in this case study provides an entitlement to leave for employees experiencing family violence.

Clause 4.3 Family Violence

'Surf Coast Shire Council recognises that employees sometimes face situations of violence or abuse in their personal life that may affect their attendance or performance at work. Therefore, it is committed to providing support to staff that experience family violence.'

[The full text of clause 4.3 can be found at Attachment C]

Data collection details

Telephone interviews were conducted with representatives of a union with members covered by the enterprise agreement (referred to below as union representative 1 and union representative 2) and the manager of people and culture (referred to below as the HR manager) of the Surf Coast Shire Council.⁴⁴

The case study below is based on these interviews.

Overview of workforce covered by the agreement

The HR manager noted that the *Surf Coast Shire Council Enterprise Agreement No. 8 2013–2016* covers approximately 380 employees. The employees covered perform roles to provide a range of council services, from parks and garden crew to engineers, accountants and customer service.

Background to introduction of the clauses

The union representatives discussed the history of the clause, explaining that a union delegate at the Surf Coast Shire Council became an advocate for the clause. At the same time the union had been developing a workplace response to family violence. These factors ultimately led to the inclusion of the clause in the Council's 2010–13 agreement and it was carried over into the 2013–2016 agreement.⁴⁵

⁴⁴ The Surf Coast Shire Council provides a range of services and administers local laws for the Surf Coast Shire, a regional municipality in Victoria. See: <http://www.surfcoast.vic.gov.au/Home>

⁴⁵ At the time of nominating the clause, one of the union representatives explained that 'the [union] and the Council were the first employers in Australia to place such a clause in an agreement in 2010 and this has now been adopted in hundreds of enterprise agreements across the country, covering hundreds of thousands of employees.'

How the clause operates

The clause provides employees experiencing family violence with access to 20 days per year paid special leave and outlines the further supports the employer will provide to assist the employee.

The HR manager noted that the Council has implemented a range of measures to support the operation of the clause, including providing a trained contact person and explanatory materials:

Part of the agreement was that we would identify a contact person effectively, so our HR coordinator is the identified resource. She is the trained domestic violence referral service if you like, but outside of that we have a contact officers network who were trained by the Victorian Equal Opportunity and Human Rights Commission... We committed with the clause in the 2010 agreement to have an identified resource on board. We developed a policy and a question and answer fact sheet, specifically about domestic violence ... [HR manager]

One of the union representatives also noted that at the workplace level the clause:

enables the conversation to occur about perhaps changing start of work or finish of work, location, and also enables them to have conversations about confidentiality and maybe changing phone numbers for instance. [union representative 2]

The union representatives discussed the proliferation and operation of family violence clauses such as that included in the Surf Coast Shire Council agreement:

The clause is in over 100 agreements across Victoria so we do anecdotally know that it is accessed and in some of the larger councils it has been accessed many times. We are interested in doing further research ... to investigate how it's been used and evaluate how well it has worked. [union representative 2]

It's the confidential nature of the clause itself and the only person who would know about it is the designated HR person, so the only way we would know about it is if that person spoke to us directly about it. They often don't because there is a machinery within the council now, but it's very widespread now. For example, in the last year or so, in the last 18 months, it's been spread now virtually across the whole commonwealth public service. [union representative 1]

The union representatives explained work had been undertaken to evaluate the use of the clause:

There was some evaluation done by the Australian Domestic Violence Clearing House after the clause had been in for about 18 months, and that was with a few councils. The preliminary findings suggested that the clause was being accessed, but very few employees accessed anything like the full amount of leave that was available to them. Most of them accessed single days or part days for medical and legal appointments. [union representative 2]

Perceptions of productivity, innovation or other benefits at the workplace

The union representatives expressed that the clause is innovative and enhances both safety and productivity, saying this was particularly so given that the incidence of domestic violence was increasing:

It's been rising ... and police resources have been tied up, courts have been tied up and obviously, there are a lot of people involved in this arena which has reduced productivity. If there are that many people involved, and we know that there are because the police tell us, and these are only the ones that are reported. There was a lot of person hours being lost before this clause came into existence, is our view. If anything, this clause has become more pertinent because the problem unfortunately has multiplied in the last 4 or 5 years. [union representative 1]

We know that workers who are affected by family violence are less likely to be fully present and productive in the workplace.

There was a survey that was put out by the Domestic Violence Clearing House and it was a survey done in 2011 and it's one of the only pieces of Australian research about incidents in the workplace ... the main reported impact was on work performance. The impact of violence on the workplace where 16% of victims reporting being distracted, tired or unwell, 10% needed time off and 7% being late for work. [union representative 2]

So we say it's productive from the point of view that these people up until that point of this clause coming into being, they wouldn't be at work. They would be at home, or in courts they would be recovering and what have you, and if they were at work they wouldn't be terribly focused because of all the problems. [union representative 1]

The HR manager highlighted the innovative nature of the clause, noting the attention Surf Coast Shire Council received when the clause was first implemented.

There's a little bit of work to set it up but once that's in place it's really not something that takes up a lot of my time or the payroll department's time, it's another classification or a new leave form that other people maybe don't have but realistically it replaces sick leave and these are the things people won't be at work for, so you're paying for it one way or another ...

It's a good thing, we look at it as a real positive for our employees and we are really supportive of it. You'd be interested to know our CEO at the time got calls from Canada and France at the time of its introduction so it was definitely an innovative move that got worldwide attention when we implemented it here. [HR manager]

Workplace specific factors or limitations

When asked whether there were any issues with the operation of the clause, the HR manager responded that no issues had been identified. The HR manager added that, while including the clause in their agreement was innovative, it is part of a broader movement and has resulted in good publicity for the employer while allowing it to be more supportive to its employees:

There is a benefit to the employer. Like I was saying, there are not a lot of negatives. It is another policy you have to implement and maintain, but once you have [a] system in place it is a positive health and wellbeing and staff incentive. We have received a level of positive publicity from the fact we took this on as suggested by the [union] a few years back now and that was a good thing for the organisation ...

We have an opportunity to have conversations about what's going on which ultimately is a benefit due to the opportunity to talk about domestic violence which allows us to be a more supportive employer and to be more in touch with what's happening with unaccounted absences for example. You are more likely to be informed about this issue and can take proactive steps through your employee assistance program. [HR manager]

The union representatives similarly noted that the opportunity for conversations about domestic violence and support as a result of the clause, emphasising the potential for the clause to protect employees' personal safety as well as their employment:

I think that what's at the heart of the clause is about making sure that people who are experiencing family violence don't lose their jobs. We believe that it has protected people's jobs and people haven't been performance managed out of jobs because they have been too frightened to sit down with their employer and discuss their personal circumstances. It signals there is support from the employer ... [union representative 2]

B.2 Development and deployment of skill case studies

Nominated clauses from the three agreements listed below broadly related to the development and deployment of skills.

B.2.1 [Charles Sturt Campus Services Enterprise Agreement 2013](#)

The nominated clauses discussed below relate to salary, position descriptors, individual flexibility arrangements and transitional arrangements.

Clause 51 Transitional Arrangements

'51.1 If, at the commencement of the operation of this Agreement, any CSCS employee would receive take-home pay under this Agreement which

is less than their take-home pay immediately before the commencement of operation of this Agreement, CSCS shall maintain that take-home pay amount until the payment under this Agreement exceeds that amount...'

Schedule C CSCS Position Descriptors

'The following position descriptors have been developed with reference to the particular workplace needs of CSCS.

LEVEL 1

Education, Training and Experience

Entry Level. The employee performs duties that do not require formal qualifications or work experience prior to engagement. Duties may require the successful completion of probation and on the job training. Advancement within this Level is contingent on the completion of Certificate III (or equivalent level of knowledge gained through any other combination of education, training and/or experience) and the need to exercise that qualification skill on the job.

Task

The employee performs repetitive tasks, covered by instructions and procedures, for which the job holder usually requires less than one (1) month of on the job training to achieve competence. The employee works under routine supervision either individually or in a team. Some knowledge of materials and equipment may be required.

Judgement and Problem Solving

The employee solves problems where the situations encountered are repetitive, the alternatives are limited and readily learned, and the required action is clear or can be readily referred to higher levels.

Position Examples

Cleaning Services Employee Level 1

Laundry Services employee

Transport worker grade 2...

[The full text of clause 41 and Schedules A and C are reproduced at Attachment C]

Data collection details

Telephone interviews were conducted with the general manager of Charles Sturt Campus Services⁴⁶ (referred to below as the general manager) an employment relations consultant (referred to below as the ER consultant) who was involved in the drafting and implementation of the agreement and an employee who is leader of a cleaning team at one of the campuses at which Charles Sturt Campus Services operates (referred to below as the employee).

The case study below is based on these interviews.

Overview of workforce covered by the agreement

The general manager noted that the *Charles Sturt Campus Services Enterprise Agreement 2013* covers approximately 110 employees, including casuals.

Background to introduction of the clauses

The general manager stated that the *Charles Sturt Campus Services Enterprise Agreement 2013* represented the first time a single enterprise agreement had been put in place to cover employees across the campuses on which Charles Sturt Campus Services operates.

The process of integrating the operations on the various campuses was described by the general manager as beginning in 2005, when employees were covered by a mix of state system industrial instruments and individual arrangements. A process of integration and alignment was undertaken over a number of years which included the development of the enterprise agreement to cover all employees and culminated in its implementation in 2013.

The ER consultant explained that the transitional arrangement clause was intended to create a process to align remuneration and conditions across the different parts of the organisation:

There were a range of arrangements, some of them grandfather arrangements from industrial instrument[s], others of them were custom and practice, others of them were letters written by previous managerial staff in the various entities which had been preserved as ongoing entitlements, if you like ... The purpose there was to say the best way to achieve that [consistency] is to allow for a transition through the agreement, rather [than] to propose that, on day one of the new agreement everyone gets the hatchet job where they might have something better. [ER consultant]

In relation to training, both the general manager and employee outlined that the range of facilities employees were required to clean, including research areas, laboratories, 'on-farm type buildings', clinical environments and residential areas, created the requirement for a high level of skill across the workforce.

How the clauses operate

The enterprise agreement includes a number of clauses designed to ensure employees are trained to a high level of skill, supported by a comprehensive training policy and organisational arrangements such as a resourced training officer position. Central to this are the position descriptors provided at Schedule C of the agreement, which outlines a six-level skill and qualification structure, and other clauses (clause 12 and Schedule A) outlining the training opportunities available to employees and linking the skill and qualification structure back to remuneration.

⁴⁶ Charles Sturt Campus Services provides services on Charles Sturt University campuses across NSW, predominantly cleaning of residential, administrative and teaching facilities, but also including laundry, courier and residential maintenance services: <http://www.csu.edu.au/enterprise/cscs>

The general manager commented that:

I think by the end of this year the majority of our cleaners will have completed that certificate... Now the next level will be, I've got a training officer that looks at what programs we can do to develop them more and then perhaps bring them up the tree as the jobs become available. So there's the incentive there for them to acquire that certificate and then to acquire more skills and a lot of them have actually gone off and done extra stuff and gained other employment elsewhere through that. [general manager]

The employee explained the training arrangement:

Each employee is given the opportunity to enrol and sign up to participate in completing their Certificate III in asset maintenance which included being able to work at heights, comply with WHS, complete restoration of floors, ensure correct use of manual handling skills and colour coding etcetera, but also in regards to that, [the level of training provided] it was taken into account each employee's years of service within the cleaning industry Any employee that commences with our company starts on a level 1, which is equal to no former qualifications and they are then offered the opportunity to undertake Certificate III in Asset Maintenance and that in turn then sets them up for the next level and so on until you progress higher up through the levels. [employee]

The general manager explained that to address the need to move towards more consistent entitlements across the organisation, clause 51 provides a mechanism for employees to transition from their pre-existing arrangements to the pay and conditions provided under the agreement. In relation to pay, it was further described that this occurred through a process of absorption, while clause 51.2 provides for individual timetables to be put in place to move to conditions under the agreement:

With the monetary differences, the salary maintenance was basically utilised to go to staff ... over time and as pay increases came in that [difference] was absorbed and everyone would be on a level playing ground. And we had toilet allowances, travel allowances and all sort of different things that were different over time in different places which we basically preserved and then washed out over time. [general manager]

Perceptions of productivity, innovation or other benefits at the workplace

In describing the productivity enhancing effects of the clauses, the ER consultant spoke about the benefit of linking qualification and skill levels to remuneration:

The certification process and the training [was already in place], it was relatively easy to then look at the classification structure to put in the reinforcement of the practice that was going to be [an] ongoing improvement process...

Increasing salaries and productivity was to be driven by productivity improvements and we saw that as a way of doing that. That is, people were already beginning to comprehend the skill development question, and the classification structure reinforces that by saying, you'll move up by increasing your skills and qualifications where it's needed for the job, you know. [ER consultant]

The general manager was strongly of the view that the increased skill level of employees had resulted in a more productive workforce, and that the enterprise agreement had been part of this:

My analysis in all these categories—safety, quality assurance and finance — I've got a lot of evidence to back what I'm saying up. Since we've done these things the quality assurance is way above mean KPIs, in terms of complaints versus compliments, in terms of customer satisfaction through surveys, our injury statistics are on a decline, since this year alone we've halved our work cover claims and lost time injuries ... without these processes and this EA to help us with that, we wouldn't be able to achieve those results. [general manager]

For the employee, the provision of training opportunities and their connection to advancement presented financial and professional benefits:

The number one incentive would be the higher income and to the opportunity up-skill—a lot of our staff have never had any kind of qualification before, so of course that's an advantage to any employee to better themselves within anything, [but] the number one incentive is the money figure. [employee]

The employee provided a personal example of how training was linked to progression under the agreement:

I have successfully completed a First Aid course and currently completing my TAFE course [Certificate IV in Training and Assessment], so that will help me to progress to another level in the future and all the coordinators have successfully completed Certificate IV in Business Management so there are opportunities and they are offered to each employee.. [employee]

The benefit of the transitional arrangements clause was the contribution it made to the process of bringing the disparate campus operations into a more integrated whole, the general manager said:

We are a company that's driven to be consistent and to provide a consistent service and we need to be able to do that on an industrial relations level. Just the other day I had a discussion with all the employees across all the campuses via video link. They're able to see other staff in the same business ... and they should all be feeling as though—we are the same people doing the same job getting paid the same amount of money in the same state. [general manager]

The general manager added that creating a clear and uniform classification structure for employees was also beneficial:

It's in layman's terms that [employees] can understand and they can work towards—I can look at this in the EA and that's where I can go to next. That's the levels. If I do training I can get to this part in the organisation. The enterprise agreement allows them to see that. [general manager]

The employee supported this, saying the clause had helped 'to put everybody on a level playing field and stop confusion with the many different pay rates and agreements.'

Workplace specific factors or limitations

The general manager and ER consultant said there had not been any significant issues with the implementation or operation of the agreement. However, they emphasised that the clauses in the agreement were just one part of a broader package of organisational arrangements—resourcing, policies and procedures—which contributed to beneficial outcomes.

In particular, the early development of a training package for staff and associated policies and procedures had created a platform which the enterprise agreement could build on:

I implemented in the early stages a training program and enrolled all the staff. We had an online training module for all the staff with a nationally recognised Certificate of Asset Maintenance Certificate III. All the staff were then getting their procedures and processes and work things aligned across all the campuses so everyone was doing the same thing. And, similarly with the enterprise agreement where we're all doing the same thing; it was just aligning things. [general manager]

The general manager also added that there have been particular challenges for employees in regards to undertaking training:

For this particular group of people just doing their Certificate III in Asset Maintenance was a huge challenge for them. If we look at their language, literacy and numeracy skills, their technical skills in using computers and things like that. This has been a process which is only just being finalised now. [general manager]

In terms of the transitional arrangements clause, the general manager said it had required careful communication to ensure employees understood where they stood in terms of their pay slip and how the absorption process worked.

The ER consultant added that it may have been difficult to bring all of the employees under the single agreement structure without the transitional arrangement stating that 'the take home pay preservation was really the mechanism for getting the agreement'.

B.2.2 [Murwillumbah Services Memorial Club Ltd Enterprise Agreement 2014](#)

The clauses discussed in this case study relate to training and learning provided to employees in hospitality, customer service and other areas connected with the employer's operations.

Clause 44 Training

'44.1 The employer's policy and philosophy is to encourage training and learning for all of its employees. It is the employer's view that proper training and learning results in a more motivated and highly skilled workforce.

The employer will place a significant focus and concentration upon improved customer service through this training and learning regime.'

Clause 44.2 Core training and learning

'Employees will be encouraged, and in some cases shall be required to undertake courses and training that will enhance their level of competency and knowledge which is likely to have benefits to the employer's business.'

Clause 44.5 Elective Study and Training

'An employee may elect to undertake training and study beyond core training and learning. It is anticipated that such training shall include courses beyond Certificate IV and include tertiary studies including Diploma, Advanced Diploma and Degree qualifications.'

[The full text of clause 44 is reproduced at Attachment C]

Data collection details

Telephone interviews were conducted with a principal consultant used by the employer in the negotiation of the enterprise agreement (referred to below as the consultant), a senior executive of Murwillumbah Services Club⁴⁷ (referred to below as the senior executive), and an employee engaged in function coordination and customer service roles (referred to below as the employee). The findings below are based on these interviews.

Overview of the workforce covered by the agreement

The senior executive stated that the agreement covers 30 staff in hospitality and administrative roles.

Background to introduction of the clause

The consultant noted that the Murwillumbah Services Club's first enterprise agreement in 2007 included the nominated clauses, which were retained in substantially the same form in the current

⁴⁷ Murwillumbah Services Club is located in the town of Murwillumbah, New South Wales and offers dining, TAB and Keno facilities. See: http://www.msmc.org.au/layouts/mp_standard/Template.aspx?page=About+Us

agreement. The senior executive and consultant agreed that the decision to make the enterprise agreement was motivated by the need to retain quality staff in a competitive environment:

The manager there had a very good team of staff and he wanted to do two things. He wanted to retain the staff that he had there and also attract good quality staff into the future. In Tweed Heads [a larger nearby town] there are a number of large clubs and what he found was there was a number of staff who believed that they probably had better career opportunities working for the larger clubs... in the Tweed area. So he went down the path of putting together what was then a collective agreement back in the old days, back in 2007 and we included in that the health and welfare allowance. The Quit Smoking Program was put in place. We had these training provisions in there because that was part of being able to retain good staff and make it a venue which could be a career path for them. [consultant]

How the clause operates

Clause 44 of the agreement provides for employees to undertake training and education funded by the employer. The clause provides that core training, which includes lower level courses in hospitality, customer service and other related fields, is paid for by the employer and undertaken in paid time. Elective training covers study up to degree level and may be supported at the employer's discretion.

The senior executive described the take-up and utility of training under the clause:

In terms of the core training, I would imagine it would be over 50% of our staff would have gone through core training and learning. In terms of the elected study, we have had a couple utilise that and there has been some indirect benefit back to the club in that regard. Obviously they are a lot happier here. One of them had done a workplace health and safety and there was some application to here, but that particular lady has actually up-skilled and is looking now into getting into that industry moving out of hospitality. [senior executive]

The consultant emphasised that the training had to align with the Murwillumbah Services Club's operations: 'It has to be relevant to the hospitality sector. In other words, you can't do an engineering degree at the expense of the club because there is no relevance.'

The employee talked about the training she had received:

I have [had] customer service education. They have that on a regular basis, probably every two or three months. It involves how to treat your customers, how to promote the club and all sorts of educational things on customer service.

...

Also, nearly every year the chef and myself have been sent to Sydney for seminars which benefits how we do our functions and food. That's been a plus as well. [employee]

Perceptions of productivity, innovation or other benefits at the workplace

Asked about whether the clauses had an impact on productivity, the senior executive responded that there had been a positive effect on the club's operations that had resulted from a higher skilled workforce:

If I can use some real live numbers, our revenue last year was up 16%, in a fairly tough environment. Most clubs in our area were tracking at CPI, so we are fairly comfortable with the returns that we are getting. The numbers speak for themselves and we are a people business, that's just not our staff but also our members, we are member owned. We look after our members, we look after our staff, it all works. [senior executive]

The higher level of skill that employees brought to their work meant Murwillumbah Services Club was able to operate with fewer staff than would otherwise be required:

My catering department for example runs on about 9 or 10 staff. Now if I was in any other environment I would need probably another thirty or forty per cent on top of that, so it is definitely far more productive. [senior executive]

In terms of broader benefits, the senior executive said he believed the clause had helped the club achieve its goal of attracting and retaining quality staff:

We've got a number of large venues 20 minutes to the north of us and they are very good operations. For us to be able to attract quality and skilled employees we have to go outside of the box in our thinking and I think we have been able to achieve a fair balance there with the training component. Equally, it is retention. Once again, to be able to retain the highest calibre of staff we've got to be able to continually up-skill them. [And] the benefit of that of course is better business with their servicing our members in a better manner and that leads to improved revenues and generally profits. [senior executive]

In relation to the 'bottom line' impact of a higher skilled workforce, the senior executive added that:

If you don't have good staff you don't have a bottom line. We have seen that over the years. We conduct a lot of in-service or in-house customer service training and the periods we haven't done that, generally our profits have declined. So I can't put enough emphasis—the staff, our people are the key to our success. [senior executive]

The employee said she believed that the training provided at the workplace, particularly around customer service, had enabled her and her colleagues to do their job better:

I have been here about 14 years, and the training has definitely helped everyone do their job better. Everyone is happier in their job and ... you won't very often get anyone leave this workplace because everything is run so well. [employee]

The senior executive highlighted that the training clauses were part of a broader package of benefits and opportunities provided under the agreement that contributed to a positive working environment:

My board of directors here are very supportive of having a good culture, a good working environment for our staff to work in. That's really been the impetus of the collective agreement. It's about putting in writing the culture of the club. [senior executive]

Workplace specific factors or limitations

The senior executive, consultant and employee did not believe there were any particular challenges associated with the implementation or operation of the clauses.

The consultant however noted that while there was not a strong financial benefit or cost associated with providing training, it contributed to attraction and retention in a competitive environment:

[The benefit to the employer is] not a lot financially. But what it does, in reality, the bottom line cost to the employer is not a lot, in fact it's probably negligible but again it's a case of being able to offer more advanced conditions of employment at Murwillumbah than any other club. [consultant]

B.2.3 [Thiess New South Wales Building Enterprise Agreement 2012–2016](#)

The clauses discussed in this case study relate to the scope of work performed by employees and the relationship between skill acquisition, classifications and remuneration.

Clause 6.1 Workplace flexibility

'Workplace flexibility is a condition of employment. Employees shall be multi-skilled and work in a completely flexible manner. All employees will be required to perform a diverse range of functions

within their level of skill and competence. There shall be no, restrictions or limitations on the performance of work, including or between traditional crafts, occupations, vocations and callings.’

Attachment A Classifications

‘All employees will perform work and will undertake indicative tasks and duties to the extent of:

- The classification under which they are engaged; and
- Their skills required under the terms of employment

Each Construction Worker Level (CW) builds on the preceding Construction Worker Level skills base as a prerequisite for ongoing skills development. Construction Workers are required to carry out all tasks identified for each level for which they have the skills/competency both at their classification level and the preceding classification level.

All skills will be assessed in accordance with the ‘Thiess Contractors Skills Assessment System’ manual ...’

[The full text of clause 6.1 and a more extend excerpt from Attachment A – Classifications are reproduced at Attachment C]

Data collection details

Telephone interviews were conducted with a human resources manager (referred to below as the HR manager) of Thiess Pty Ltd⁴⁸ (Thiess) and an official of a union that represents employees covered by the enterprise agreement (referred to below as the union representative).

This case study is based on these interviews.

Overview of workforce covered by the agreement

The HR manager explained that the *Thiess New South Wales Building Enterprise Agreement 2012–2016* covers a relatively small core workforce of high-skilled, experienced building and construction employees directly employed by the company (with other workforces on Thiess building sites employed by sub-contractors). As one of many enterprise agreements Thiess has in place, the agreement covers up to 100 or more employees on commercial building projects in New South Wales, depending on the stage of the projects.

Background to introduction of the clauses

The HR manager advised that the clauses were contained in previous Thiess enterprise agreements in some form, though in some cases were adapted or refined for the current enterprise agreement, so it was unclear what the genesis of the nominated clauses was.

How the clauses operate

The HR manager explained that clause 6.1 and the classification structure in Attachment A to the enterprise agreement operate together to align employees’ skills with their remuneration, while at the same time requiring employees to perform any work within their skills and ability.

⁴⁸ Thiess is a multinational construction, mining and services contractor. See: <http://www.thiess.com.au/our-business/about/ourstory>

This agreement aligns more closely with technical and behavioural skills, so it's really able to reward those who are more holistically skilled including the core long term Thiess building employees in New South Wales. [HR manager]

In effect, the workplace flexibility clause and classification structure combined to form a matrix of skills, rather than positions, with employees able to move up the classification structure as they acquire further skills. The HR manager said this happened through an assessment and performance review process conducted by supervisors on a six monthly basis.

Perceptions of productivity, innovation or other benefits at the workplace

While acknowledging the difficulties associated with measuring productivity at the workplace level, the HR manager explained that her experience had been that the combination of the workplace flexibility clause and the classification structure 'absolutely contributes to productivity' at the workplaces to which the agreement applied.

The HR manager relayed the views of a Thiess Operations Manager who had worked in the building industry in New South Wales for over 35 years:

With regards to the Workplace Flexibility clause, his anecdotal evidence is that it absolutely enhances productivity through mandating multi-skilling of the workforce. He reinforced that every workforce employee is multi-skilled and expected to perform any task that is within their skill level. For example this means that no hoist driver, or carpenter, or crane operator, is exempt from picking up a broom and cleaning up the worksite, or helping to erect scaffold; if that task is within their skill level. He noted that this is a marked difference from the 70s, 80s and 90s where there was strict demarcation of roles and less flexibility, and certainly less productivity.⁴⁹ [HR manager]

The HR manager considered that the workplace flexibility clause enabled employees to be deployed across the evolving tasks required on projects, rather than being restricted to a defined work role that may not be required at a particular time. This provided flexibility for the company and increased job security for employees, as they were able remain productively engaged on projects for longer:

When we are ramping up and down on projects and a have a very small workforce we have the flexibility to have our core workers engaged early and keep them engaged to the end because we're not restricted. So it won't be a situation where we don't need a roller driver and you're a roller driver so therefore your role is made redundant. [HR manager]

The HR manager stated that she was anecdotally aware that enterprise agreements in other sectors which used role-based classification structures, for example in civil construction and tunnelling, tended to be less productive to the extent that they were unable to utilise that flexibility.

In terms of broader benefits, the HR manager added that the clause and classification structure had also helped the company develop a higher skilled and more flexible workforce, while for employees it provided a pathway for advancement:

With workers required to be unrestricted in skills and the work they perform, it really provides that flexibility to have the best employees in not just the technical sense, but also the behavioural sense, rewarded and retained until the end of the job and also at the beginning of the job.

It means employees who are really driven to achieve a higher level of pay or recognition or to better themselves for promotion to supervisor along the track, they're really able [to] take ownership of the process and request further training, or I want to be able to work in this area as well and subsequently be assessed

⁴⁹ This information was provided in an email from the HR Manager to Fair Work Commission staff received on 21 October 2014.

at a higher level. In that way it encourages multi-skilling and productivity with a monetary incentive to the worker. [HR manager]

The union representative said the clauses ensured employees were paid appropriately for their high level of skill, while enabling the company to 'have a very skilled and multi-skilled group of workers':

It doesn't surprise me that they find [these clauses] valuable, and I think workers find it valuable because it means they can up-skill and become quite highly trained individuals themselves. [union representative]

The union representative added that, because the employees covered by the agreement were of longer standing and had greater job security than many other construction workers, they were 'really are able to tap into these opportunities for training and further development.'

Workplace specific factors or limitations

On any challenges presented by the implementation or operation of the clause and classification structure, the HR manager explained that they were relatively time and resource intensive compared to more traditional arrangements. She further explained that it relied on the development of supporting practices and materials such as the company's internal skill assessment system:

It's easier to have a class structure which says 'you are CW 3 forklift driver right done... and you do that until you become a crane driver which is a CW 5'. The workplace flexibility clause and classification structure in the building agreement[s] are more time consuming because the supervisors are required to do assessments. There is a full guide that goes with that, which does take some of the subjectivity out of it. [HR manager]

The relatively small group of employees covered by the agreement was central to making the skill assessment workable and the HR manager indicated that it may not be feasible for other settings:

The supervisors know the guys intimately, they know what they can do, they've usually worked with them a long time... I think it would be a greater challenge to have that kind of clause or particular contract structure on a very large project where you have a lot of new entrants or new faces. [HR manager]

The union representative identified the workplace relations context in which clauses such as these operated as significant:

It does depend on the employer, sometimes you see these sorts of flexibility clauses abused or work in such a way as to impose greater obligations without getting the training or receiving the proper pay, we can have disputes sometimes around classifications and job duties. But where there is a real buy-in by the employer, employees and the union these clauses can be quite beneficial. [union representative]

B.3 Incentives and engagement case studies

Nominated clauses from the three agreements listed below broadly related to measures to provide incentives for employees or engage employees in order to improve workplace practices.

B.3.1 [Alcoa Australia Rolled Products Yennora Agreement 2013](#)

The clause discussed in this case study provides a mechanism for engaging employee teams in the process of identifying, formulating and implementing measures to improve efficiency and other outcomes.

Clause 8 Commitment through Teamwork and the use of ABS [Alcoa Business System] Tool

'a) Work teams and their members will work constructively with their Superintendent and Manager to meet the goals of the business. They will participate in a range of activities including the following:

(i) The development of plans to improve safety and environmental performance

(ii) Initiatives designed to maximise employee effectiveness and capability through;

...

e. Work improvement projects designed to enhance operational performance relating to such things as process efficiency, labour productivity, quality, cost control, recovery and reliability. The teams will normally progress such projects within standard rostered hours or agreed rostered changes.

b) All team members will be trained in the principles of the Alcoa Business System (ABS) and will utilize the tools involved in all areas of work in the pursuit of continuous improvement and best practice. This will include, but not limited to participation, in workplace redesign initiatives, TPM (Total Productive Maintenance), Kaizen, Problem Solving, Communication, 5S, Suggestion schemes and other quality processes including Incontrol and Capable (IC&C) and Process Management.'

[The full text of clause 8 is reproduced at Attachment C]

Data collection details

Telephone interviews were conducted with an official of a union that represents employees covered by the enterprise agreement (referred to below as the union representative) and a human resources manager (referred to below as the HR manager) and operations manager (referred to below as the operations manager) of Alcoa Australia Rolled Products Pty Ltd (Alcoa).

This case study is based on these interviews.

Overview of the workforce covered by the agreement

The HR manager outlined that the *Alcoa Australia Rolled Products Yennora Agreement 2013* covers approximately 140 employees engaged as operators and in electrical and mechanical trades roles at Alcoa's aluminium recycling and rolled products facility in Western Sydney.⁵⁰

The HR manager also noted that the Yennora facility is scheduled to be closed in December 2014 for reasons unrelated to the enterprise agreement clauses.⁵¹ The union representative shared this view.

Background to introduction of the clause

The operations manager indicated that the clause in its current form, including the reference to the Alcoa Business System tools, became part of the enterprise agreement at Yennora in 2005. This flowed from work across the Alcoa group to develop work tools based around concepts such as lean manufacturing which began in the early 1990s.

How the clause operates

The operations manager outlined that clause 8, and the Alcoa Business System that underpins it, provided a systematic approach to organisational improvement through engaging the whole workforce in improvement processes and providing a suite of supporting tools and methodologies.

The operations manager described the Alcoa Business System in operation:

⁵⁰ More information about the company is available at: http://www.alcoa.com/mill_products/australia/en/home.asp

⁵¹ The company's statement about the closure of the Yennora facility is available at: <http://www.alcoa.com/australia/en/news/releases/PTH.asp>

We start by identifying a business need for change, it might be we need to increase the output of one of our mills by five per cent. We would then pull together a work team which could be an accountant, operators, trades people, supervision staff with relevant skills in the area that we are going to attack. We will set a business objective and normally set a five day agenda for that team to identify methods to achieve that improvement, trial those methods in real time in the workplace, create plans to be implement those methods and entrench them in our normal work processes. [operations manager]

Perceptions of productivity, innovation or other benefits at the workplace

The operations manager described the Alcoa Business System as a tool to enable changes to work practices to be 'identified, perfected and then implemented by operators on the floor, which means typically you are not going to have to pay for workplace changes and ultimately they are driven by the team.'

The operations manager further concluded that the clause had helped create a drive for employees to have influence in decision making in the workplace as a team:

What it allows is to entrench the principles that people will be engaged in improvement. It's a normal part of work. [operations manager]

From the employee perspective, the union official outlined that the clause had empowered employees to participate in decisions about how they work:

The team members under this agreement are given quite a lot of input into decision making about a range of issues that affect them including leave rostering, rostering in general, customer and supplier interaction, material scheduling and so forth. [union representative]

Asked about any impacts on productivity, the operations manager and HR manager described two examples of improved work practices that had been implemented under the clause using Kaizen,⁵² a team-based continuous improvement methodology which forms part of the Alcoa Business System:

In our ingot department, they went through a Kaizen which covered off different crewing numbers. They looked at the work that can or can't be done depending on the crew sizing and skills that needed to be there. They wrote procedures around 6, 7, and 8 people crew. And we did a similar one again with a 'roll-through crib' which basically means you aren't stopping the machine to allow meal breaks to occur. So the guys go off 1 or 2 at a time, depending on what it is and have a meal while the others stay behind and make sure the machines are still running. [HR manager]

The operations manager described another project which unlocked a production bottleneck by increasing the throughput rate on a rolling mill by 10 per cent, where 'the work team identified changes in work methods ... and they wrote and trialled and implemented standard procedures to achieve that outcome.'

Discussing the impact of these projects, the operations manager said that 'in a traditional sense we would have to pay real money to get something like a rotating crew breaks in place.' The operations manager further summarised the cumulative effect of these improvement projects:

Over the various Kaizens year on year we've lifted from 70 passes a day to now we can do 100–110. That has happened through various improvements, some of them operations based, some upgrades. It's hard to put in absolute terms, but we would expect a couple of per cent every year on year on those major pieces of equipment through work improvement activity. [operations manager]

⁵² See, for example: Imai, Masaaki (1986) 'Kaizen: The Key to Japan's Competitive Success'. New York: Random House.

The union representative said the clause was innovative in enshrining in the agreement a process for a manufacturing level workforce to have input into decisions about how their work is done:

The team members under this agreement are given quite a lot of input into decision making about a range of issues such as leave rostering, customer and supplier interaction, and so forth...

Essentially why it's positive and innovative in that it enshrines in the agreement input from manufacturing level workforce in decisions about how their work is done. [union representative]

In terms of if its effect on the workplace, the union representative explained that 'often workers will be best placed to know what is needed as they are living and breathing it' and that:

I think it means they can operate more efficiently. People can move around to different areas as needed and because they are planning their own rosters and leave arrangements it means the employees are on the same page on those issues, so I think it can lead to a better organised workplace. [union representative]

Workplace specific factors or limitations

The union representative expressed the view that the clause had operated smoothly and, aside from some minor issues around rostering, there were no challenges associated with its operation that he was aware of.

From the company's perspective, the HR manager explained that because the Alcoa Business System was developed in the 1990s, many of the systems and processes were well understood by the time the associated clause in the enterprise agreement was introduced.

One issue that the HR manager recalled had emerged in seeking to introduce the clause was to provide reassurance to employees and their representatives around the nature and scope of the work it covered: 'hence we went to quite a length to stipulate in detail the kind of work we were talking about'.

In relation to the Alcoa Business System itself, the operations manager explained that the Alcoa Business System was designed specifically to be implemented and applied within the context of Alcoa's operations. The operations manager further outlined that the Alcoa Business System was a detailed system that had been developed by and for Alcoa, based on work in the United States around the concept of 'lean manufacturing,' and therefore was developed and documented externally to the enterprise agreement.

[B.3.2 Thiess New South Wales Building Enterprise Agreement 2012–2016 and Thiess Pty Ltd Regional NSW Civil Road Constructions State Agreement 2013–2017](#)

The clauses discussed in this case study relate to employer-employee consultative committees and productivity allowances paid on projects. An aspect of this is how KPIs are set under the *Thiess New South Wales Building Enterprise Agreement 2012–2016* and the different approach under the *Thiess Pty Ltd Regional NSW Civil Road Construction State Agreement 2013–2017*.

Thiess New South Wales Building Enterprise Agreement 2012–2016

Clause 37 Consultative committee

'37.1 The Consultative Committee will be comprised of elected full time Thiess Employees and management representatives in equal numbers to a maximum of six people.

37.2 This committee shall deal with matters as referred to them or matters as agreed by the parties

which include, but are not limited to:

- a) Review the implementation of the Agreement and monitor performance payments;
- b) Discuss and resolve, where possible, relevant industrial issues as they arise.'

Clause 10 Productivity/performance allowance

'10.1 To provide incentive and recognition for increased performance the Company will pay Productivity Allowance which comprises the following components:

1. General Performance; and
2. Safety and Environmental Incentive...'

Thiess Pty Ltd Regional NSW Civil Road Construction State Agreement 2013–2017

Schedule D Thiess productivity allowances

'Thiess will pay, subject to KPIs being achieved, productivity allowances in accordance with the following table. The allowances are calculated as a flat rate on the basis of each paid hour worked including overtime for the life of a project which is the subject of this Agreement. Apprentices and Trainees shall receive the same productivity allowances as the general workforce.

KPI	METHOD OF MEASUREMENT	AMOUNT PER HOUR WORKED	FREQUENCY OF PAYMENT
General Performance	Completion of assigned tasks	\$1.50 per hour	Weekly
Environment and Safety	To be determined	\$1.50 per hour	Weekly
Quality	To be determined	\$1.50 per hour	Last pay of each month

The Environmental and Safety payment will be paid each week and the Quality payment will be paid each month retrospectively...'

[The full text of Schedule D is provided at Attachment C]

Data collection details

Telephone interviews were conducted with a human resources manager (referred to below as the HR manager) of Thiess Pty Ltd⁵³ (Thiess) and an official of a union that represents employees covered by the enterprise agreement (referred to below as the union representative).

This case study is based on these interviews.

⁵³ Thiess is a multinational construction, mining and services contractor. See: <http://www.thiess.com.au/our-business/about/ourstory>

Overview of the workforce covered by the agreement

The HR manager explained that the *Thiess New South Wales Building Enterprise Agreement 2012–2016* covers a relatively small core workforce of high-skilled, experienced building and construction employees directly employed by the company (with other workforces on Thiess building sites employed by sub-contractors). As one of many enterprise agreements Thiess has in place, the agreement covers up to 100 or more employees on commercial building projects in New South Wales, depending on the stage of the projects.

The HR manager further explained that the *Thiess Pty Ltd Regional NSW Civil Road Construction State Agreement 2013–2017* (civil construction agreement) covers approximately 300 employees engaged on civil construction projects in regional NSW, primarily constructing sections of major highways. Employee roles range from civil road labourers to operators and bridge carpenters.

Interviewees' comments on why the clauses were introduced

The HR manager explained that in the past many agreements contained site or project allowances which were paid without reference to KPIs. Over time, clauses such as these are evolving to include a greater focus on output-based measures, clause 10 of the *Thiess New South Wales Building Enterprise Agreement 2012–2016* being an example.

Project consultative committee clauses have existed for some time and were continued from previous agreements.

How the clauses operate

Clause 37 of the building agreement provides for the creation of consultative committees comprised of management and employee representatives. The HR manager outlined how a consultative committee can allow for communication between employees and management:

The committee allows employees to raise issues directly with management in a timely manner that otherwise might be raised with unions. The point isn't to try and move away from union contact, but Thiess particularly believes that employee engagement will eliminate industrial disharmony on the sites and remove the requirement for hard IR practices and rules and restrictions if your employees are happy and have a voice and feel like they're being heard. [HR manager]

On major projects or projects with multiple sites, the HR manager explained that representatives would often be drawn from across the sites or areas of work to facilitate communication and sharing of lessons learned.

The productivity allowance in clause 10 of the building agreement provides for periodic payments to be made to employees on a project when general performance and safety and environment KPIs are met. The HR manager said the idea behind clauses such as this was that 'setting measures around productivity creates ownership of achieving that allowance by the workforce and a certain level of responsibility placing it back on the workforce.'

Perceptions of productivity, innovation or other benefits at the workplace

The HR manager explained that the key benefit of the consultative committee clauses was to provide a mechanism for identifying and resolving problems on work sites on at an early stage:

We don't always know what's going on, what's being talked about in the crib sheds, and even though the foreman can bring issues to us it's great to sit in a room with the project manager and HR rep and superintendent and a few employees from across a job site and say 'alright what's going on what are the issues'. What we find is that we're able to fix issues within this forum, which if otherwise left unchecked, can cause industrial disharmony on a site. [HR manager]

The HR manager further expressed a view that the consultative committee had a positive impact on productivity through promoting industrial harmony on site:

Without the consultative committee I think is the potential for greater incidence of industrial issues or disharmony because employees may not have a voice. [HR manager]

It was further added by the HR manager that it was 'likely' that many sites would establish consultative committees even in the absence of a requirement under the agreement given the gains that flow from them.

The union representative similarly said that the existence of the consultative clause often enabled problems to be 'nipped in the bud':

These workers are very highly motivated, they have the capacity to agitate for themselves, so they only need our help if there is something quite difficult to get over. [union representative]

In relation to the productivity allowance clause, the union representative said she believed the productivity allowance clause provided an important benefit to the building employees:

Every industry has its own little formulas around pay and these do provide incentives for people to do high quality work, to put in if you've got to do a bit of extra overtime and often these workers will work six days a week, quite long hours, so these clauses are important in recognising for the extra effort you get the extra pay. [union representative]

The HR manager said while she felt the productivity allowance clause had a positive effect on the work environment, the fact that it had become an ingrained part of employees' pay limited its direct impact in influencing workplace behaviour. However, the HR manager further went on to say:

What I hear from on site is that although its rare if it's not paid, it's always there as a mechanism if we need to call on it to ensure employees act in a way that that both the company and unions are expecting, particularly regarding safety, because you've set it out quite clearly in the agreement. [HR manager]

The HR manager compared the operation of the productivity allowance clause under the building agreement with a comparable clause under the civil works agreement, where the KPI measures are set by the consultative committee. While noting the different workplace contexts in which the clauses operated, the HR manager noted the benefits of consultative committee involvement:

I think what you get with the civil agreement is more buy in from the workers from the get go given they are provided with the opportunity to be heard on KPIs, whereas with the building agreement, in practice it probably works with the builders because they've got quite a small team, they communicate very directly with [the] foreman and are able to air any grievances that they have. [HR manager]

Workplace specific factors or limitations

While considering that the consultative committees generally worked smoothly, the HR manager identified that it was important to be clear around resourcing and the role of participants:

There needed to be a strong message put forward is the core role of these employees is their role as a worker, and anything ancillary to that, permission had to be requested and agreed to by the site foreman. I think in practice it's all good and works quite well. [HR manager]

In relation to the productivity allowance clause, the HR manager highlighted the difficulty in formulating appropriate measures or KPIs that would directly connect with productivity gains sought, providing an example relating to the civil works agreement:

It's very hard in the civil game. Tunnelling for example may be a bit easier, you have quite measurable targets around how many rings did you complete, how far down the tunnel are you. Civil works are a little more subjective in how you achieve productivity gains. You can measure concrete pours or meterage of earthworks moved, but there are so many elements that come to play in terms of things outside the control of individual workers.

We've had a lot of discussion with managers about government requirements for Workplace Relations Model Plans that have to outline how we're going to increase productivity in our projects. [HR manager]

The union representative said that in other companies with similar allowances 'there had been the odd dispute about whether milestones have been reached', but the consultative committee and buy in from workers had helped to avoid that under the building agreement.

The union representative said they believed the productivity allowance clause in the building agreement encouraged employees to work more productively, but also emphasised this was also connected with the particular workplace context in which it operated:

I think they're not punitive, they're about consultation, they have buy in from both sides – employees, management and unions and there's recognition that it's important for projects to run on time, that they're run safely and people comply with their obligations.

It's done in a positive way, rather than a let's get rid of everything in an award and wrap it up in one bundle and that's the end of the discussion. It means it's more productive and proactive by everyone and that gives a good outcome. I think these clauses have stood the test of time, when we negotiate agreements those clauses are taken for granted to be rolled over into the next agreement because they've been beneficial to both sides. [union representative]

Clauses discussed in the case studies

Flexibility and leave

C.1 [Cerebos Foods – Part Time Local Sales Representatives Enterprise Agreement 2013](#)

Clause 1.2 Purpose of Agreement

The Agreement is intended to provide employees with Part Time and other conditions of employment which enables each employee to better balance their individual work and family responsibilities.

The nature of the Merchandiser work undertaken in grocery retail stores such as Woolworths and Coles, which may operate on a 24/7 basis, provide a unique opportunity for employees to work on days and at times that best suit their individual needs.

On the basis that the work, (which the employee is advised of up to three months in advance), is completed on a weekly basis, the Agreement empowers each employee to determine the days on which they work, as well as their starting and finishing times.

Each employee can change, at any time, without notification to or approval of the Company, the days on which they work, as well as their starting and finishing times.

This enables each employee to better cope with planned and unexpected family events, while maintaining their take home pay, thus providing the basis to better balance their individual work and family responsibilities.

The Agreement replaces the *Cerebos (Australia) Limited Part Time Local Sales Representatives Enterprise Agreement 2010*.

Clause 2.4 Hours of Work

2.4.1 The work expected to be completed will not require an employee to work:

- prior to 6:00 am or after 6:00pm; or
- on a weekend; or
- on a Public Holiday; or
- hours equal to or in excess of 38 hours in a week.

2.4.2 Each employee will determine the days on which they work, as well as their starting and finishing times. An employee may choose to work on any day and at any time, Monday to Sunday, which an employee can change at any time without notification to or the approval of the Company.

2.4.3 The day, starting and finishing times and/or hours worked will not attract additional payments and/or entitlements to those cited in the *Certificate of Employment* and/or in the Agreement.

2.4.4 Employees must obtain prior approval from their immediate Manager, to claim payment for hours in excess of the weekly hours cited in their *Certificate of Employment*, calculated on a month

basis.

2.4.5 Any approved hours worked in excess of the weekly hours cited in the employee's

Certificate of Employment, by agreement between the employee and their immediate Manager may be taken as time off on the basis of one hour off for each hour worked.

2.4.6 At each month end, any approved hours not taken by the employee as time off will be added to the employee's Annual Leave balance on basis of one hour for each hour worked.

C.2 Coles Supermarkets Australia Pty Ltd And Bi-Lo Pty Limited Retail Agreement 2011

5.3.6 Flexible employment arrangement

A permanent team member (excluding a Department Manager/Team Leader) may, by agreement with the Company, take pre-approved leave for specified periods of time to enable the team member to meet individual circumstances subject to the following:

- (a) The guaranteed periods of leave will be set for at least the following 12 months by agreement between the team member and the Company. These periods can be changed by mutual agreement. The 12 month period referred to in this subclause may also be varied by mutual agreement;
- (b) The team member and the Company will agree to the hours of work per four week cycle. All work will be rostered in line with the rostering principles of this Agreement;
- (c) By agreement, team members may work during their guaranteed periods of leave. Payment for these hours will be at the team member's ordinary time earnings plus any applicable penalties. Team members will also accrue leave for these hours;
- (d) The team member and the Company will review annually the guaranteed periods of leave;
- (e) Leave can be taken as either paid leave (Le. annual leave or long service leave) or as unpaid leave. If unpaid leave is taken for more than one week then the team member's entitlements to annual leave, sick leave and long service leave will be frozen from the date of commencing unpaid leave;
- (f) Leave cannot be taken during the last two weeks of December; and
- (g) A team member may discontinue working under this arrangement with 3 months' notice to the Company (or less as agreed). The team member will continue to be engaged on a permanent basis upon the end of this arrangement.

6.8 Emergency services leave

Entitlement to emergency services leave

6.8.1 A permanent or casual team member involved in recognised voluntary services including SES and fire fighting shall be entitled to time off to attend to emergency situations.

Notification requirements

6.8.2 It shall be the responsibility of the team member to keep the Company informed about the time off needed to attend to emergency duties.

Documentation requirements

6.8.3 To receive payment, a team member shall provide the Company proof of attendance at the emergency situation.

Payment

6.8.4 Paid time off for permanent team members to attend emergencies in the local area shall not be unreasonably restricted nor accessed.

6.8.5 Paid time off for permanent team members to attend emergencies that are not local shall be limited to two paid days but may be increased depending upon the seriousness of the emergency e.g. major bushfires.

6.8.6 Ordinary time earnings for the purposes of this clause includes District Allowances as provided in clause 4.4.4, and penalty payments the team member would have received had they been at work but does not include other allowances and overtime payments as provided for in this Agreement.

6.8.7 Casual team members are entitled to unpaid emergency services leave.

C.3 Surf Coast Shire Council Enterprise Agreement No. 8 2013–2016

Clause 4.3 Family Violence

4.3.1 General Principle

Surf Coast Shire Council recognises that employees sometimes face situations of violence or abuse in their personal life' that may affect their attendance or experience family violence.

4.3.2 . Definition of Family Violence Surf Coast Shire Council accepts the definition of Family violence as stipulated in the *Family Violence Protection Act 2008 (Vic)*. And the definition of family violence includes physical, sexual, financial, verbal or emotional abuse by a family member.

4.3.3 General Measures:

4.3.3.1 Proof of family violence may be required and can be in the form of an agreed document issued by the Police Service, a Court, a Doctor, District Nurse, Maternal Child and Family Health Nurse and a Family Violence Support Service or Lawyer.

4.3.3.2 All personal information concerning family violence will be kept confidential in line with relevant legislation. No information will be kept on an employee's personnel file without their express written permission.

4.3.3.3 No adverse action will be taken against an employee if their attendance or performance at work suffers as a result of experiencing family violence.

4.3.3.4 Surf Coast Shire Council will identify a contact in Human Resources who will be trained in

family violence and privacy issues for example training in family violence risk assessment and risk management. Surf Coast Shire Council will advertise the name of the contact within the Council.

4.3.3.5 An employee experiencing family violence may raise the issue with their immediate supervisor or the Human Resources contact. The supervisor may seek advice from Human Resources if the employee chooses not to see the Human Resources contact.

4.3.3.6 Where requested by an employee, the Human Resources contact will liaise with the employee's supervisor on the employee's behalf, and will make a recommendation on the most appropriate form of support to provide in accordance with sub clauses 4.3.3.4 and 4.3.3.5.

4.3.3.7 Surf Coast Shire Council will develop guidelines to supplement this clause and which details the appropriate action to be taken in the event that an employee reports family violence.

4.3.4 Leave

4.3.4.1 An employee experiencing family violence will have access to 20 days per year (non-accumulative) of paid special leave for medical appointments, legal proceedings and other activities related to family violence. This leave will be in addition to existing leave entitlements and may be taken as consecutive or Single days or as a fraction of a day and can be taken without prior approval in an emergency situation.

4.3.4.2 An employee who supports a person experiencing family violence may take carer's leave to accompany them to court, to hospital, or to mind children.

4.3.5 Individual Support

4.3.5.1 In order to provide support to an employee experiencing family violence and to provide a safe work environment to all employees, Surf Coast Shire experiencing family violence for:

- changes to their span of hours or pattern or hours and/or shift patterns;
- job redesign or changes to duties;
- relocation to suitable employment within the Council/shire;
- a change to their telephone number or email address to avoid harassing contact;
- any other appropriate measure including those available under existing provisions for family friendly and flexible work arrangements.

4.3.5.2 An employee experiencing family violence will be referred to the Employee Assistance Program (EAP) and/or other local resources. The EAP shall include professionals trained specifically in family violence. An employee that discloses to Human Resources or their supervisor that they are experiencing family violence will be given a resource pack of information regarding support services

Skills

C.4 [Charles Sturt Campus Services Enterprise Agreement 2013](#)

Clause 12 Salary Progression

Salary progression shall be based on an annual review in accordance with the CSCS Occupational Coaching policy.

Clause 51 Transitional Arrangements

51.1 If, at the commencement of the operation of this Agreement, any CSCS employee would receive take-home pay under this Agreement which is less than their take-home pay immediately before the commencement of operation of this Agreement, CSCS shall maintain that take-home pay amount until the payment under this Agreement exceeds that amount.

51.2 Where, prior to the commencement of the operation of this Agreement, any CSCS employee enjoyed particular working arrangements not enjoyed by all CSCS employees, such arrangements shall be modified over time to make those arrangements consistent with the provisions of this Agreement. Each individual employee will be consulted on the method and transition timetable for the changes to align to the conditions in the Agreement. The transition period for such arrangements shall not exceed four (4) years.

51.3 Both sub-clauses 51.1 and 51.2 may apply to the same employee.

Level	Step	Rate	2.6%	2.6%	2.6%	2.6%
		Current 30/8/13 *	1 st full pay period commencing after 30 June 4/7/14	3/7/15	1/6/16	14/7/17
1	1	1329.60	1,364.20	1,399.60	1,436.00	1,473.40
	2	1353.80	1,389.00	1,425.20	1,462.20	1,500.20
2	1	1375.40	1,411.20	1,447.80	1,485.40	1,524.00
	2	1410.00	1,446.60	1,484.20	1,522.80	1,562.40
	3	1426.60	1,463.60	1,501.60	1,540.60	1,580.60
3	1	1449.00	1,486.60	1,525.20	1,564.80	1,605.40
	2	1489.40	1,528.20	1,568.00	1,608.80	1,650.60
	3	1514.40	1,553.80	1,594.20	1,635.60	1,678.20
4	1	1551.80	1,592.20	1,633.60	1,676.00	1,719.60
	2	1581.00	1,622.20	1,664.40	1,707.60	1,752.00
	3	1626.60	1,668.80	1,712.20	1,756.80	1,802.40
5	1	1661.20	1,704.40	1,748.80	1,794.20	1,840.80
	2	1695.20	1,739.20	1,784.40	1,830.80	1,878.40
	3	1740.60	1,785.80	1,832.20	1,879.80	1,928.60
6	1	1831.60	1,879.20	1,928.00	1,978.20	2,029.60
	2	1877.20	1,926.00	1,976.00	2,027.40	2,080.20
	3	1959.40	2,010.40	2,062.60	2,116.20	2,171.20

Schedule A Salary Rates

FORTNIGHTLY SALARY RATES

* N.B. These figures include the Annual Wage Review 2012–2013 (2.6%)

1/1 Entry level

1/2 Requires Certificate III (or equivalent level of knowledge gained through any other combination of education, training and/or experience) and the need to exercise that qualification skill on the job

2/1 Requires Certificate III (or equivalent level of knowledge gained through any other combination of education, training and/or experience) plus an additional license/certification and the need to exercise both qualifications and skills on the job

2/2 Requires Certificate III (or equivalent level of knowledge gained through any other combination of education, training and/or experience) plus two additional licenses/certifications and the need to exercise all qualifications and skills on the job
2/3 Requires Certificate III (or equivalent level of knowledge gained through any other combination of education, training and/or experience) plus three additional licenses/certifications and the need to exercise all qualifications and skills on the job

3 Requires Certificate IV (or equivalent level of knowledge gained through any other combination of education, training and/or experience)

N.B. Part-time employees are paid on a pro rata basis as per sub-clause 21.3.

Schedule C CSCS Position Descriptors – see [Agreement](#) (pp. 29-32)

C.5 Murwillumbah Services Memorial Club Ltd Enterprise Agreement 2014

Clause 44 Training

44.1 The employer's policy and philosophy is to encourage training and learning for all of its employees. It is the employer's view that proper training and learning results in a more motivated and highly skilled workforce.

The employer will place a significant focus and concentration upon improved customer service through this training and learning regime.

44.2 Core Training and Learning

Employee's will be encouraged, and in some cases shall be required to undertake courses and training that will enhance their level of competency and knowledge which is likely to have benefits to the employers business.

Such courses are considered as 'Core Training and Learning' and shall include, but not be restricted to the required and statutory courses such as RSA and RCG; Certificates I, II, III and IV of Club relevant modules of the Hospitality Training Package, and Club specific training such as Customer Service Courses. Such training and the attainment of such qualifications shall provide a level of preference to advance to higher wage classifications contained within Schedule A and B of

this agreement.

44.3 Employer Commitment

Where an employee is requested or required by the employer to undertake a core training course, such courses and training will either be provided by the employer or the employer will pay for such courses and contribute to the cost of the training including arranging training during normal working hours where practicable, contributing towards course fees and materials, arranging assessment, etc.

Where training cannot be arranged during the employee's usual rostered hours, then the employee shall not be entitled to receive in excess of the employee's ordinary (single time) hourly rate for the period of training.

44.4 Employee Commitment

Where an employee has been requested by the employer to undertake a core training course, the employee's commitment shall include traveling to training in the employee's time where necessary; in cases where training cannot be arranged during the usual rostered hours accepting payment for training time occurring outside the usual rostered hours at ordinary time; or agreeing to alter rosters and work flexible hours in accordance with the award to allow training to occur during rostered hours but not so as to reduce an employees' earnings for the usual working time.

44.5 Elective Study and Training

An employee may elect to undertake training and study beyond core training and learning. It is anticipated that such training shall include courses beyond Certificate IV and include tertiary studies including Diploma, Advanced Diploma and Degree qualifications.

44.6 Employer Commitment to Elective Study and Training

If the elective study and courses are related to the Club's operations and hospitality sector and the attainment of such qualifications is considered to be beneficial and likely to enhance the operations of the Club and the skill and knowledge level of the employee, the Club will commit to assist and sponsor the employee in undertaking such courses. The employer shall have the absolute discretion to decide if such a course is likely to be beneficial to the employer and capable of sponsorship and commitment.

44.7 Upon application by the employee to be sponsored to undertake such courses and attain such qualifications the commitment of the employer shall include, but may not be limited to:

- Payment of no less than 50% of the costs of undertaking such courses, including course fees and text books.

Where possible arranging rosters so as not to interfere with the employee attending lectures and tutorials.

- Providing 4 days per annum paid study leave. Such study leave shall be taken within 7 days of the commencement of examinations or the due date of major assignments.

44.8 All agreed arrangements in relation to the sponsorship and commitments for elective study

between the employee and the employer shall be in writing.

44.9 The aforementioned sponsorship and commitments shall only apply to part-time and full-time employees and shall not have application and shall cease if the employee ceases employment whilst undertaking such courses.

C.6 Thiess New South Wales Building Enterprise Agreement 2012–2016

Clause 6.1 Workplace flexibility

Workplace flexibility is a condition of employment. Employees shall be multi-skilled and work in a completely flexible manner. All employees will be required to perform a diverse range of functions within their level of skill and competence. There shall be no, restrictions or limitations on the performance of work, including or between traditional crafts, occupations, vocations and callings.

Clause 10 Productivity/performance allowance

10.1. To provide incentive and recognition for increased performance the Company will pay

Productivity Allowance which comprises the following components:

1. General Performance; and
2. Safety and Environmental Incentive;

10.2. Productivity Allowance shall be applied as a 'flat' payment, paid on an hourly basis. To avoid doubt, this means that the Productivity Allowance will not be compounded or factored in to any shift or overtime penalties.

10.3. Productivity Allowance is in lieu of any other payments, allowances or disabilities that an Employee may be entitled to other than those referred to in this Agreement.

10.4. Productivity Allowance entitlements for Apprentices are outlined in Attachment B.

10.5. General Performance Component

10.5.1. General Performance component is calculated on an individual basis is paid weekly, and is payable at \$3.00 per hour worked.

10.5.2. Payment will not be made for the General Performance component in any pay period if at any time during that pay period an Employee:

1. Leaves a site without the approval of their supervisor; or
2. Fails to comply with the prescribed procedures within this Agreement for 'Inclement Weather' 'Safety Disputes Procedure' or 'Resolution of Disputes,' or
3. Receives a warning under the Counselling and Disciplinary Procedure.

10.6. Safety and Environmental Incentive Component

10.6.1. Safety and Environmental Incentive Component is paid subject to the achievement of Project specific Key Performance Indicators (KPIs).

10.6.2. KPIs and metrics will be established and agreed to on a Project by Project basis, which may include but are not limited to:

1. Completion of JSEAs;
2. Timely incident reporting;
3. Timely Job Safety Observations;
4. Behaviours that are consistent with 'Our HSE Culture' document, as amended from time to time.

10.6.3. The Safety and Environmental Incentive component will be calculated each week on a site by site basis and is payable to a maximum value per hour in accordance with the following table.

Safety and Environmental Incentive Component		
Building Project (Award Project Value)	Within the counties of Cumberland, Northumberland and Camden and 70km radial area from these county borders Max. value per hour	Outside the counties of Cumberland, Northumberland and Camden and 50km radial area from these county borders Max. value per hour
Projects \$0-10M	\$1.00	\$0.75
Projects \$10-25M	\$1.75	\$1.25
Projects \$25-50M	\$2.25	\$1.50
Projects \$50- 100M	\$2.50	\$1.75
Projects \$100-140M	\$3.00	\$2.25
Projects \$140-\$300M	\$3.50	\$2.50
Projects \$300M+	\$4.00	\$2.75

Clause 37 Consultative committee

37.1. The Consultative Committee will be comprised of elected full time Thiess Employees and management representatives in equal numbers to a maximum of six people.

37.2. This committee shall deal with matters as referred to them or matters as agreed by the parties which include, but are not limited to:

- a) Review the implementation of the Agreement and monitor performance payments;
- b) Discuss and resolve, where possible, relevant industrial issues as they arise.

Attachment A Classifications – see [Agreement](#) (pp. 34-40).

Workplace practices

C.7 Alcoa Australia Rolled Products Yennora Agreement 2013

Clause 8 Commitment through Teamwork and the Use of ABS Tools

a) Work teams and their members will work constructively with their Superintendent and Manager to meet the goals of the business. They will participate in a range of activities including the following:

(i) The development of plans to improve safety and environmental performance

(ii) Initiatives designed to maximise employee effectiveness and capability through;

a. Enhanced skilling and multi-skilling of employees, underpinned by the promotion of training and development opportunities within their area.

b. The facilitation of job and skill sharing amongst all employees, including the integration of maintenance and operations activities. This is conditional on the employees concerned having the appropriate skills, competencies and training to carry out the tasks required .

c. Tradespeople where appropriate, will assist in the training and coaching of operators in basic trade skills

d. Management will work with tradespeople to identify skill development areas that will reduce the need to utilise contract labour, once development areas have been identified appropriate training will be provided. It is intended that the outcome of these initiatives will be to enhance and not deskill employees.

e. Work improvement projects designed to enhance operational performance relating to such things as process efficiency, labour productivity, quality, cost control, recovery and reliability. The teams will normally progress such projects within standard rostered hours or agreed rostered changes.

b) All team members will be trained in the principles of the Alcoa Business System (ASS) and will utilize the tools involved in all areas of work in the pursuit of continuous improvement and best practice. This will include, but not limited to participation, in workplace redesign initiatives, TPM (Total Productive Maintenance), Kaizen, Problem Solving, Communication, 5S, Suggestion schemes and other quality processes including In control and Capable (IC&C) and Process Management.

c) Each work team will also contribute to the development of a structure and schedule to address specific operational matters and make decisions required for the ongoing functioning of the team. The superintendent will consult with and agree with the crew during this process. Issues will include:

1. rostering of personnel to provide shift cover;

2. leave rostering;

3. individual and team training requirements;

4. customer and supplier interaction;
5. materials scheduling; and
6. problems affecting team performance.

Consistent with the ASS system, management and employees/teams will continuously measure and communicate key performance indicators in all areas of the business eg. their success in achieving improvements in key areas of the business such as Safety, Quality, Costs and Recovery and work together to solve problems and implement innovative solutions.

During the term of this agreement the Company will not proceed past level 4 TPM (Total Productive Maintenance) on any equipment without negotiation and agreement between the parties covered by this agreement. The Company will not replace tradespeople with operators or operators with tradespeople.

Operators at all levels will be trained and coached in order to have the competencies to safely perform basic maintenance functions required to achieve level 4 TPM.

These include:

1. Lubrication of machinery
2. Tightening and adjustment of nuts, bolts, screws etc
3. Routine inspections for early detection and reporting of equipment faults
4. Minor servicing and easy part replacement
5. Assisting tradespeople

They do not include:

1. Welding
2. Major repairs and servicing of equipment
3. Overhauling equipment
4. Electrical connections and disconnections
5. Predictive Maintenance Analysis
6. Operating lathes, milling machines etc

Tradespeople at all levels will be offered training in order to enhance their skill level and competency to allow tradespeople to participate in activities that will extend equipment life, decrease equipment breakdowns and reduce the mean time to repair equipment in the event of a breakdown.

During the life of this agreement there will be no redundancies as a result of the implementation of ASS.

d) Within the work team and departments, there are a number of voluntary roles. These

voluntary roles may rotate regularly so that team members gain wider experience and all team members who are capable and willing have the opportunity to gain this experience. The work team, through its functional structure, will maintain information systems, which require input from the team's scheduling activities.

- e) There are a number of Maintenance roles which will be subject to the Supplementary Remuneration System. The Supplementary Remuneration System has a maximum payment of 13% payment of 'daywork' salary. Each role has a determined 'Role Size' and employees will be paid a Supplementary Remuneration rate that takes into account the employee's individual performance and Supplementary Role size. The below table reflects the current roles that attract Supplementary Remuneration and the current Supplementary Remuneration Role size for each of the roles:

Role	SR Role Size %
Electrical Trades – Ingot	7
EM – IHI Mill Electrical & Area Support	13
EM – IHI Mill Mech & Area Support	13
EM – Watanabe & Furnaces	10
Maint Planner	13
Mechanical Trades – Canstock	7
Electrical Trades – Hotline	7
EM – Block Prep Elect	12
EM – Block Prep Mech.	12
EM – Hotmill Mech.	11
EM – Hotmill Elect.	11
EM – Warm Mill Elect.	13
EM – Warm Mill Mech.	13
EM- Electrical (Ingot)	12
EM – Mechanical (Ingot)	12
Mechanical Trades – Ingot	7
RG – Co-ordinator	6
Condition Monitoring Co-ordinator	13
EM – Cranes Mech	7
EM – Cranes Elect	7
EM Cranes Co-ordinator	10
EM – HV & Electrical Safety	13
EM – Site Services	10
Site Leader	10

These roles may change from time to time based on business needs and will be at the Company's discretion.

C.8 Thiess Pty Ltd Regional NSW Civil Road Constructions State Agreement 2013–2017

Schedule D Thiess Productivity Allowances

Thiess will pay, subject to KPIs being achieved, productivity allowances in accordance with the following table. The allowances are calculated as a flat rate on the basis of each paid hour worked including overtime for the life of a project which is the subject of this Agreement. Apprentices and Trainees shall receive the same productivity allowances as the general workforce.

The Environmental and Safety payment will be paid each week and the Quality payment will be paid

each month retrospectively governed by:

a) A monthly review to certify the achievement of the project's KPIs for the completed works

b) In the event that the project KPI(s) are not achieved a meeting will be held to determine:

- The reason(s) why the relevant KPI was not achieved
- The action(s) required to remedy the problems and to achieve the relevant project KPI(s)
- In the next month the payment shall only be paid for those achieved in the previous month
- If the relevant KPI(s) are not achieved in the next consecutive month, and there are no extenuating circumstances, a meeting will be held to discuss why the KPI(s) have not been achieved and how best to remedy any problem(s).

Payment will not be made for the Thiess Productivity Allowances in any pay period if at any time during that pay period an Employee:

- a) Leaves a site without the approval of their supervisor; or
- b) Fails to comply with the prescribed procedures within Clauses of this Agreement relating to Inclement Weather, Safety Process and Disputes and Settlement of Disputes other than Safety; or
- c) Receives a warning either verbal or written.

Nominated clauses

Industry	Clauses	Nominator
Action Workforce And National Union Of Workers Collective Agreement 2012		
Storage services	13. Classifications 14. Wages 17. Other conditions of employment	Employee representative (union)
Alcoa Australia Rolled Products Yennora Agreement 2013		
Aluminium industry	8. Commitment through Teamwork and the Use of ABS Tools	Employee representative (union)
Australian Aerospace Governmental Helicopters (NSW Operations) Enterprise Agreement 2014		
Airline operations/ maintenance	49. Deployment on Australian defence force operations	Employer/manager
Barwon Casa Enterprise Agreement 2013		
Community/ Not-for-profit/ Health and welfare services	41. Sexual assault and family violence leave	Employer/manager
Big W Stores Certified Agreement 2012		
Retail	6.4 (p). Work after 6pm on Christmas Eve, New Year Eve etc 6.6. Compassionate Leave 6.12. Natural Disaster Leave	Employee representative (union)

Industry	Clauses	Nominator
Cerebos (Australia) Limited - Espresso Mechanics Enterprise Agreement 2009		
Food and beverage manufacturing industry	2.2. Hours of Work	Employer/manager
Cerebos Foods - Part Time Local Sales Representatives Enterprise Agreement 2013		
Food and beverage manufacturing industry	1.2. Purpose of Agreement 2.4. Hours of Work	Employer/manager
Charles Sturt Campus Services Enterprise Agreement 2013		
Cleaning services	10. Salary increases* 11. Salaries 12. Salary progression* 13. Superannuation* 43. Individual flexibility arrangements* 51. Transitional arrangements Schedule A. Salary rates Schedule C. CSCS position descriptors The entire EA*	Employer/manager
Coles Supermarkets Australia Pty Ltd And Bi-Lo Pty Limited Retail Agreement 2011		
Retail	5.3.6. Flexible employment arrangement 6.8. Emergency services leave	Employee representative (union)
Darling Downs South West Queensland Medicare Local Limited Enterprise Agreement 2013		
Health and welfare services	22.4. Flexibility options in relation to hours of work 23. Time off in lieu	Employer/manager

Industry	Clauses	Nominator
Defence Enterprise Collective Agreement 2012 - 2014		
Commonwealth public service	A8. the environment	Employee representative (union)
Horizon Power / CEPU Union Wages Employees Enterprise Agreement 2011		
Electric power industry	Part 9. Staff and professional development	Employee representative (union)
Murwillumbah Services Memorial Club Ltd Enterprise Agreement 2014		
Licensed and registered clubs	26. Compassionate leave* 44. Training 46. Employee health and welfare*	Employer representative (ER consultant)
The NT Working Women's Centre Inc. Enterprise Agreement 2012 - 2015		
Community/ Not-for-profit	21a. Antenatal leave 25. Supporting breastfeeding 32. Family violence	Employer/manager
SPI Powernet & SPI Electricity-ASU/APESMA Enterprise Agreement 2013		
Electric power industry	12.5. Flexitime 56. Balanced work life 57. Working from home	Employee representative (union)
Sunstate Group Pty Ltd T/A SGQ ABN 18 146 949 706 And SGQ Civil Pty Ltd ABN 46 168 048 253 and Sunstate Asphalt Pty Ltd ABN 95 151 868 398 Single Enterprise Agreement April 2014		
Asphalt industry	17. Unsatisfactory work performance/suspensions/sanctions & general misconduct	Employer representative (ER consultant)

Industry	Clauses	Nominator
Surf Coast Shire Council Enterprise Agreement No. 8 2013 - 2016		
Local Government Administration	4.3. Family violence	Employee representative (union)
The Alcoa World Alumina Australia WA Operations AWU Enterprise Agreement 2014		
Aluminium Industry	9.3. Remuneration adjustments	Employee representative (union)
Thiess New South Wales Building Enterprise Agreement 2012 - 2016		
Building industry	6. Workplace flexibility 7.6. Retrenchments* 10. Productivity/performance allowance 37. Consultative committee 41. Restrictive work practices* Attachment A. Classifications	Employer/manager
Thiess Pty Ltd Regional NSW Civil Road Constructions State Agreement 2013 - 2017		
Building industry	6. Project consultative committee* Schedule D. Thiess productivity allowances	Employer/manager
Thiess Tarong Coal Agreement 2011		
Coal industry	8.6. Job sharing	Employee representative (union)

Industry	Clauses	Nominator
Thomas And Coffey Limited (Wollongong) Electrical Construction Services Enterprise Agreement (2013-2015)		
Manufacturing industry	10.3. Other benefits	Employee representative (union)
UnionsWA Enterprise Agreement 2012		
Municipal, administrative, clerical	18. Family violence leave	Employer/manager

*Note: For nominations chosen for inclusion in case studies, not all nominated clauses in that agreement were discussed in each instance. This was usually a result of time and report length considerations (see Section 3 for a discussion of how clauses were selected).