Develop industrial relations options

Overview

A management team that understands the specific industrial relations issues of their organisation is in a position to investigate the available options and so plan their industrial relations objectives. It is essential that employers:

- analyse their organisation’s past and present industrial relations performance
- identify any major causes of conflict, how these were expressed by employees and the duration of the conflict/s
- identify whether or not the parties involved reached a resolution.

Identifying and addressing performance gaps underlies the development of industrial relations options. A range of tools, such as a SWOT analysis, can be used to identify performance gaps. Once identified, they can be addressed in the organisation’s industrial relations implementation plan, which will articulate strategies either to eliminate or close these performance gaps.

To be effective, such strategies must include input from all stakeholders, including the employees concerned, employee representatives as applicable and the management team.

Key terms

Cost benefit analysis

An analysis used for weighing the positive and negative impacts of a particular policy, such as an IR policy, against each other. The impacts are judged in terms of financial return or productivity.

Grievance procedure

A formal procedure that enables employees to know when and how to air their grievances.
Key performance indicators (KPI)
Indicators that measure the effectiveness of the organisation's practices. In terms of industrial relations these may include levels of absenteeism and labour turnover rates, as well as time lost through strikes and stop-work meetings.

Mutual commitment
A recognition of the needs of the employee, leading to their increased commitment to the organisation, which enables the organisation to achieve its objectives.

Performance gap
The difference between the actual and desired levels of worker productivity, skills, flexibility, productivity and turnover.

SWOT analysis
An examination of the impact that the Strengths and Weaknesses of an organisation, and the Opportunities and Threats it faces, have on the organisation and its future directions.

Workplace culture
The shared values and beliefs of the employees within a particular workplace.

Industrial relations key performance indicators
Managers, representing the interests of employers, influence the industrial relations environment within organisations through their management practices and policies. They need to be accountable for the effectiveness of the industrial relations policies of that organisation.

Management accountability for industrial relations can be made possible through the use of key performance indicators. These indicators measure the effectiveness of the organisation’s industrial relations practices. Measures may include:

- monthly statistics on industrial conflict issues such as strikes, stop-work meetings, time lost and the number of lodged grievances information
- the level of absenteeism
- labour turnover rates over time.
Within the workplace, many industrial relations specialists feel that industrial conflict is inevitable. The reasons for this lie in the differing objectives held by employers and employees.

The three major reasons for conflict are:

- wages – employees wanting to increase their wages whilst employers seek to keep wages at a minimum
- job security – a lack of job security
- management control – dissatisfaction in the relationship between employers and employees.

Industrial relations conflict is manifested in three ways:

1. industrial action
2. absenteeism
3. labour turnover.

**Industrial action**

Strikes are the most visible form of conflict and create the most impact. The Australian Workplace Relations Act 1996 recognises the legitimacy of industrial action during the course of enterprise negotiations. In this instance, industrial action includes any worker activity that restricts or delays work, such as:

- bans, where employees decide not to perform certain activities
- work-to-rule, where employees only perform the tasks that are stated within their job description
- go-slow campaigns, where employees dramatically slow down the pace of their work.

**Think**

Think about your current organisation or one for which you have previously worked. What, if any, were the reasons for any potential areas of conflict?
Absenteeism

The most common way employees respond to unsatisfactory working conditions or a stressful work environment is through absenteeism. A high level of absenteeism can cost the organisation a significant amount. The two types of absenteeism are:

- involuntary absenteeism, mostly due to illness
- voluntary absenteeism, which may be due to a variety of reasons such as the individual’s attitude to work, their personal level of job satisfaction or organisational issues, such as stress, conflict, and the nature of their work.

The NSW Department of Industrial Relations states that the costs of absenteeism include:

- paying the employee both wage/salary and/or benefits while not producing
- juggling other employees to cover the absent worker
- costs associated with overtime, production losses, and inefficient material usage.

The cost of absenteeism

When organisations are assessing the cost of absenteeism over a one-year period, they use the following formula:

Take the salary and add employer costs @ 30%

Divide by 240 days

Multiply by the number of days absent

Total = cost of days absent.

Example

If a Clerk, Grade 1, on $21,512.97 a year ($412.60 per week) takes 10 days sick leave a year, the cost of the sick leave would be:

\[
\frac{21,512.97 + 6,453.89 \times 10}{240} = 1,165.29
\]

The cost of the employee being absent on sick leave is $1,165.29.
Labour turnover

Absenteeism and labour turnover are related, as they are both forms of withdrawal from the organisation. Absenteeism is a temporary withdrawal while turnover is permanent. Often a person’s dissatisfaction with his/her job begins with absenteeism, which progresses over time, combined with an increasing sense of dissatisfaction, resulting in his/her decision to leave that company.

Turnover has both costs and benefits for the organisation. Costs are incurred when hiring and training a new employee. A potential benefit for the organisation may be the injection of new ideas that a new staff member can bring to the company.

For an organisation to achieve its strategic goals and objectives, it is essential that any identified industrial relations issues are resolved. Employers need to develop industrial relations policies, strategies and objectives to eliminate/reduce the industrial relations gaps over the short to medium term, that is, over the next 12 months to five years.

The organisation may address these issues through a Certified Agreement or an Australian Workplace Agreement under the provisions of the Australian Workplace Relations Act 1996. Most agreements focus on the two issues of:

1. increasing worker productivity
2. creating more flexible work arrangements.

Performance – measurable outcomes

When the management team is formulating its industrial relations implementation plans, the managers need to concentrate on achieving measurable outcomes.

Productivity

It is sometimes difficult to measure increases in productivity, especially in service-related industries. In this instance, employers often set productivity goals in terms that can be measured.

Example: increasing productivity 1

Within a call centre, the length of time it takes the call centre staff to deal with enquiries may be measured. It is found that on average, each call is handled within four to five minutes. This, then, is the current level of worker productivity.
A target is set that by the end of the next 12 months, call centre staff will handle each call within four minutes, to be reduced over the following year to 3.5 minutes. To achieve this increased level of productivity, the call centre staff need to be provided with training and professional development. Procedures for handling each call should be reviewed, and the computer programs evaluated to ensure that these factors are improved or revised if required.

In an organisation where products are developed, such as in the manufacturing industry, the level of worker productivity may be easier to measure.

**Example: increasing productivity 2**

In a factory that bakes biscuits, management are looking at ways to improve the levels of their employees’ productivity.

They would need to examine each step of the manufacturing process. In this example, management is concentrating on packing. They have measured how long it takes for employees to fill a carton with packets of biscuits, and have determined that it takes, on average, five minutes to pack each carton.

A target is then set that by the end of the next 12 months, cartons will be packed in 4.5 minutes, to be reduced to 4 minutes over the following year. In order to achieve these targets, factory staff will need to be provided with training and professional development, and management will need to review the process of manufacture to assess whether changes in work flow, work practices or equipment need to be improved or revised.

**Flexible work arrangements**

Flexible work arrangements concentrate on providing different options that better meet the needs of the customers, employers and employees.

Flexible work practices enable employees to work productively while meeting their family responsibilities. It allows employees choice and versatility in ordering their lives.

**Benefits**

The NSW Department of Industrial Relations has documented some of the benefits of a ‘family-friendly’ workplace. These include:

- reducing employee absenteeism, lateness and stress
- greater availability in the workplace for overtime, travel, shift work and training
- increased employee motivation and commitment to the workplace.
These improvements can translate into benefits for the business in the form of:

- increased employee productivity
- reductions in recruitment and training costs as staff retention is increased
- improved attendance rates and reduced sick leave costs
- maintenance and enhancement of workplace skill levels
- a motivated workplace with loyal, diligent and enthusiastic employees
- an ability to attract skilled, efficient labour, encompassing a diverse range of employees
- compliance with industrial and anti-discrimination legislation.

Performance gaps

An analysis of the workplace’s industrial relations practices will help identify any gaps that exist in relation to issues such as:

1. actual and desired level of worker productivity
2. actual and desired level of worker skill (eg technical knowledge)
3. actual and desired levels of training and development available to employees
4. actual and desired levels of conflict, such as absenteeism, strikes and turnover
5. actual and desired levels of opportunities available to employees in the areas of career progression
6. actual and desired level of flexible work arrangements.

Strategies to address performance gaps

_Actual and desired levels of worker productivity_

Worker productivity is focused on enabling an organisation to operate more efficiently and effectively.

Within organisations that produce goods, it can be about producing more or better quality products.
For organisations providing a service (eg banks, hotels) it can be focused on serving more customers or providing better quality service.

**Actual and desired levels of worker skill**

Worker skill levels concentrate on analysing the present skill levels of employees.

This area is important when organisations are focused on, or will be focusing on, areas such as:

- multiskilling, where employees possess a variety of skills and can be moved around to different positions within the organisation
- technological advancements, especially in areas such as computer technology, specialist medical equipment, and areas of science and education
- job enrichment programs, where the responsibilities within a position are expanded.

**Actual and desired levels of training and development available to employees**

Within many organisations, training and professional development of staff is not categorised as an area of importance.

However, due to the changing nature of the industrial relations environment, where a focus is placed on increasing levels of worker productivity, this area is becoming more relevant.

Organisations need to develop corporate culture where training is encouraged, recognised, and rewarded. Many organisations are encouraging their employees to complete training by providing incentives, such as paying for their time when they are attending training sessions, and linking the successful completion of training to career opportunities within their organisation.

**Actual and desired levels of conflict**

Industrial conflict, if not dealt with effectively, can cost organisations substantial amounts of money.

Therefore, it is important to establish formal, recognised procedures to manage conflicts or grievances effectively and quickly before they become major issues. Management needs to establish early detection procedures to help identify causes of conflict, which are expressed by employees through absenteeism and staff turnover. (See Grievance procedures below.)
Actual and desired levels of career opportunities

To encourage most employees to stay within an organisation, many need to be provided with the opportunity to advance their careers.

Many organisations meet this need by providing clear progression lines through organisational charts, accompanied by yearly performance reviews. These factors are then examined and assessed when employees apply for a higher position within that organisation.

Strategies to improve productivity

Employers can choose to implement a variety of strategies designed to improve productivity. Often, these strategies are interrelated.

Within a service-oriented organisation, where your position involves customer service, improving productivity can include being able to satisfy customer needs more fully and in a timely manner.

But what steps would be involved in improving customer service? Employers may need to provide more effective technology, reorganise the work or even provide more training. Improving management-employee relations could also help increase productivity.

Productivity can also be improved by increasing employee satisfaction. Employees who are unhappy at work tend not to perform as well as those who are satisfied with their jobs.

There are a variety of arrangements that workplaces can introduce to provide their employees with more flexible work arrangements. To achieve greater flexibility, employers will need to consider the needs of their organisation, their customers and their employees.

For example, for some businesses to better meet the needs of their customers, they may need to extend business hours, and operate more than five days a week. To do this, the organisation may need to introduce procedures to help their employees manage their competing demands.

Employees also need workplaces that are flexible in regard to their needs, like family, study or other activities.

If an organisation is able to introduce measures to help their employees with their personal situations, this constitutes a flexible work arrangement.
Risk analysis and contingency planning

It is important that management conduct a risk analysis to help them analyse their industrial relations implementation plan and assist them to prepare an industrial relations contingency plan.

The process of risk management and analysis involves the following five steps. Each of these five steps is interrelated and needs to be clearly linked to the development of contingency plans and policies. The implementation of these steps is dependent on managers who need to analyse and recommend actions on the data they have available to them.

Step 1 – Identify the potential risks

Management needs to identify the potential forms of industrial conflict which could occur in their organisation as a result of the planned changes in their industrial relations implementation plan.

Step 2 – Analyse and evaluate those risks

Next, management needs to analyse and evaluate the probability that their employees may engage in industrial conflict and the form/s this conflict may take.

Step 3 – Develop a risk control plan

This step involves the formulation of a risk control plan or a contingency plan. The management team needs to decide the action they will take, should they be faced with industrial conflict. There should be a variety of contingencies to manage each form of industrial conflict.

Step 4 – Analyse the funding required to handle the risk

If applicable, a budget should be determined for each contingency within the risk control or contingency plan.

Step 5 – Risk administration

The process of risk management should be reviewed on a regular basis. The reason for this is that factors affecting the organisation change over time.

These factors include:

- size and scope of your organisations operation
- nature and composition of your employees
- industrial relations environment and associated legislation within which your organisation needs to comply
- domestic and international economies within which your organisation operates.

Grievance procedures/conflict management

When employers are attempting to devise strategies to eliminate industrial relations gaps within their workplace, it is important that employees are given the opportunity to contribute towards this process. One way of identifying industrial relations issues within the workplace is through a formal grievance procedure.

It is important that organisation have a formal procedure for employees to air their grievances. By not having a grievance procedure, an employee or group of employees may not know whether they can raise an issue, or how they should do so.

Unchecked grievances can result in an increased level of absenteeism, low worker moral, reduced levels of productivity, and a higher staff turnover.

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