

Background to Employment Relations

A large, stylized white number '11' with a blue shadow effect, positioned in the top right corner of the page. The background of the page features a faint world map and a blue grid pattern.

1. Explain why the term ‘employment relations’ or ‘workplace relations’ is now used instead of the old term ‘industrial relations’.

Industrial relations is a term used to describe the legal environment of the employment relationship. While traditionally this has been the major focus for business, there has been a shift in thinking. Businesses now consider a wider range of factors, and place a greater emphasis on other factors such as employee motivation. The emergence of ‘human resource management’ as an important function of a business, and the increase in behavioural influences has meant that employment relations is no longer viewed simply as industrial relations. Instead, terms such as employment relations and workplace relations are more appropriate in describing this widened focus.

2. Describe the change in union membership as a percentage of the workforce since the 1970s. What reasons can you provide to explain this change?

Union membership has fallen from around 50% in 1970, to around 20% in 2007. This fall in union membership can be attributed to a number of factors. Structural change within the Australian economy has changed the nature of jobs within Australia. Traditional blue-collared occupations with higher rates of unionised labour have been in decline. The economic incentives for joining a union have become less apparent as Australia has seen its 16th year of consecutive economic growth. Institutional changes such as freedom of association laws (resulting in the removal of compulsory unionism), and industrial relations reform (such as the Accord, the Workplace Relations Act, and WorkChoices) has limited the power of unions. In addition, extensive casualisation of the labour force has pushed people into work that is not traditionally unionised.

3. To what extent do stakeholders in employment relations share the same goals? In what ways do their goals clash?

The stakeholders of a business have goals which both overlap and compete with one another. Employees will typically aim for higher wages, job stability, and favourable working conditions, while owners will typically want improved productivity, reduced costs, and increased profits. While higher wages for employees clashes with the goal of lower costs for owners, both of these stakeholders rely on the sustainability of the business. The employee relies on the success of the business (as measured by its profitability) as much as the owner does. Effective employment relations involves reconciling these conflicts of interest so that both parties can achieve their goals. Finally, governments as a key stakeholder desire economic stability and therefore work in favour of harmonising the goals of all parties.

4. Examine ways in which the government acting directly, or through its organisations, impacts upon employment relations in Australia.

The government influences employment relations through its independent bodies such as the Australian Fair Pay Commission, and by acting as the legislative body responsible for Australia's industrial relations law. The government has organisations such as the Office of the Workplace Advocate which registers agreements while making sure they comply with the requirements set by the government. The Workplace Ombudsman will also hear and investigate complaints against employers. The Australian Fair Pay Commission is responsible for setting the Australian fair pay and conditions standard based on the requirements set out by the government. Other organisations such as the Australian Industrial Relations Commission (AIRC) have traditionally played a more important role, however have been limited with the recent WorkChoices legislation. The government is able to legislate and change the industrial relations system, and has played a continual role as Australia has moved towards a more deregulated industrial relations system. Major reforms have taken place over the last 30 years which have dramatically altered the industrial relations system. The government is also responsible for other employment legislation such as anti-discrimination and occupational health and safety legislation.

5. Describe how the employment relations function is structured in a typical large business. How might small business deal with employment relations issues?

Within large businesses, employment relations are typically managed by a specialist department known as human resources. This department manages many of the diverse aspects of employment relations including industrial relations, recruitment and employee motivation. Specialists in each of these fields can focus on each aspect. This approach is usually only available to larger businesses due to the costs associated with a specialist human resources department. Smaller businesses may choose to incorporate employment relations as a regular management duty, with line managers responsible for many of the aspects of employment relations. Specialised areas such as the legal component may be outsourced.

6. Outline the difference between social influences and legal influences on employment relations. Illustrate your answer with examples.

Social influences tend to reflect factors such as the changing nature of the population, social expectations surrounding work/life balance, and cultural factors. These tend to be inherited, and follow a natural progression based on changes within society. Legal influences come from new legislation established by the government, and follow an intentional direction. For example, the government legislating against unfair dismissal legislation is a legal influence as this is a direct consequence of the government's policy, whereas increased working hours is a social influence as employer expectations and materialistic values have increased. Note that social changes often effect legal change and vice versa.

7. Describe how organisational structures have changed in recent years. What impact have these changes had on employment relations?

Throughout the 1990s, Australian businesses went through a trend of downsizing and flattening organisational structures. This was in response to traditional hierarchical structures which could not be supported within a modern business environment. As businesses moved towards behavioural styles of management, structures were not only flattened, but human resource management emerged as an important function of business. Although the downsizing that occurred in the 1990s was often necessary, it has left many organisations unable to fulfil current positions within a jobs market characterised by skills shortages. Insufficient succession planning has left many organisations with staff shortages. Other important changes centre around the need for workplace flexibility and multi-skilling, both having arisen in response to downsizing.

8. Explain how economic change can affect employment relations.

Economic change influences the nature of the labour market. In times of economic downturn, there tends to be an oversupply of labour (as unemployment is high) which drives down wages (or constrains wage rises), and increases the availability of candidates. For a business trying to fill a position, economic downturn is good in that they have a greater pool of candidates, and have a greater bargaining position with respect to wages and conditions. From the employee's perspective, this is an unfavourable time to be looking for work, for the same reasons. In an economic upturn, unemployment tends to fall, and businesses often find it hard to fill positions. Skills shortages may occur and wages may be driven up, increasing business costs. Businesses must also plan depending on the nature of the economy. Because the demand for labour is derived from the goods and services that a business produces – businesses must forecast expected sales (which are influenced by the state of the economy) and plan accordingly.

9. Consider the following situations and identify whether they involve a change in social, legal, organisational, behavioural or economic influences.

a) People spending more time in education and not being available for work

Social

b) Workplaces using teams to accomplish tasks rather than just having individual job assignments

Organisational

c) A downturn in business conditions that discourages people from looking for work

Economic

d) More people choosing to work beyond retirement age

Social

e) A government decision to abolish the compulsory retirement age of 65

Legal

f) An increase of jobs available in Queensland because of growth in the tourism industry

Economic

10. 'The focus of employment relations has been shifting towards the workplace.' Do you agree with this statement? Illustrate your answer with examples of and reasons for any changes that have been occurring.

Employment relations has been shifting towards the workplace (i.e. in favour of employers and employees but away from the control of government) for a number of reasons. Firstly, with the promotion of enterprise and individual agreements instead of industry awards, workplaces are encouraged to adopt a flexible approach to employment relations. Secondly, the onset of new behavioural influences has seen the emergence of human resource management as a significant function within a business. As employees now work longer hours and as there has been an increase in female participation, workplaces now have to cater for new lifestyles which were previously less common. Examples of this shift in focus, include the flexibility demanded by businesses within the employment contract. Particular industries, for example the mining sector, rely on flexible contracts that encompass the many job specific factors associated with mining (such as moving to remote areas). The popularity of family friendly programs is another example of how businesses have adapted to social influences such as increased female participation, and working hours.