The Third Way and Industrial Relations in Australia

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The old system, in which employees had stable jobs and steadily increasing paychecks as they climbed the corporate ladder, is dead. In its place has arrived a new deal that is marked by the invasion of market forces within the workplace. Old employment ties, which shielded workers from market swings, are giving way to a negotiated relationship where power shifts back and forth from employer to employee based on conditions in the labor market. Perhaps the most striking aspect of the new deal is its blunt assumption of transience.

Introduction

Workplace change over the last decade has caused many in the workforce to react with fear and caution about the future. This holds true for white collar workers as well as blue collar workers, for younger as well as older employees, for the more educated as well as the less educated, for men slightly more than women and for union members as well as non union members. However, the fear of job loss is often more widely felt in the workforce than the actual number of employees affected by job loss. ABS national data for a three-year period to July 1997 show in fact that only 7 per cent of Australians in jobs had been retrenched or made redundant over this period.

My topic is industrial relations and the Third Way: why does industrial relations need fixing and what can a perspective based on Third Way principles offer? The particular perspective I want to focus on is how the existing industrial relations system needs to change to offer more opportunities for individuals operating as individuals in the labour market to manage risk better. This applies particularly to the training arrangements for persons in non standard employment and provision overall for individuals to take greater responsibility for their own learning and performance in the workplace.

Industrial relations defined

I define industrial relations in the Australian context as more than the collective bargaining process. A broader definition refers to all those employment related matters that are the concern of trade unions. Trade unions have never been solely concerned with negotiating pay and conditions on behalf of their members. They have traditionally also performed two other functions. One is to seek to protect their members from poor working conditions, job insecurity and unfair treatment. And the other is to represent their members in appropriate fora on matters

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1 The author would like to thank Peter Scherer, Hugh Davies, John Boardman and Richard Gough for their comments, none of whom should be regarded as necessarily endorsing the approach taken or the details of the proposals.
related to employment. It is these other representational functions that led the trade union movement to agitate for wider legislative change (eg eight hour day) and to found and support a political party.

So industrial relations, in my definition, is not merely about collective bargaining and unions exercising the collective “voice” option. Industrial relations also refers to the legal framework in place to protect the interests of individuals and groups of employees. Aspects of this legal framework may have been put in place as a result of the direct political pressure applied by the trade union. Other elements of the legal framework may be there because of indirect pressure from the union movement (eg the no disadvantage test).

“Exit” as a legitimate bargaining strategy

The point I wish to make is that industrial relations in Australia and trade unions in particular have traditionally been concerned with “exit” as a bargaining strategy for the individual as well as the collective strategy based on “voice”. The prominence given by trade unions and governments to the regulation of occupational labour markets in Australia is proof of the focus on the individual’s bargaining power. The union movement has always regarded a recognised trade, including the self-employment option (eg electricians and plumbers as an important means of improving the employability and hence bargaining power of its members).

Trade-based unions in particular, through the apprenticeship system, initiated and continue to support the regulation of youth entry into the workplace. With the apprenticeship system has gone a whole panoply of (usually state) legislation regulating training contracts and the recognition of skills (eg until recently the Tradesman’s Rights Recognition Act). The focus of this aspect of industrial relations has been in improving the capacity of individual employees with recognised skills to move easily between employers with at least a recognised minimum rate of pay based on skill.

The thrust of first two proposals presented in my paper starts from the belief that this traditional focus of the union movement on enhancing the bargaining power of the individual qua individual needs to be updated and extended. Mt first proposal is to separate training contracts for apprentices or trainees from the requirement in industrial awards for a one-to-one relationship with an employer. The second proposal is focused on improving the individual employee’s employability by introducing into collective bargaining a means for employers, employees and government to fund the individual employee’s lifetime skill development.

The third option extends the notion of stakeholder to gainsharing to illustrate how it can be put at the centre of a collective bargaining process. Gainsharing, however, needs to be inclusive of all parties involved in an enterprise. Gainsharing, therefore, should include temporary as well as permanent employees. The point of emphasising gainsharing as a focus for collective bargaining is that it directs the attention of the parties to outcomes that are mutually beneficial. This would be a major change from the preoccupation with inputs in the bargaining process at present.

However, before getting to the detail of the proposals, it is first necessary to discuss the need for individuals to manage risk better as a feature of modern life.

A Third Way perspective and industrial relations

Anthony Giddens has argued that social democracy in the future needs to accord personal liberty greater weight than it has had in the past.

*We have to make our lives in a more active way than was true of previous generations, and we need more actively to accept responsibilities for the consequences of what we do and the lifestyle habits we adopt. The theme of responsibility, or mutual obligation, was there in old style social democracy but was largely dormant, since it was submerged within the concept of collective provision. We have to find a new balance between individual and collective responsibilities today.*

Individual’s responsibility to manage personal risk profile

One way to achieve this balance, according to Giddens, is to recognise the positive as well as the negative aspects of risk. Providing citizens with security has long been a focus of social democrats and one of the main functions of the welfare state was to provide a “safety net” to minimise insecurity. However, trying to do away with all elements of risk can undermine individual autonomy. Acceptance of responsibility of future consequences of present activities (whether as individuals nations or other groups), according to Giddens, is one of the major concerns of the new politics. Giddens contends that risk is not just a negative phenomenon - something to be avoided or minimised.

*It is at the same time the energizing principle of society that has broken away from tradition and nature...No one can escape risk, of course, but there is a basic difference between the passive experience of risk and the active exploration of risk environments. A positive engagement with risk is a necessary component of social and economic mobilisation...We all need protection against risk, but also the capability to confront and take risks in a productive fashion.*

Giddens argues in his exposition of what he means by the Third Way that social democrats have to change the relationship between risk and security embodied in the welfare state to develop a society of “responsible risk takers” in the spheres of government, business enterprise and labour markets. While people need protection when things go wrong, he argues that they also need the material and moral capabilities to move through major periods of transition in their lives. The “redistribution of possibilities” in terms of human capabilities should, he argues, replace “after the event” redistribution.

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7 Ibid ,p 100-1
The management of risk requires very different structures to the safety mechanisms developed for a different era. A key challenge for the industrial relations system is to provide a framework of minimum standards to enable people to better manage risk in the labour market. This involves helping to minimise the risk of the school or tertiary education leaver not finding suitable work, minimising the risk of the retrenched worker not finding other work, and minimising the risk of the temporary or self-employed worker of being exploited by an excessive imbalance in bargaining power. The management of this risk requires responses from the four main stakeholders involved: government, employers, representative associations and the individual.

**Changed role for Government**

An important feature of the Third Way approach is a different view of the role of government to that under both the new right and the old left. The role of government is to set minimum standardize and then to facilitate rather than dictate desirable behaviour. Other stakeholders such as employers and individual employees as well as intermediate associations such as employer associations and unions are seen as having their own responsibilities in relation to providing for the common good.

**Individual rights and responsibilities**

Any identification of rights in the context of labour law such as a requirement to provide training or sick leave, cannot be seen as unconditional or one sided. With an employee’s entitlement to training or sick leave specified in an industrial award, should go a matching statement spelling out the employee’s responsibility to actively seek ways to regularly upgrade their skills. Similarly an entitlement to sick leave should be matched by an undertaking by the employee to use the leave for genuine sickness or other agreed purposes such as family leave.

As an ethical principle, ‘no rights without responsibilities’ must apply not only to welfare recipients, but to everyone. It is highly important for social democrats to stress this, because otherwise the precept can be held to apply only to the poor or to the needy - as tends to be the case with the political right.

The challenge is to work out how the industrial relations system can enhance the capacity of the individual, whether alone or as part of collective bargaining, to better manage risk. One obvious way to do this is set up arrangements that promote ongoing lifelong learning. The paper proposes several support mechanisms needed to do this and identifies the roles that each of the major stakeholders need to play: government, employers, representative associations and the individual.

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8 Ibid, p 66.
Limitations of Traditional IR

The Australian system of industrial relations evolved during an era where work was dominated by a male head of household working for his family living. The pattern of work was also to hold the same job or type of jobs in the same enterprise or at least the same industry for a prolonged period to retire a few years before dying. The male worker’s identity was based on either his trade (created by the apprenticeship system) or through his employment as a so-called semi-skilled worker in large industrial enterprises engaged in mass production and a hierarchical supervision of work. The consistency of the status helped to produce among workers a community of interest in the form of industrial trade unionism.9

Industrial awards in Australia, which date in some cases from the 1880’s, have changed over time but often only in an incremental way. The award system, therefore, is based on the employment model of the loyal employee who devotes his or her lifetime to an enterprise in return for the security of a “steady job”.

Growth of non-standard employment

However, the growth in non-standard forms of employment: non-permanent, and flexible also creates a new context that the industrial relations system has to recognise. While not all casuals are in precarious employment, it is important to note that 27 per cent of the workforce in August 1998 were employed as casual employees i.e. without an entitlement to sick leave or annual leave. Casual employees do not necessarily have short-term employment relationships with their employer. However, the ABS category does show the number of people who are employed under the casual work provisions of awards.

Growth in casual work

Between August 1988 and August 1998, the number of employees defined by the ABS as casual employees increased by 69 per cent compared to only 7 per cent for permanent employees. This large increase in the number of casual employees has been due mostly to a big rise in the number of males employed on a casual basis. Their numbers increased by 115 per cent over the decade to August 1998. Over the same period, the number of male employees employed as permanents increased by 2 per cent.10 These data suggest a major change in the nature of employment arrangements for men.

The highest proportion of persons employed as “casuals” in August 1998 are in the 15 to 24 age group (45 per cent) and the 55 and over age group (28 per cent). These data strongly indicate that many young job seekers, re-entrants to the workforce or older job seekers are likely to only find work under employment provisions that will define them as casual. Many others in these groups are also at risk of not finding ongoing work at all.

10 ABS, 1999, Casual Employment Feature article in Labour Force Australia, July, Catalogue 6203.0
Young people seeking full-time employment are still experiencing major difficulties. Over the last decade to May 1999, the proportion of young people aged 15 to 19 years who by May of the year after leaving school who were not in full time employment or in full time work has varied between 12 per cent (1989) and 17 per cent (1994). The most recent figure for 15 to 19 year olds is 15 per cent in 1999. However, for 20 to 24 year olds the proportion at risk of not making a successful transition to full time work is even higher. Some 16 per cent males aged 20 to 24 years in May 1999 were unemployed or in part-time work with a further 6 per cent out of work and not actively looking for work. Amongst young women aged 20 to 24 years, 21 per cent were either unemployed or in part-time work. A further 14 per cent were without work and not actively seeking work.11

Attitudes to casual work compared with permanent work

Nevertheless, this is not to claim that those in casual work are in some way unhappy with their lot. A national random survey of casual employees showed that three quarters of the casual employees surveyed (75 per cent) were happy with their job overall.12 The same survey found that 61 per cent of casual employees believe that they have a secure job and as many as 72 per cent believe that they are in a job that is ongoing. The survey results show that casual work is more likely to refer to a set of characteristics that together offer limited opportunities to pursue a career. As many as 80 per cent of casual employees say that they have fewer opportunities for training than permanent employees. Only 42 per cent of casual workers believe that they have good career opportunities. On the other hand, nearly three quarters of the casual workers surveyed stated that they wanted a career. Opposite views about careers are held by casual workers and the employers of casual workers. While most (74 per cent) casual workers want to pursue a career, most (77 per cent) employers of casual workers do not see their casual workers as career oriented.

A summary of the main features of non standard employment is provided in Table 2.

<table>
<thead>
<tr>
<th>Employment Features</th>
<th>Standard Employment</th>
<th>Non standard Employment</th>
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<tbody>
<tr>
<td><strong>Hours of work</strong></td>
<td>full-time</td>
<td>varying hours of work</td>
</tr>
<tr>
<td><strong>Number of employers</strong></td>
<td>with a single employer</td>
<td>often multiple employers</td>
</tr>
<tr>
<td><strong>Type of employment contract</strong></td>
<td>based on an open-ended or on-going employment contract</td>
<td>often temporary, irregular or uncertain expectation of continuing employment</td>
</tr>
<tr>
<td><strong>Range of benefits available</strong></td>
<td>working for a wage and other benefits such as includes direct payment for services rendered as</td>
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paid annual leave and paid sick leave and often other fringe benefits such as superannuation as well as the payment of wages. Payment is often inclusive of any benefits such as annual or sick leave.

<table>
<thead>
<tr>
<th>Protection against dismissal</th>
<th>protected against dismissal</th>
<th>has uncertain protection against dismissal especially if employed for less than six months</th>
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<tbody>
<tr>
<td>Place of work</td>
<td>strongly associated with working on the employer's premises</td>
<td>place of work can be variable with “outwork” and working from home increasing in importance.</td>
</tr>
<tr>
<td><strong>Employer and work supervision</strong></td>
<td>Employer or delegate is responsible for work supervision</td>
<td>Employer (eg Labour Hire company) could be separate from work supervisor</td>
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</table>

This change in the heartland of the old employment contract is illustrated by the approach of a manufacturer I studied recently. The plant, which dates from 1860’s, has achieved over a fifteen year period of changes world best practice performance compared with eight similar plants around the world. The plant now operates with 85 personnel compared with 160 in 1990. It has introduced a range of work organisation changes such as TQM, to complement state of the art technology. However, the plant cannot rely on the traditional sources of labour as it has multi skilled its workforce. The employer practices selective recruitment and says to prospective recruits “we can promise you great career prospects in five years time but not necessarily with us.” The traditional trade-off of subordination for job security no longer applies in even in the heartland of manufacturing in Australia.

**Need to recognise a new occupational status in law**

How do we create an industrial relations framework that takes into account the new emphasis on flexibility, skills and employability and widespread use of new forms of employment such as multiple employers, self employment, indirect employment through labour hire companies, (separation between employer and supervisor). How do we create a new occupational status underpinned by the legal system that is suited to the newly dominant models of employment relationships. The challenge is to develop an occupational status that recognises the high level of mobility between employers, the importance of continuous skills upgrading, professional independence and the management of a new set of risks. The industrial relations system needs to recognise a new occupational status based on a comprehensive concept of work which can reconcile the requisites of freedom, security and responsibility.

**Changes to meet the needs of persons in non standard employment**

There are a range of rights and responsibilities that the new employment arrangements require that are not met by the existing industrial relations system. These include:

the right of young people to make a successful transition from education to work

- the right to re-employment after job loss, especially for those forty five years and over

- the right of the self employed to have access to guarantees to procedural fairness in their employment arrangements and the right of employees in flexible employment arrangements to have access to an employer contribution to training.

- the right to working times that individuals can manage themselves to enable individual to meet other responsibilities related to their families (nuclear and extended) and self improvement in terms of skills enhancement.

- The right of employers to expect that employees will upgrade their skills to at least meet the needs of the enterprise.

The rights related to employer responsibilities, service deliverer responsibilities. However, these rights need to be matched by the recognition of new responsibilities.

- Responsibilities for young new entrants to the full-time labour force and older workers to ensure that they have the right set of skills and an adequate level of education.

- Responsibility of government to use its tax structure to encourage (or not penalise) individuals to invest in their own skills upgrading.

- Responsibility of employers to contribute to the funding of the skills upgrading of their workforce.

- Responsibility of employer associations and trade unions to encourage their members to fund investment in the upgrading of skills.

The need for new combinations of training and work

The ways in which training and work can be combined are multiple and varied. The current arrangements in the form of apprenticeships and traineeships are particularly restrictive. The apprenticeship system as it operates in Australia is first and foremost a system of employment and only secondarily a system of training. The state legislation governing the training contracts acknowledged the primacy of federal industrial awards as the prime vehicle for setting the terms and conditions governing the employment of apprentices. This means that an apprentice has first to be employed under the provisions of a specific industrial award before they can enter into a training contract. As a recent survey of legislation governing vocational education and training notes: “It is evident that there was a clear policy and practice that the regulation of training was legitimately part of the regulation of the workplace.”

What is needed is a range of combinations of training and work. The first issue to be resolved in any arrangement is to decide first whether work or training is the primary purpose of the

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arrangement. The confusion of whether traineeships are primarily a labour market program to assist young people into employment or a training program to provide base level skills to be built on in the future has bedeviled traineeships from their inception. Traineeships in many cases are a means of providing a means of probationary low cost employment rather than as a means of foundation training for further skills acquisition or retraining in new job areas.

The French law provides for a range of alternating training contracts. These include contracts providing exposure for unskilled young people to a variety of work experiences. The contracts also include the opportunity to work out a personal career plan. There are also contracts covering entry level employment and training directly related to a company’s needs, contracts related to training for recognised qualifications and contracts for hard-to-place job seekers to re-enter the labour market. In each of these cases, training is a fundamental element of the contract.

One combination could involve the person in training while retaining the status of a student and hence a non employee. This would enable the student to receive an allowance that was below that of a waged employee in training (ie an apprentice in the Australian usage). Another combination is for the person in training to enter into a training contract with a third party (such as a TAFE-based training adviser) while undertaking one or more jobs with several employers.

A national random survey of casual workers showed that nearly half (49 per cent) of the casual workers surveyed agree with the statement that "it is my responsibility to provide my own training" (30 per cent agreed and 19 per cent strongly agreed). The same proportion of casual workers (49 per cent) say that they are prepared to training "at my own cost" (but only 14 per cent strongly agreed). Two-thirds (68 per cent) are prepared to train in my own time (with 20 per cent agreeing strongly).

Insecure employment and most employers’ minimal commitment to training by of casual workers severely constrain the opportunities for non-standard or flexible workers to acquire recognised skills. This suggests the value of having structured entry-level training arrangements that are independent of a particular employment relationship in the form of an individual traineeship.

**Individual Traineeship**

The central focus of the Individual Traineeship proposal is to separate the training contract from the employment contract. The training contract could be based on the trainee undertaking to develop and follow a personal learning plan with a career guidance officer or other appropriate case manager. The careers officer or case manager would be funded to maintain regular contact to discuss progress and offer help where necessary. The Traineeship could comprise an average of one day per week of formal training for one or two years or via other flexible formats such as full time front end training for six months (or twelve months half-time training for someone in part-time work).

The role of the employer or employers would be minimal, reflecting the employer view of the costs and benefits of employing casual workers. Employer involvement could be limited to

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15 Supiot, ibid, p670.
merely allowing the other party to the training contract to visit the workplace to assess the demonstration of competencies the trainee is aiming to acquire. Employer involvement could also include assistance with the competency assessment process and providing a reference letter. The scope of the individual traineeship need not be limited to young people. Older job seekers could also combine part-time work with the formal acquisition of work-related competencies through a means separate from the workplace and their particular employer. It should also be possible to combine voluntary work opportunities with a formal skills acquisition process.

<table>
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<tr>
<th>An individual traineeship program: how it might work</th>
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<tr>
<td>Con has been frustrated by the two dead end casual jobs he has picked up since leaving school four months previously at age 16. All he could think of last year was to get out of the education system because it treated him like a child and could offer nothing of interest. Before he left school, Con was told about an individual traineeship program available to 16 year olds leaving school, but put it out of his mind in his elation at the prospect of earning some money.</td>
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<td>His career education classes just before he left school had outlined what was available in the program, which was for up to 400 hours of education and training worth $4,000. His career teacher had told him that if he was not in a full-time course or a full-time job four months after he left school, the school would contact his local TAFE college, a Group Training Company and a local SkillShare project and suggest that they offer him a place in an individual traineeship program. As a result of the school passing on his name the Employment Services Office of his local TAFE college had just contacted him to find out whether he wanted to take up his offer of a place with them.</td>
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<tr>
<td>The letter that Con received with his offer of a place stated that for him to undertake the individual traineeship he was required to enter into a learning agreement for a twelve month period, either with a person from the agency that had approached him, or from someone from another of the organisations in his area that managed individual traineeship programs if he preferred. This person would be his career development adviser and would be available to meet with him on a regular basis (up to once a month for two hours). The purpose of the meetings would be to spell out the career goals that Con wants to achieve, the competencies he would need to reach those goals, and his progress in achieving these competencies.</td>
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<tr>
<td>His regular meetings with his career adviser would be an opportunity to refine and modify his goals in the light of his work and other experiences. The letter stated clearly that the career development adviser would not have the right to tell Con what goals he should adopt or what education and training courses he should do to achieve his goals. The career adviser would offer Con a choice of suitable courses, available in TAFE, a community organisation such as SkillShare, the local adult education evening college, schools, or private training colleges. These could be taken in block form or one day a week as suited his working arrangements. The only limitation on their nature would be that they should help him to achieve his personal or career goals…</td>
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Individual learning accounts

A Third Way perspective suggests that individuals have a responsibility to invest in enhancing their own employability through the ongoing acquisition of portable skills. However, this should not be the responsibility of the individual alone. Employers and society at large are also important recipients of the benefits of the investment. The wider benefits for employers are likely to come through increased motivation and staff morale. The benefits to society will come from increased social cohesion and a more adaptable, productive economy.

An individual learning account initiative offers the potential to combine the contribution of several stakeholders—individuals, government and enterprises. A learning account can also operate with varying degrees of government involvement in terms of a supporting regulatory framework and direct funding. In addition, enterprises can also play a significant role by contributing to the learning accounts of their employees through a variety of monetary and non–monetary means.

There are various levels at which the concept of a learning account can be implemented. At its most comprehensive level, the learning account can encompass four functions:

♦ A loan or overdraft facility. This would allow individuals access to loans from public or private sources to enable them to meet the costs of tuition fees and/or personal maintenance when purchasing a course or learning opportunities.

♦ An accumulation fund to encourage investment in learning by allowing individuals, their families, the state and/or employers to deposit cash sums to be used to finance lifelong learning.

♦ A mechanism providing for secure and equitable repayment of loans incurred for learning purposes.

♦ A distribution fund to enable individuals to control funds contributed by governments, themselves through their savings, or enterprises for expenditure on learning activities.

<table>
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<th>Individual Learning Accounts: how they do work</th>
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<td>INDIVIDUAL LEARNING ACCOUNTS GO FULL STEAM AHEAD FOR 2000 - BLUNKETT</td>
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Education and Employment Secretary David Blunkett today welcomed a report on the progress and development of individual learning accounts. He pledged to put the individual at the heart of the learning revolution when the full rollout of accounts happens nationwide next year. "

A Summary of Progress on Individual Learning Accounts", paves the way for the national launch of learning accounts next year. DFEE (UK Department for Education and Employment) is inviting key partners, including financial institutions, to help make learning accounts a success.
Market research from today’s DFEE report found: people welcomed individual learning accounts as a means of overcoming cost, one of the main barriers to learning. Learning would be more accessible because accounts would help and support a change in career direction.

Speaking at the New Opportunities Awards ceremony in Glazier’s Hall, London in Adult Learners Week, Mr Blunkett, presenting a new DFEE sponsored award to recognise learning partnerships, said: "Today’s progress report demonstrates we are fully on course for next year. Individual learning accounts will enable individuals to take ownership of their careers by helping them to invest in their own learning."

"The accounts will pave the way for more learning and more effective learning and the wider philosophy, that the more you learn, the more you earn. This is evident from the learning account pilot projects already being run. " A key barrier to learning is cost, with some 21 per cent of those recently surveyed identifying it as an obstacle.

We are committed to increasing the number of adults learning. "As one senior careers adviser quoted in the report says, people make a difference in the wealth creation process and learning is a key agent to help. For a small contribution from the individual, the Government will put in £150 to the first million accounts and offer large discounts of 80 per cent for certain courses and 20 per cent for others."

An individual learning account will be a special bank account to help individuals plan and pay for learning. It will give individuals access to the substantial package of incentives announced in the Budget this year.

Accounts should add value to existing employer investment, currently running at over £10 billion a year for training and development. Today’s report also underlines the interest in Individual Learning Accounts from small businesses whose level of investment in learning is generally lower than larger firms. The accounts will help the smaller firms catch up.


The UK Government has announced a substantial package of incentives for individual learning accounts. The incentives include:

♦ for the first million starter accounts, a contribution of £150 for each individual in the first year of the account, subject to a small contribution from them;

♦ a 20% discount off the cost of eligible courses on spending up to £500 in each year (this applies from the second year of an account, if the individual has a starter account);

♦ an 80% discount off the cost of certain other courses, including computer literacy;

♦ employees will not be subject to tax or National Insurance Contributions on any employer’s contribution to a learning account for eligible learning, as long as the employer extends the facility to the lowest paid employees in the company on a similar basis; and

♦ contributions made by employers will be tax deductible.
The role of government

The role of Government is to offer tax conditions similar to superannuation and to set up arrangements to make the individual learning accounts portable between employers. Government also needs to fund a comprehensive local information, advice and career guidance service for adult learners. If everyone is routinely expected to learn and continually upgrade their skills, everyone will need easy access to high quality local information, advice and guidance so people can make the right learning and career choices.

Government also needs to promote the responsibility of everyone to continually upgrade their skills and set public benchmarks such as the proportion of broad age groups with post school qualifications.

The role of employers

Individual learning accounts can be used to support the efforts of employers to develop their own employees. They can also help small firms match the type of employee development programmes run by larger companies. DfEE discussions with small firms in the UK have highlighted their interest in learning accounts.

Individual learning accounts integrated into an enterprise’s human resource strategy could be a valuable means of complementing organisational development, employee development schemes and individual career planning. Contributions to the account from employers and individual employees could be negotiated as part of the collective bargaining process in a way similar to employer and employee contributions to an enterprise superannuation fund are negotiated.

Role of Unions

Unions could play a major role in stimulating demand for individual learning accounts among their members. They could advise employees on appropriate learning to suit their needs and suggest ways of getting the best deals from employers about individual learning accounts.

Unions could also provide their own framework of learning accounts, together with financial services institutions or separately, as a service to members. This could involve developing common funds to underpin individual learning accounts for trade union members who need the most support. Unions could also develop collective provision where union members would benefit from economies of scale.17

Role of the individual

The individual’s role is save to invest in buying relevant education and training and to take seek appropriate advice and to develop a career plan that involve regular upgrading of skills.

Collective bargaining and mutual gains

Identifying mutual gains is the basis for “win win” strategies in collective bargaining. One particular way of operationalising an approach based on mutual gains is gainsharing. Gainsharing is a process for identifying the major stakeholders in an enterprise and working out a means of regularly distributing the rewards from increases in performance. These gains may be cost savings or improved income, or both. Gainsharing can therefore apply in both a profit and non profit organisations.

The gainsharing approach to collective bargaining needs also to be broadened to ensure that all stakeholders are included. This should include casual as well as permanent staff, subcontractors selling their services as well as employees.

How it works

Gainsharing plans reward workers based on improvements in performance. They are most commonly used in combination with employee involvement or participative management (team) programs, and usually base payouts on the performance of small groups of workers rather than on the performance of the entire organization.

Payouts are based on factors directly under a worker’s control, such as productivity or costs, and gains are measured and payouts are distributed frequently through a predetermined formula. Because bonuses are paid only when gains are achieved, gainsharing plans do not adversely affect firms’ costs.

Gainsharing, as with other aspects of workplace change, is not necessarily easy to implement. The method for measuring performance may not pick up all the costs and situations that are beyond the control of individuals. Gainsharing, therefore, requires continuous re-assessment of the program to ensure that it is fine tuned to capture all aspects of performance including the impact of changes in technology.

Sharing of responsibility

One of the most significant advantages of gainsharing is that it can be used to focus attention on productivity - including long-range productivity. When workers know that a portion of their pay is based on their personal contribution to firm productivity, they have an added incentive to work efficiently and effectively.

Employees receive regular cash payments (these payments are made quarterly or monthly depending on how feasible it is to produce cost and financial performance figures on a monthly basis).

or quarterly basis). The payments come out of the gains in performance that the organisation has made through the joint efforts of managers and employees.

Gainsharing is not about sharing profits; it is about sharing the benefits of improvements. For example, if the employees assist their employer to save 10 per cent of variable costs, it could be highly appropriate to share some of that saving with those employees. This is true whether the organisation making the saving is a factory, a bus company, a university, a hospital, or a museum.

Benefits

The benefits of successful Gainsharing include:

♦ improving efficiency
♦ sharing the benefits of employee-supported savings
♦ improving relations and communications between managers and employees
♦ increasing employee understanding of how the organisation works
♦ securing greater cooperation and involvement
♦ making specific performance improvements
♦ improving use of resources
♦ increasing long term viability of the organisation
♦ improving job security and
♦ changing the organisation culture (where necessary) and generating commitment to organisation goals.  

The Yellow Bus Company

The Yellow Bus Company operated a fleet of around 500 buses in the city of Auckland, New Zealand. It carried people on some 25 million passenger trips each year, covering a total distance of around 22 million kilometres annually. There were close to 900 employees, all of whom were included in the Gainsharing system which was introduced in December 1995 (except for the top four executives). Gainsharing was part of the company's strategy for integrating its team together and achieving a common set of aims. Many changes have been made and Gainsharing was a very important part of those changes from 1995 to late 1998.

The former Chief Executive, Barry Turley, wrote in December 1995: "Gainsharing has a simple, but essential purpose. To involve staff in helping to improve our business". To start off, the Company opened a special "Gainshare" account and put money into it. Every quarter after that a share of the "Gain" earned by the company (income less costs and necessary payments) was added to this pool and an agreed proportion was shared out between the employees.

The amount paid to employees depended on overall company performance on key performance indicators; and all the details of Gainsharing at the Yellow Bus Company were developed in a consultative way. There were many changes introduced in the Yellow Bus Company as a direct result of Gainsharing. The bus operators, maintenance engineers,  

21 See http://www.netnz.com/gainsharing/gainshareWORKS.htm
service staff, and managers turned their attention to finding ways to make the company more successful. The employees of the Yellow Bus Company wanted to provide the best bus service to the people of Auckland!

They were so successful that in late 1998 the company was sold to an international company, Stagecoach, for a sum in excess of one hundred and ten million dollars. Not bad for a company that a few years before had been losing nearly a million dollars a week!

Source: http://www.netnz.com/gainsharing/gainshare3.htm

A number of studies have highlighted the success of gainsharing programs in terms of increased rewards accruing to employees as well as benefits to the enterprise.22

Conclusion

This paper has sought to show how a Third Way approach to industrial relations can highlight different options outside the current conventional wisdom of the left and the right. One starting point is how to improve the management of risk for individuals. This can be done through encouraging individuals to take greater responsibility to gain better access to opportunities to learn. The proposal for an individual traineeship focuses on giving individuals, particularly those in precarious employment, better access to structured training and portable skills. However, it requires new contract arrangements for combining training and work.

Other options for helping individuals to gain greater access to training opportunities involve using the mechanisms of collective bargaining within a framework set by government to fund individual training accounts.

Gainsharing also offers a model for distributing the gains from sharing responsibility for improving performance among the all stakeholders in an organisation. As just noted, the gainsharing approach to collective bargaining needs to be inclusive of all stakeholders, including those regarded as being in the peripheral workforce.

Industrial relations at present is too preoccupied with debating how to regulate the inputs into the workplace (with all the rigidities which that implies). A more constructive focus is to work out how performance can be improved and the benefits shared through vehicles such as stock options to give all participants a share in successful outcomes. Clearly, this would mean abandoning "dispute settlement" as a core activity of industrial relations.