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How Does Labour Work Now? A Quantitative Survey of Labour Practices in Japanese Multinationals Post 1996 Workplace Relations Act (Commonwealth)'.

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Abstract

The focus of this paper is the labour practices that are identified with Japanese management style and their functioning in Australian subsidiaries of Japanese MNEs. The context of their functioning is the changes in labour and management relations in Australia. The data used in this paper was collected, across Australia, in the period between February and July 2001; approximately four years after the 1996 Workplace Relations Act came into effect. The data was collected from fifty-one companies, seventeen each from the sectors of manufacture and assembly, service, and marketing and sales. The survey questionnaires were aimed at the management and asked them to rate the functioning of specific labour practices. These were crosstabulated with the union presence variable at the companies. The results are discussed along with the theoretical framework and the literature review.

Keywords: industrial relations, labour practices, and multinationals

Management and Labour

Introduction

The Japanese management 'style' debate arrived in Australia in the 1980s. This was in line with the history and the level of investment from Japan in Australia (Bayari 1999). In a 1986 survey about the use of Japanese labour practices, many managers of Australian companies were found to be interested in techniques designed to increase individual employee involvement in and commitment to a job. Such commitment would involve, the survey stated, job redesign, supportive supervision, quality control circles or improved managerial communications (Gardner et al. 1986). In the same decade human resource management (HRM) was placed in the mainstream of company management as critical to the organisation's survival and its ability to respond quickly and flexibly to market conditions, a development that had been the hallmark of Japanese management (Deery and Nash 1988: 178). Hence, Australian HRM became the territory of strategic planning and providing solutions to management issues (Frenkel 1986: 107). In the 1990s the most significant management trend was the increase in the number of organisations with structured management practices. This trend was accompanied by a rise in HRM specialist positions in public and private sectors (Morehead et al. 1997, Schedler et al. 1997).[1]

Labour and restructuring

The labour market in Australia has been restructured radically since the beginning of deregulation of the 1980s. As an end result, a chance is observed in skill formations across sectors, while the average employee has to be multi-skilled in order to compete in the market (Sheehan et al 1994).

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[2] There stark difference between the living standards of employees and the Australian HRM managers whose salaries have increased over 73 per cent in the period 1997and the beginning of 2001 (Management Today 2001a). This is an unprecedented increase compared to the ones for wage and salary earners. The loss of employment affects the HRM managers and the employees quite differently. HRM managers make sure the labour practices are put into practice. There is a huge difference between the redundancy pay as percentage of fixed salary of human resource managers (94 per cent) and workers (30 per cent) in Australia (Management Today 2001b).

This change especially bode ill for employees in manufacture and assembly whose share of the GDP continuously shrank throughout the last decade, while the service sector's percentage climbed over the OECD average (Fagan and Webber 1999). The decreasing levels of union membership are related, among other factors, to this change in the composition of the workforce (Wooden and Hawke 2000: 38). As discussed below in the survey results, Australia¬s service sector is the least unionised and it makes over 70 per cent the GDP (World Bank 2000: 252). The general conclusion about the decline of unionism or the replacement of union-negotiated contracts is that work levels become intensified (Green and McIntosh 1998). This is the aim of the employers' efforts to seek ¥methods of efficiency¬

This deregulation process has corresponded to the trend of detachment of the Labor culture from the politics of labour since the 1980s (Beilharz 1994) and the reinterpretation of the skill-education relationship with shifting of the emphasis onto the individuals (Marginson 1997). At the same time, the management¬s struggle for the control over process of production, and its intensity, led to new searches for increased efficiency (Bryan 1989, Burgess 1989). To this end various overseas models, namely, Sweden and Japan, which had already lost their competitive edge in their indigenous environment, have been held up as examples of efficiency (Frankel 1997). A curious tool in measuring efficiency has been the management control systems over production, such as SPC, that use accounting methods and measurements. Yet, accounting is not a science but a representation, even though it is exact. Measuring performance indicators in the management control systems, in manufacturing and other firms, with accounting tools, reflects not the performance but the tools that measure it (Buckmaster 2000: 264).

As the deregulation set in, competition from overseas has been used as the main reason by the foreign and local multinationals to force changes that dominated the new social construction of work practices (Bryan 1995). It was not only the industrial sector that was influenced by the new thinking, decline of the profit rate has also led to the pressure on the public service to be efficient (Pusey 1991). This ensured that the fiscal skim was redirected to business (Olekalns 1998).

The end of the Accord process came well *before the 1996 Workplace Relations Act (Commonwealth)*, with the ACTU itself convinced of the idea that some ¥compromise¬ is out there waiting to be discovered (Brewer and Boyle 1994). The Accord process was attacked by the rise of new right for stunting ¥growth¬ in the as ¥economic rationalism¬ gripped successive state and Federal governments (Beilharz 1994). Yet, the Accord, is shown to have promoted employment growth, not undermine it (Chapman and Gruen 1990)

Human Resource Management (HRM)

A complimenting process accompanying the labour market restructuring has been the changes in the human resource management philosophy and its influence on the skill formation in the companies (Deery and Mitchell 1999, Wooden 2000). The new model of HRM is reported to ¥emphasize the ¥quantitative, calculative and business strategic aspects of managing employees¤ (Deery and Walsh 1999: 117).

Labour practices in context

In this paper the following labour practices are discussed:[2] Just-in-time (JIT) production, kaizen (continuous improvement), TQC (total quality control), team/group work that is linked to QCs or QCCs (quality circles also called quality control circles), statistical process control, ringi decision making, non-union employee/management committees, communication from shopfloor up, on the job training, formal training, external training, job evaluation, reducing job categories, multiple jobs/tasks, reassignment of excess staff consultation with employees at all levels, employee-supervisor direct communication, performance assessment by supervisor. In discussion of individual practices and activities an overlapping is inevitable, as all the elements of HRM feed off each other independently (Wakabayashi 1987). Below, in the Tables 1,2 and 3 are the general outlines of the survey results, which will be taken up in detail in the discussion of individual practices:

The specific labour practices contained in the present survey were developed historically within the confines of the Japanese management even though they have been in use by non-Japanese MNEs globally (see Lincoln 1989, Oliver and Wilkinson 1992). Their specific combination in practice forms a set of organisational (O) advantages for the firm. O advantages are "the strengths which a firm...may have over...another...when both are producing in the same location...[which] are unique to particular firms [and] within an enterprise many are transferable across national boundaries..." (Dunning 1988e: 204).

Unions, industrial relations and non-union channels of communication

In Japan unions are company based and do not cover parts of one or more industries (Lincoln and Boothe 1993). In Australia, the studies show that the Japanese MNEs build up non-union channels of communication between the employees and management (Purcell et al 1999a, Nicholas et al 1996a, Nicholas et al 1996c). This was also the case with the practices reported to be functioning well in this survey. They are, among the others discussed below, RINGI, EMCOMMIT, COMMUNICATION, CONSULTATION and DIRECT COMMUNICATION.

Overall, several Japanese MNEs have achieved a single union presence in their manufacturing plants (Productivity Commission 1997b: E8, Yamanaka 1995: 1). A more recent survey reported that "the majority of Japanese manufacturing firms in Australia have...moved to establish alternative intra-firm, non-union channels of communications between management and workers...The larger the firm, the more likely was it to have a representative body (Purcell et al 1999a: 79). As discussed below, in this survey, more firms with staff over 100, compared to the firms with less than 100, reported these five practices of RINGI, EMCOMMIT, COMMUNICATION, CONSULTATION and DIRECT COMMUNICATION, to be functioning well (see table 9).

In the findings, the majority of the manufacturing and assembly firms had one union at workplace (Table 4A and 4B). When the 18 labour practices were crosstabulated with UNIONS, the biggest cluster was the 'no union' firms, and second was the 'single union' firms (Table 5).

In Pearson Chi-square analysis, three variables, JIT (0.002, *df=6*), SPC (0.001, *df=6*) and REASSIGNMENT (0.04, *df=6*) have had all significant values when UNIONS was crosstabulated with labour practices (Table 5). The use of JIT means, at short notice, extra shift, weekend shift or extended shift work in order to co-ordinate the different plants, of the same or different companies, for the smooth production and transfer of goods and services. The number of companies with a well functioning JIT system were highest among the 'single union' companies, followed by companies with 'no unions' at workplace.

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[3]See Tables 1, 2, 5, 7.

JIT and UNIONS cross-tabulation (Table 5) was significant at 0.002 (*df=6*) as shown. SPC (Statistical Process Control), as a precision measurement of efficiency and speed of work, was another practice that was found to be significantly related to UNIONS variable. This also goes for REASSIGMENT of employees which the companies with no union presence reported the highest success rate with a significance level of 0.046 (*df=6*). Overall, as observed in Table 5, JIT, SPC, REDUCING, FORMAL TRAINING, and REASSIGNMENT were reported by fewer companies to be functioning well, in that order. DIRECT COMMUNICATION and ASSESSMENT were on the other end of the scale, as the practices reported to be functioning well by the highest number of firms.

STAFFNO and UNIONS Pearson Chi-Square testing (Table 6A and 6B) also showed strong relationship (0.006, *df=3*) with majority of the companies in the less than 100 staff bracket being found to have no unions at workplace. The most significant result that was obtained in all the tests was the relationship between the UNIONS and the INDTYPE that had a score of 0.0000 (*df=6*). This may mean that, despite the decline in unionisation, there is diversity cross the three sectors (Table 4B). Again the service sector is the one with the least union presence and manufacturing and assembly sector with the highest (not surprisingly perhaps because of their traditional presence in manufacturing and assembly). The latter has also the highest number of companies with single unions. It is not, again, surprising that, manufacturing and assembly sector had the highest scores consistently in the variables of ENCOMMIT, COMMUNICATION, CONSULTATION and DIRECT COMMUNICATION pointing out to a successful implementation of the labour practices as a package, in line with other research (see Purcell et al. 1999a).

Conclusion

The *Workplace Relations Act* (Commonwealth) altered Australian industrial relations in favour of the employers by effectively strengthening their position to ‘offer’ individual contracts to employees (Coulthard 1999, Deery and Mitchell 1999, Wooden 2000). HRM is a factor that comes to into effect after the contract, to ensure the contractual obligations are met.

The discussion herein points out that labour practices that have been identified with Japanese management, and which have also entered into the Western management practice since the beginning of the 1980s (Oliver and Wilkinson 1992) are operating successfully into the Japanese MNEs subsidiaries in Australia. The number of companies with well functioning practices are differ across sectors with manufacturing and assembly getting the first place, followed by marketing and sales, and service sector. The most significant relationships were found in the application of JIT, TEAMWORK, SPC, ON THE JOB TRAINING AND FORMAL TRAINING. It is no coincidence that this short list contains the elements that save costs (JIT and SPC). As per Dunning's paradigm, the emphasis on minimisation of transaction costs by the Japanese MNEs is a contributing factor in the transfer of management/organisational advantages (Dunning 1988a, 1988b). Thus, the transfer of labour practices is a necessary part of the Japanese HRM. Such transfers "reflect a deliberate strategy by the Japanese parent to design and an optimal HRM structure within the subsidiary which allows the parent to exploit the competitive advantages that led it to invest in Australia most efficiently..." (Purcell et al. 1999a: 74-75).

The survey was directed at the top management, and attempted to analyse the extent of the employee involvement instigated by management through committees and teams. It also sought to find out the satisfaction of management in supervisory control over employees in the absence of unions as the historically accepted agents of bargaining. What this survey has determined is that across three sectors of employment, the practices that were rated as functioning well have been the ones that explicitly entail direct contact between supervisor and the individual employee ex-

union representation. These are COMMUNICATION (mean 2.74) DIRECT COMMUNICATION (mean 2.96), ASSESSMENT (mean 2.7) in Table 2. However, in Table 7, ASSESSMENT is the only variable in this group of three that scored a significant relationship with the sectors (0.016, *df=4*). Overall, in the context new industrial relations framework established after 1996, the management in the surveyed Japanese MNEs' Australian subsidiaries report to that the practices transferred from Japan to be, by and large, functioning well.

Limitations

The paper has the drawback of not making any conclusions about the factors of the wages and conditions in relation to the functioning of the labour practices. The survey did not cover these issues. Neither has the survey collected any data to make conclusions about employees comments in relation to these factors. The questionnaires of this survey were addressed to people in HRM, and it specifically asked about their opinion on the functioning of the labour practices. Hence, the paper makes no claim other than to argue that the changes in the industrial relations with *the 1996 Workplace Relations Act (Commonwealth)*, has had a role to play in the perceived success of the practices from the point of view of managerial function. This is also bearing in mind that the quantitative data presented here is not compared to any other in the period prior to *the Act.*

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APPENDICES AND TABLES

Appendix A - detail from the original questionnaire

1) when did your company start operating in Australia?:

3) your company activity in Australia **a)** assembling and manufacturing
b) marketing and sales **c) service industry**

5) in which period has your company had its largest investment in Australia

a) 2000-1990 **b)** 1989-1980 **c)** 1979-1970 **d)** 1969-1960 **e)** 1959-1950
f) 1949-1940 **g)** 1939-1930 **h)** pre-1929 **I)** n/a

4) how many employees do you have?

5) the number of unions in your company is a) over 3 b) 2 c) 1 d) none

6) do the below practices function in your firm?

Choose as appropriate 1-not used 2- does not function well
3-functions well

just-in-time production	
kaizen	
TQC	
team/group work	
statistical process control	
ringi decision making	
non-union employee/management communication	
communication from shopfloor up	
on the job training	
formal training	
external training	
job evaluation	
reducing job categories	
multiple jobs/tasks	
reassignment of excess staff	
consultation with employees at all levels	
employee-supervisor direct communication	
performance assessment by supervisor	

7) how many in staff is engaged in below practices?

Choose as appropriate 1- many 2- just a few 3- none

on the job training	
multiple jobs/tasks	
team/group work	
job evaluation	
TQC	

Appendix B - variables

YEAR	Year of establishment
INDTYPE	Industry type
EXPANSIO	Expansion
STAFFNO	Staff number
UNIONS	Number of unions in the company
JIT	just-in-time production
KAIZEN	kaizen (continuous improvement)
TQC	TQC (total quality control)
TEAMWORK	team/group work
SPC	statistical process control
RINGI	ringi decision making
EMCOMMIT	non-union employee/management committees
COMMUNICATION	communication from shopfloor up
ON THE JOB T.	on the job training
FORMAL T.	formal training
EXTERNAL T.	external training
JOB EVALUATION	job evaluation
REDUCING	reducing job categories
MULTIPLE TASKS	multiple jobs/tasks
REASSIGNMENT	reassignment of excess staff
CONSULTATION	consultation with employees at all levels
DIRECT COM	employee-supervisor direct communication
ASSESSMENT	performance assessment by supervisor

Table 1 - company profiles - means and standard deviations

Variable	N	Minimum	Maximum	Mean	Std. Deviation
YEAR	51	1	5	3.352941176	1.19705521
INDTYPE	51	1	3	3	0.824621125
EXPANSION	51	1	9	1.705882353	1.603672256
STAFFNO	51	1	2	1.490196078	0.504878164
UNIONS	51	1	4	3.294117647	1.005865153
Valid N (listwise)	51				

Year: (1=1950s, 2=1960s, 3=1970s, 4=1980s, 5=1990s)
Expansion: (1=2000-1999, 2=1989-1980, 3=1979-1970, 4=1969-1960
5=1959-1950, 6=1949-1940, 7=1939-1930, 8=pre-1939, 9=
blank
Industry type: (1=manufacture and assembly, 2=marketing and sales, 3=service)
Staff No: (1=less than 100, 2=100 and over)
Unions: (1= over 3 unions in the company, 2= 2 unions in the company
3= 1 union in the company, 4= no unions in the comp

Table 2 - work practices - means and standard deviations

Variable	N	Minimum	Maximum	Mean	Std. Deviation
JIT	51	1	3	1.705882353	0.944332942
KAIZEN	51	1	3	2.352941176	0.844358441
TQC	51	1	3	2.196078431	0.916942917
TEAMWORK	51	1	3	2.333333333	0.840634681
SPC	51	1	3	1.784313725	0.923335811
RINGI	51	1	3	2.37254902	0.847603311
EMCOMMIT	51	1	3	2.62745098	0.747282659
COMMUNICATION	51	1	3	2.745098039	0.594748258
ON THE JOB T.	51	1	3	2.607843137	0.665685553
FORMAL T.	51	1	3	2.098039216	0.922060778
EXTERNAL T.	51	1	3	2.607843137	0.665685553
JOB EVALUATION	51	1	3	2.215686275	0.90141501
REDUCING	51	1	3	2.117647059	0.886500058
MULTIPLE TASKS	51	1	3	2.607843137	0.695080754
REASSIGNMENT	51	1	3	2.235294118	0.862281515
CONSULTATION	51	1	3	2.431372549	0.806347368
DIRECT COM	51	1	3	2.960784314	0.280056017
ASSESSMENT	51	1	3	2.705882353	0.701259371
Valid N (listwise)	51				

Question 6) do the below practices function in your firm?

Choose as appropriate 1-not used 2- does not function well
3-functions well

Table 3 - extent of employee involvement in six key practices - means and standard deviations

Variable	N	Minimum	Maximum	Mean	Std. Deviation
ON THE JOB	51	1	3	1.745098039	0.658578386
MULTIPLE TASKS	51	1	3	1.745098039	0.744127335
TEAMWORK	51	1	3	1.68627451	0.734580045
JOB EVALUATION	51	1	3	2.137254902	0.800490046
TQC	51	1	3	2.019607843	0.86000456
RINGI	51	1	3	1.960784314	0.773583462
Valid N (listwise)	51				

Question 7) how many staff engaged in these practices? 1=many, 2= a few, 3=none

Table 4A - crosstabulation of UNIONS with INDTYPE

Variable	Over 3	2	1	None	Total
Manufact & assem	5		8	4	17
Markt & sales		5	2	10	17
Service			1	16	17
Total	5	5	11	30	51

Table 4B - crosstabulation of UNIONS with INDTYPE/chisquare

Chi-Square Tests				
	Value	df	Asymp. Sig.	Probability
Pearson Chi-Square	35.0182	6	0.0000	***p<0.05***
Likelihood Ratio	37.1415	6	0.0000	
Linear-by-Linear A.	14.0698	1	0.0002	
N of Valid Cases	51			

*The reversal of variables in crosstabulation for Pearson Chi-Square test provided the same significance levels
**Significant relationships(Pearson Chi-Square Tests) between the work practices and sectors are given in bold italics.

Table 5 - Number of companies that successfully use the 18 work practices (crosstab of work practices and UNIONS)

Variables*	Over 3	2	1	None	Total	Asymp. Sig. (*df=6*)**	Probability
JIT	2	0	9	6	17 (*N=51*)	***0.002***	***p<0.05***
KAIZEN	4	3	9	14	30 (*N=51*)	0.322	
TQC	4	1	9	13	27 (*N=51*)	0.183	
TEAMWORK	4	2	8	15	29 (*N=51*)	0.535	
SPC	4	1	8	4	17 (*N=51*)	***0.001***	***p<0.05***
RINGI	4	4	6	17	31 (*N=51*)	0.578	
EMCOMMIT	5	4	11	20	40 (*N=51*)	0.297	
COMMUNICATION	5	3	10	24	42 (*N=51*)	0.675	
ON THE JOB T.	5	3	10	18	36 (N=*51*)	0.225	
FORMAL T.	3	2	6	13	24 (*N=51*)	0.922	
EXTERNAL T.	5	5	9	17	36 (*N=51*)	0.25	
JOB EVALUATION	5	3	4	15	27 (*N=51*)	0.309	
REDUCING	3	3	4	13	23 (*N=51*)	0.663	
MULTIPLE TASKS	4	4	10	19	37 (*N=51*)	0.297	
REASSIGNMENT	4	4	2	16	26 (*N=51*)	***0.046***	***p<0.05***
CONSULTATION	4	2	7	19	32 (*N=51*)	0.267	
DIRECT COM	5	5	11	29	50 (*N=51*)	0.87	
ASSESSMENT	4	5	8	26	43 (*N=51*)	0.723	

Table 6A - crosstabulation STAFFNO and UNIONS

Variable	Over 3	2	1	None	Total
STAFFNO<100		1	4	21	26
STAFFNO>=100	5	4	7	9	25
Total	5	5	11	30	51

TABLE 6B - crosstabulation of number of STAFFNO and UNIONS/chisquare

Chi-Square Tests				
	Value	df	Asymp. Sig.	Probability
Pearson Chi-Square	12.40334266	3	0.006121784	***p<0.05***
Likelihood Ratio	14.60492193	3	0.002187376	
Linear-by-Linear A.	11.83363148	1	0.000581704	
N of Valid Cases	51			

*The reversal of variables in crosstabulation for Pearson Chi-Square test provided the same significant levels

**Significant relationships(Pearson Chi-Square Tests) between the work practices and sectors are given in bold italics.

Table 7 - companies that reported 18 work practices to be functioning well (crosstab work practices and INDTYPE)

Variables*	Manuf & assemb (N=17)	Mark & Sales (N=17)	Services (N=17)	Asymp. Sig. (*df=4*)**	Probability
JIT	11	4	2	***0.008***	***p<0.05***
KAIZEN	14	9	7	0.149	
TQC	12	9	6	0.063	
TEAMWORK	13	9	7	***0.043***	***p<0.05***
SPC	11	5	1	***0.006***	***p<0.05***
RINGI	9	13	9	0.402	
EMCOMMIT	16	11	13	0.223	
COMMUNICATION	16	13	13	0.587	
ON THE JOB T.	16	11	9	***0.041***	***p<0.05***
FORMAL T.	12	9	3	***0.036***	***p<0.05***
EXTERNAL T.	15	12	9	0.054	
JOB EVALUATION	9	10	8	0.914	
REDUCING	6	8	9	0.608	
MULTIPLE TASKS	13	13	11	0.875	
REASSIGNMENT	6	10	10	0.071	
CONSULTATION	12	11	9	0.519	
DIRECT COM	17	17	16	0.361	
ASSESSMENT	11	17	15	***0.016***	***p<0.05***

*The reversal of variables in crosstabulation for Pearson Chi-Square test provided the same significance levels.

**Significant relationships(Pearson Chi-Square Tests) between the work practices and sectors are given in bold italics.

Table 8 - Number of companies where many participate in six key practices (crosstab workpractices and INDTYPE)

Practice	Manuf & assemb (N=17)	Mark & Sales (N=17)	Services (N=17)	Asymp. Sig. (df=4)*
ON THE JOB	9	6	4	0.136
MULTIPLE TASKS	9	8	5	0.201
TEAMWORK	9	8	7	0.716
JOB EVALUATION	2	7	4	0.412
TQC	7	6	5	0.065
RINGI	3	6	7	0.241

*The reversal of variables in crosstabulation for Pearson Chi-Square test provided the same significance levels.

**Significant relationships(Pearson Chi-Square Tests) between the work practices and number of unions are given in bold italics.

Table 9 - Number of companies that successfully use the 18 work practices (crosstab work practices and STAFFNO)

	less than 100	100 and over	Total	Asymp. Sig. (*df=2*)**	Probability
Variables*					
JIT	1	11	17 (*N=51*)	0.276	
KAIZEN	13	17	30 (*N=51*)	0.397	
TQC	11	16	27 (*N=51*)	0.103	
TEAMWORK	12	17	29 (*N=51*)	0.276	
SPC	5	12	17 (*N=51*)	0.09	
RINGI	16	15	31 (*N=51*)	0.655	
EMCOMMIT	17	23	40 (*N=51*)	0.053	
COMMUNICATION	20	22	42 (*N=51*)	0.391	
ON THE JOB T.	16	20	36 (N=*51*)	0.329	
FORMAL T.	12	12	24 (*N=51*)	0.984	
EXTERNAL T.	13	23	36 (*N=51*)	***0.004***	***p<0.05***
JOB EVALUATION	11	16	27 (*N=51*)	0.067	
REDUCING	9	14	23 (*N=51*)	0.183	
MULTIPLE TASKS	19	18	37 (*N=51*)	0.097	
REASSIGNMENT	14	12	26 (*N=51*)	0.775	
CONSULTATION	17	15	32 (*N=51*)	0.735	
DIRECT COM	25	25	50 (*N=51*)	0.322***	
ASSESSMENT	25	18	43 (*N=51*)	0.058	

*The reversal of variables in crosstabulation for Pearson Chi-Square test provided the same significance levels.

**Significant relationships(Pearson Chi-Square Tests) between the work practices and number of unions are given in bold italics.

***(*df=1*)