THESIS SUBMITTED TO CHARLES STURT UNIVERSITY FOR
THE DEGREE OF DOCTOR OF BUSINESS ADMINISTRATION

By

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DO FIRMS CHANGE THEIR HRM APPROACH FROM
ONE THAT IS INITIALLY HUMANISTIC TO ONE THAT
IS LATER STRATEGIC?

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I ANTHONY HANKINS

Hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma at Charles Sturt University or any other educational institution, except where due acknowledgment is made in the thesis. Any contribution made to the research by colleagues with whom I have worked at Charles Sturt University or elsewhere during my candidature is fully acknowledged.

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Mr A Hankins
171 Plantain Road
Shailer Park QLD 4128

4 July 2000

Dear Mr Hankins

Thank you for the additional information forwarded in response to a request from the Ethics in Human Research Committee.

The Committee has approved your proposal "Do firms change their HRM approach from one that is initially humanistic to one that is later strategic?". The protocol number issued with respect to the project is 00/086.

You must notify the Committee immediately should your research differ in any way from that proposed.

You are also required to complete the attached Report form and return it on completion of your research or by 30 June 2001 if your research has not been completed by that date.

Please don’t hesitate to contact Mrs Kaye Price on telephone (02) 6338 4200 if you have any enquiries about this matter.

Yours sincerely

Kaye Price

Bernadette Denman
Executive Officer
Ethics in Human Research Committee

cc Mr A Smith
General Manager
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ABSTRACT

This thesis is an investigation into two methods of strategic Human Resource Management (HRM). One method concentrates on winning the commitment of employees to achieve the goals of the firm by using human resource (HR) policies which mutually satisfy the employees' and the firm's needs. This type of HRM also aims to develop employees, involve them in decision-making, and keep them fully informed so that they can make choices. It may be termed 'humanistic' in nature, but is also known as 'soft' model HRM. It is a single, closed and claimed by Sisson & Storey (2000) to be a universally appropriate strategy based on treating humans as valued resources. *Mutuality* is a theme of 'soft' model HRM.

The other method of strategic HRM is based on matching HR policies to the organisation's business strategies. The firm decides its strategy in consideration of a business environment and chooses a suite of HR policies that are appropriate in light of that strategy. The policies might, or might not be 'humanistic', because the choices are linked to the business environment in an open, contingent manner. *Matching* policies to strategies is a theme of 'hard' model HRM.

The problem with the 'humanistic' model is that it ignores the business environment and this closed view prevents changes to HR policies that might be essential to face competition and survive. The literature is silent on this point and because of this, the hypothesis of this thesis is that the 'soft' model is not sustainable in a business environment open to competition. Organisations exposed to competition will be compelled to transition to the 'hard' model over a period of time.

The thesis contains four qualitative case studies of organisations from Commonwealth, State and Local government organisations and their HRM actions over the 1990s. Government organisations were chosen because they operated in a closed environment until the late 1980s and early 1990s. All case study firms used 'soft' model HRM as a legacy of policies they inherited from Public Service Boards.

The investigation discovered that the four public sector firms had to transition from a 'humanistic' model to a 'strategic' model, because their environment became
increasingly uncertain. Much of the environmental uncertainty was caused by the introduction of purchaser-provider models. These models facilitate the comparison of prices of external providers with internal providers and their introduction has been impelled by National Competition Policy for this very reason.

However, the organisations do not complete a change from one model to another. They remain in transit, because internal and external factors prevent them from so doing.
CHAPTER 1

INTRODUCTION

Personnel departments in the 1980s and earlier emphasised the importance of job
descriptions, aimed for a clear specification of duties, and dealt with the procedural
aspects of employment: processing pay, annual leave entitlements and recruitment, for
example (Rousseau & Arthur 1999). Human Resources departments took over the
processes managed by personnel departments, but were supposed to add a strategic
focus, although some simply adopted a new, more fashionable title and carried on with
the same function.

The value a Human Resources (HR) department should add to a firm was embodied in
the concept of strategic human resource management (HRM), which sought to maximise
the competitive advantage of the enterprise using HR departments to create policies to
manage employees. However, two streams of strategy evolved. One was based on the
human relations movement that claimed to be able to maximise the contribution of
employees by treating them as valued resources and the second, on treating employees
in the way that the firm’s strategic options dictated. The former method was called ‘soft’
model HRM and the latter ‘hard’ model HRM by Storey (1989). Storey called the ‘soft’
model ‘soft’ because it was based on a caring attitude, and called the ‘hard’ model
‘hard’ because this method was based on the firm’s needs, not the employees’ needs.
Legge (1995) described the ‘soft’ model as a ‘developmental human focus’ and the
‘hard’ model ‘utilitarian-instrumentalism’, whereas the title of this thesis refers to a
‘humanistic’ approach for the ‘soft’ model and a ‘strategic’ approach for the ‘hard’
model. For clarity of expression, the remainder of the text adopts the terms ‘soft’ and
‘hard’ throughout.

‘Soft’ model HRM is people-centred and a major theme is winning commitment
through *mutuality*. Walton (1985a) thought HRM policies should promote mutual goals,
multiple influence, mutual rewards and mutual responsibility. He theorised that policies
that promoted *mutuality* would result in employee commitment to yield both better
performance for the firm and greater human development.
‘Soft’ model HRM comprises two subsets, the universal-HRM model and the universal-partnership model (Sisson & Storey 2000). The partnership model only differs from the HRM model by adding a union-management partnership focus. ‘Soft’ model is universally appropriate (Sisson & Storey 2000) as a single HRM strategy to manage a business in all circumstances.

‘Hard’ model HRM comprises three subsets, the business life cycle model, the strategy and structure model, and the matching business and HR strategy model. The business life cycle model is based on the ideas of Kochan & Barocci (1985), who provide recommendations for HR policies, which are matched to the growth, maturity and decline phases of a business. The strategy and structure model is derived by concepts proposed by Fombrun, Tichy & Devanna (1984) who recommended five different product structures linked to strategy and guidelines for HR policies. The matching business and HR strategy is based on the ideas of Porter (1980) or Miles & Snow (1984), for example a cost leadership strategy, or a differentiation strategy. ‘Hard’ model HRM is, therefore, contingent on a business strategy linked to the business environment.

When a ‘soft’ model HRM is in use there is no linking of the business environment to the HR strategy. It operates within a closed system. There is only one way to operate and winning employee commitment is mandatory. In ‘hard’ model HRM, there are contingent strategic options, depending on the business environment. It is an open system. Therefore, a firm is using ‘hard’ model HRM if it considers its HR policies should be created or modified in view of its business strategies and these strategies are derived by considering the environment. This concept is known as matching (Hendry & Pettigrew 1986).

Purell (1999) suggested the matching approach might not work, because every firm would have the same strategy and no single one of them would have a competitive edge. The resource-based view (Barney 1991) argues another approach centred around the scarce resources of a firm, which provide a competitive advantage. In this case, scarce human resources would be retained using similar policies to the ‘soft’ model. However, the resource-based view does not specifically describe how HR should be managed (Delery 1998).
A further criticism of the *matching* approach is that it is based on strategy and there are many critics of the ability of a firm to generate a sound strategy on which *matching* will depend. For example, whether managers are capable of strategising (Mabey, Salaman & Storey 1998), whether strategy ignores politics, power and culture (Kamoche 1994; Purcell & Ahlstand 1994; Truss & Gratton 1994), or whether strategy is only partly rational and not completely so (Mabey, Salaman & Storey 1998).

Therefore, the criticisms of the HRM models indicate that there is not one model that satisfies everybody and that there is a need for another, more generally acceptable model.

For Australia and the rest of the industrialised world, the business environment has become very harsh. Competition from developing nations has eroded market share, particularly because tariff protection has been reduced, and this has had an effect on employment. In the 1980s, ACIRRT (1999) commented that Australia's growth markets were in low value added products where cost cutting was emphasised ahead of skill formation and product innovation. It was not until the mid-1990s that the export of elaborately transformed manufactures began to improve.

Because of this business environment, firms started downsizing, eroding conditions of employment, and working people harder, all of which are 'hard' cost-cutting strategies. The 'soft' model might have existed in the past, but managers no longer seemed to use it. The academic literature does not explain how 'soft' model HRM might succeed when costs must be cut and there is evidence that the model fails in this regard.

'Soft' model might only be applicable in monopoly, or oligopoly conditions. For example, consider Xerox’s patents on photocopiers, which lapsed. Whilst the patents were current, Xerox had a market monopoly and was immune to competition. Similarly, IBM and Digital had market power in computers, until 'clones' manufactured in Asia became available at a lower price. Xerox, IBM and Digital, famous for their use of the 'soft' model, downsized to reduce costs when their market power declined (Locke, Kochan & Piore 1995).
Suppose that the use of ‘soft’ model HRM is restricted to organisations that do not need to consider the business environment because it is stable? For example, Australian monopolies have had no competition, but, owing to government initiatives to deregulate, now do so. Similarly, State and Federal government departments operated as monopolies; were immune from competition and unconcerned about their prices, until the Hawke-Keating Commonwealth government introduced the concept of microeconomic reform in 1987.

The theme of this thesis is that firms will transition from ‘soft’ to ‘hard’ model HRM when the business environment changes adversely, perhaps to face competition for the first time. In this situation, the firm’s management might analyse its pay and conditions of employment and compare them to those of its competition, introducing changes where it considers change is necessary. Consequently, the implication for management practice is that the use of ‘soft’ model HRM may only be used in a stable environment.

Private industry and government monopolies did not have to consider an open system of ‘hard’ model HRM linked to the business environment because ‘soft’ model HRM was universally appropriate for them. It was only when the environment changed adversely that they were forced to examine every option, including their form of HRM, and by so doing, started using a ‘hard’ form of HR management.

What would the evidence be to support the hypothesis that ‘soft’ model HRM can only exist when faced with a stable external environment? Companies that had adopted ‘soft’ model HRM had done so because they were isolated from the external environment. Later, when their isolation was removed, and the companies faced adverse business conditions, they moved to ‘hard’ model HRM.

What would the evidence be to refute this hypothesis? To find that those same companies had continued to operate successfully in adverse conditions whilst still retaining ‘soft’ model HRM.
Therefore, the central question that this thesis investigates and reports on is:

'**Do firms change their HRM approach from one that is initially humanistic to one that is later strategic?**'

And the sub-questions that arise as a result of this question are:

1. **What internal forces shape the formulation of the firm's HR policies?**
2. **What external forces shape the formulation of the firm's HR policies?**
3. **How have the firm's HR policies changed over time?**

The thesis is based on a qualitative, multiple case study with cross case analysis and conclusion drawing from four government organisations: the Australian Maritime Safety Authority, the Brisbane City Council, the Queensland Department of Information, Local Government and Planning; and the Canberra Institute of Technology.

Government organisations were chosen because the Hawke-Keating government had radically changed the business environment for them and because they possessed a number of characteristics described in Chapter 3, Methodology.

The thesis comprises a chapter, which reviews the literature, followed by a chapter on methodology. Next in sequence are chapters on each of the four case studies. To conclude the thesis, there is a chapter on cross-case analysis, which includes a conclusion, the implications for theory and the implications for practice. There are also two appendices at the end of the thesis. Appendix 1 'Data Collection Discussion Areas', guided the investigation. Appendix 2 'Working Conditions in the Public Service' explains some of the common HR policies used throughout the Australian public sector. It is recommended that those unfamiliar with such policies read the appendix before reading the case study reports.

The results of the cross-case analysis demonstrate that the four organisations have changed their HRM approach. The change has been from 'soft' model HRM to 'hard' model HRM using Certified Agreements to change HR policies. However, the transition from one model to another is incomplete, because internal and external factors prevent a perfect match of HR policies to a generic 'hard' model.
The implication for theory is that firms do change their HRM approach from one that is initially humanistic to one that is later strategic. The implication for management practice is that managers should adopt a more contingent method of HRM, which allows them to operate in any business environment, rather than use a 'soft' model, which is too restricted.
CHAPTER 2
LITERATURE REVIEW

1. INTRODUCTION
The literature describes two quite different methods of HRM: one is a humanistic or caring method and the second is based on an analytic strategic match of HR policies and practices with the objectives of the organisation. The former might be viewed as taking account of people’s feelings and is well expressed by Guest (1987) and Storey (1987 and 1992a) as the ‘soft’ model, whereas the strategic matching method is expressed as the ‘hard’ model, because it is unfeeling and insensitive. The ‘soft’ model of HRM, it is claimed, will achieve the organisation’s goals through an employee commitment building strategy. Committed employees will succeed in spite of any adverse business environment. Whereas the ‘hard’ model offers choices for the firm: it can do what it believes it has to do.

The Literature Review is designed to uncover what the ‘soft’ and ‘hard’ models of HRM are. To guide the search for the ‘soft’ model, the themes of secure employment, commitment, rewards, training and development, informed choice, and participation and trust were chosen. These themes were based on the ideas of Walton (1985a) and Beer et al. (1985), who were the first to describe commitment management and on whose suggestions other writers built. A theme of core-periphery strategy was added following research into the observations of the other writers. It appeared possible that this theme of segregating the workforce might allow for two models of HRM to be used concurrently. In addition, a theme of Industrial Relations was also added. Australia has mandated Industrial Relations procedures and union power might prevent an organisation from directly matching HR policies, particularly if the matching led to an eroding of employees’ conditions of service.

2. BACKGROUND TO HRM
Legge (1995) observed that HRM was born out of environmental influences. In the years following World War II, Japan had built its economy to become the second most powerful in the world by the 1970s and had gained large markets in Europe and the USA. As a result, US business looked towards Japan to learn the ‘secrets’ of its economic success and found the popular management answers in Ouchi’s (1981) Theory
Z and the ‘eight attributes’ ¹ of Peters and Waterman’s (1982) *In Search of Excellence*. These texts essentially reduced to combining tight controls on results with what might be a form of ‘soft’ model of HRM (Legge 1995). Mukhi, Hampton & Barnwell (1988) wrote that ‘Theory Z’ is open to criticism, because Japanese firms do not consistently show the conditions Ouchi selects as representative of ‘Theory Z’. Mukhi, Hampton & Barnwell (1988) also suggest that other evidence shows managers to be more autocratic, organisations more bureaucratic, career paths more specialised, employment less stable and employees less satisfied than Ouchi supposes. Ouchi also bases his work on Mayo, McGregor, Likert and Argyris. Mayo does not appear to be a good source on which to build human relations theories. The series of research studies, (the ‘Hawthorne Studies’,) he conducted during the 1920s and 1930s in conjunction with Roethlisberger and Dickson - all of Harvard University - produced the ‘Hawthorne Effect’ hypothesis, which, following a subsequent analysis of the research, has been shown to be a myth (Mukhi, Hampton & Barnwell 1988 p43). Guest (1990) also criticises some of the key human relations authors. He reported that British management academics thought that the findings of Herzberg, Maslow, and McGregor were based on subjective judgement and a lack of supporting empirical evidence. Yet, in spite of all of these criticisms, he wrote that the theories of the human relations authors had captured the imagination of Americans. Guest (1990) observed that this might have been because the old models of managing growth and productivity had apparently become ineffective, because the Western world continued to lose manufacturing to the East despite the use of traditional macroeconomic management.

Guest (1990) suggested that the growth of HRM in the UK owed something to the political and economic climate in the 1980s and the tendency of the British to seek ‘better’ practices in the USA². US and UK business learned that cultural management would secure the commitment of employees and this commitment together with some of the ‘six pillars’ of Japanese employment practices³ would facilitate the adoption of successful Japanese manufacturing methods such as *Kanban* (just-in-time) and *Kaizen* (continuous improvement,) for example. He proposed that the choice of models to use in HRM, is essentially the choice of McGregor’s (1960) ‘Theory X’ or ‘Theory Y’.

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¹ A bias for action; close to the customer; autonomy and entrepreneurship; productivity through people; hands-on, value driven; stick to the knitting; simple form, lean staff; simultaneous loose-tight properties.

² Which he observed lost their appeal in the UK in the 1990s.
Legge (1995) agreed that UK and US business sought to emulate the success of the Japanese, but she suggested that there are doubts about the accuracy of Peters and Waterman's research methodology. They did not consider the dual industrial structure in Japan of cottage industries with appalling working conditions, which supplied the stereotypical large, successful Japanese companies. In addition, even these Japanese 'stereotypes' are reviewing whether lifetime employment, seniority-based reward systems and company welfare should continue to be a part of their operating philosophy.

3. HRM
What is HRM?
Foulkes (1986) observed that HRM must be related to the overall strategy of the organisation and the primary role of HR managers was to help senior and line managers achieve their goals. Hendry & Pettigrew (1986) defined HRM as the design and management of personnel systems based on employment policies and work force strategy, and often based on a philosophy. They suggested that HRM activities and policies should be matched to some explicit business strategy, but they also believed that employees are not only a valued resource, but also the source of competitive advantage.

There are other descriptions of HRM. Mabey, Salaman & Storey (1998) remarked that there is no single model of HRM but a variety of different descriptions and ideas. Sisson & Storey (2000) divided HRM into two models: universal or contingency. The universal model offers a set of HR policies and practices, which are argued by Sisson & Storey (2000) to be universally appropriate for a firm to achieve superior performance, whereas in the contingency model, HR policies and practices fit the circumstances of the firm.

Similarly, Boxall (1996) suggested that there are two strands to HRM. One strand is high-commitment management and the other a relationship between business strategy and employee relations. If employee commitment is achieved, then it is suggested that the commitment will result in the employees implementing actions to counter adverse threats to the firm. Therefore, a commitment-seeking strategy is argued by Sisson & Storey (2000) to be always, or universally appropriate. Whereas if there is a relationship

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3 Lifetime employment; company welfare; quality consciousness; enterprise unions; consensus management; seniority-based reward systems.
between the business strategy and employee relations, then employee relations might vary, or be contingent on the business strategy.

The Universal models
According to Sisson & Storey (2000), there are two sub-sets of the universal model: the HRM model and the partnership model. The universal-HRM model has no clear definition and is prescriptive, providing one set of preferred HR policies that is claimed to be suitable for any organisation under all circumstances. The universal-HRM model is derived from the 'Harvard' model of Beer et al. (1985), and concentrates on trust, commitment, employee development, teams, performance appraisal including feedback, training, career structures, internal promotion, performance pay, participation and involvement as shown in Figure 2.1 (Sisson & Storey 2000, pp39-40).
Figure 2.1 (Sisson & Storey 2000, pp39-40).

<table>
<thead>
<tr>
<th>POLICY AREA</th>
<th>POLICY PRACTICE</th>
</tr>
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<tbody>
<tr>
<td>Beliefs and assumptions</td>
<td>Internal and external business and customer needs are the main referent. The search for excellence, quality and continuous improvement are dominant goals. Aim to go ‘beyond the contract’. An emphasis on ‘can do’ and high energy.</td>
</tr>
<tr>
<td>Managerial role</td>
<td>Top managers are highly visible and provide a vision for the future that employees can share; they also offer transformational leadership by setting the mission and values of the organisation. Middle managers inspire, encourage, enable and facilitate change by harnessing commitment and cooperation of employees; they also see developing employees as a primary role.</td>
</tr>
<tr>
<td>Organisation design</td>
<td>Highly decentralised, flat hierarchy. Job design congruent with organisation structure, technology and personnel policies. Cross-functional project teams and informal groups responsible for particular products or services or customers; they have a ‘contract’ to contribute to the organisation with jobs defined in terms of team role. Teams are largely autonomous and there is a great deal of task flexibility, if not interchangeability between members.</td>
</tr>
<tr>
<td>HR policies</td>
<td>Numerical flexibility, i.e. core and periphery workforce. Time flexibility, e.g. annual hours. Single status, i.e. reward etc. of core employees reflects contribution. Selection - emphasis on attitudes as well as skills. Appraisal - open and participative with emphasis on two-way feedback. Training - learning, growth and development of core employees are fundamental values; lateral as well as upward career advancement with emphasis on ‘general’ as well as ‘specific’ employability. Equal opportunities. Reward systems - individual and group performance pay; skill based pay; profit and gain-sharing; share ownership; flexible benefits package. Participation and involvement - extensive use of two-way communication and problem-solving groups.</td>
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The universal-partnership model (Sisson & Storey 2000) also has no clear definition, because it is based on the universal-HRM model and because it includes a partnership between unions and management. In the latter case, it is unclear if the partnership is between an individual and the firm, or between the union representing individuals and the firm (Sisson & Storey 2000).

The universal-partnership model combines the universal-HRM model and some form of collective employee representation (Sisson & Storey 2000). The model is based on six principles:

1. Commitment by the parties to the success of the organisation.
2. Agreement that each partner may have different interests.
3. A degree of employment security, with a limit to forced redundancy and a commitment by the employer to train employees for future employment, (termed ‘employability’).
4. A genuine attempt to improve the quality of working life.
5. The unimpeded distribution of all information, meaningful consultation and the willingness to listen to alternative strategies put by each party as solutions to business imperatives.
6. Adding value.

Sisson (1990) suggested that HRM is associated with four main characteristics. Firstly, a high-commitment or involvement management approach, whereby the commitment of employees is achieved using various HR policies, including that of employee participation. Secondly, a strategic approach to HR where policies and practices are integrated with each other and the overall business strategy. For example, the HR policies and practices not only sensibly fit and do not conflict with each other, but also sensibly fit and do not conflict with the business strategy. Thirdly, line managers are responsible for HR matters, such that those that actually manage the human resource are able to decide how the resource should or needs to be managed in view of the immediate environment the manager is experiencing. Finally, an individualistic, possibly non-union approach to Industrial Relations, based on the idea that if every employee need is met or can be met by direct negotiation, there is no role for a union to play.
Monks (1998) also observed that HRM could separate workers from their union. Purcell (1999) explained that this was possible because high-commitment management was a gain for both the employer and employee, neither trade unions nor market regulation was necessary.

The universal HRM model is also known as the best practice model (Sisson & Storey 2000) and 'soft' model HRM, tracing its roots to the human relations school (Storey 1987; Storey 1989). Other descriptions of the model have included the high-commitment model (Walton 1985a), the HRM model (Sisson & Storey 2000), or high performance work practices (Purcell 1999; Hutchinson, Purcell & Kinnie 2000), all of which have a link to Walton's hypothesis that a commitment-building strategy of HR policies will result in employees achieving the firm's goals. The universal HRM model is people-centred and designed to win commitment (Sisson & Storey 2000). Legge (1995) described the universal HRM model as having a 'developmental human focus'. It emphasises individualism, a motivated and happy workforce (Guest 1999) and so happy that they may find work a more comfortable place to be than at home (Hothschild 1997). Mabey & Salaman (1995) stated that the universal HRM model is a closed strategy. Mabey, Salaman & Storey (1998) elaborated on the theme by observing that the model suggests that only one HR strategy is appropriate, regardless of the type of business or the phase of the product life cycle the business is in. Guest (1987), in describing the universal HRM model, used the term 'treating employees as valued assets'. The model is one in which the focus must be placed on winning the hearts and minds of workers, who should be viewed as means rather than objects (Guest 1987; Guest 1999).

**For the purpose of this thesis, the model will be referred to as 'soft' model HRM.**

The earliest examples of the 'soft-hard' dichotomy are discussed by Guest (1987) and Storey (1987 and 1992a). There is no comprehensive list of 'soft' model HR practices. Sisson & Storey (2000) provide some and these are shown in Figure 2.1. Others are provided by Walton (1985) and Beer et al (1985).

Walton (1985a) thought HRM policies should promote mutuality - mutual goals, mutual influence, mutual respect, mutual rewards and mutual responsibility. He theorised that policies that promoted mutuality would result in employee commitment to yield both
better performance for the firm and greater human development. Beer et al. (1985) had a similar view. They wrote that HRM should be linked to strategic planning and cultural change, but HR policies should be used to equalise power, build trust, allow for participation, and give employees an informed choice, all, of which, they theorised, would lead to commitment.

Arthur (1992) described 'commitment' systems as those that had a higher level of employee involvement in decision making and formal participation programs. Training in group problem solving and the social aspects of team working would also be provided to employees. Arthur (1994) added that 'commitment maximisers' shape the desired employee behaviours by linking employee and employer goals. Similarly, Thomas & Vethouse (1990) thought that a commitment system might lead to a highly motivated and empowered work force whose goals would be closely aligned to management. Wright & McMahon (1992) and Lado & Wilson (1994) provided a behavioural perspective for high-commitment management. Wright, Dyer & Takla (1999) found from their state-of-the-art and practice study, which involved interviews and surveys of 232 HR executives, consultants and academics, that 34% of respondents considered they had a need to develop high-commitment work systems. Wood (1995) and Wood & de Menezes (1998) also listed the practices of high-commitment management systems.

What is needed to assess the extent of the use of 'soft' model HRM is a list which summarises the contribution of all of the authors and the most comprehensive list is produced by Pfeffer (1994). It includes sixteen practices, which characterise successful companies. The list follows, but against each policy, a discussion has been inserted to demonstrate that Pfeffer's list meets the requirements of other authors. Thus, using the sixteen HR practices of Pfeffer as a basis, a consensus between him and other researchers of the 'soft' model would describe HR practices commonly associated with the 'soft' model.

keeping their job with the firm as long as they want it. Therefore, only volunteers leave and those that stay are committed to the success of the organisation, because its future would also be their future.

2. **Recruiting selectivity.** Wood (1995) suggested the ability to be trained and to become committed as major selection criteria. Wood & de Menezes (1998) proposed an emphasis on the ability to train and commitment as valued characteristics of employees at all levels. Because the firm guarantees job security, prospective employees must be able to fit into the organisation's culture and have the ability and dedication to be trained so that they can progress up the career ladder. Similarly, the recruiters would seek that type of personality that would respond to a commitment-building strategy. For example, a cynic might not be a suitable employee.

3. **High wages.** Employees who consider themselves under-paid pose several threats to the firm. For example, they might not meet quality standards; they can destabilise the culture by criticising their employer; sabotage an implementation plan; destroy the firm's reputation with its customers; or simply make a team ineffective. They can also leave the firm for a better-paid job.

4. **Emphasis on training and development.** Mabey, Salaman & Storey (1998) also believed training is an essential part of strategic HRM. Training and development is important to a firm that is offering a lifetime career for its employees. If employees cannot be trained in new technologies or new work methods, then they cannot be offered employment security. Similarly, if they cannot be developed, they cannot be promoted and new employees would be recruited as managers. Employees observing the external recruitment of supervisory personnel by the firm would become cynical about the quality of the career they were offered.

5. **Information sharing.** Wood (1995) and Wood & de Menezes (1998) agreed that information should be shared to the lowest levels with a heavy reliance on team interaction for the dissemination of information. Storey & Sisson (1993) also suggested that the use of ‘soft’ HRM implies that communication plays a central role in management.

6. **Symbolic egalitarianism.** Walton (1985a) thought that to introduce a commitment model, employers should promote mutual influence and mutual respect. Beer et al. (1985) suggested HR policies should equalise power. Although an organisation comprises a hierarchy of management and employees, a symbolic egalitarianism facilitates the goals of Walton and Beer et al.
7. **Wage compression across levels.** Such compression reinforces egalitarianism.
   Wood & de Menezes (1998) also proposed reductions in hierarchy or status between employment levels.


9. **Employee ownership.** Walton (1985a) suggested the commitment model should promote mutual rewards. Employee share ownership and the resulting dividends would achieve this goal.

10. **Team-based work and job re-design.** Wood (1995) agreed that this technique ensured the full use of a worker's skills and abilities. Wood & de Menezes (1998) expanded the goal by adding job redesign for job satisfaction. Job satisfaction results in a stable workforce, whilst using an employee's skills and abilities to the maximum provides the best possible output from the employee.

11. **Cross-training and cross-utilisation.** Wood (1995) proposed flexible job descriptions and Wood & de Menezes (1998) suggested a high level of functional flexibility. (Storey & Sisson [1993] proposed that 'soft' model HRM was associated with goals of flexibility.)

12. **Participation and empowerment.** Beer et al. (1985) suggested that participation and empowerment would lead to commitment and this, in turn, would lead to the achievement of the firm's goals.

13. **Promotion from within.** Wood (1995) and Wood & de Menezes (1998) proposed career ladders. As previously discussed, a high-commitment firm offers permanent employment and job satisfaction, together with the training and development of employees to achieve their full potential. Consequently, there must be promotion from within via career ladders to allow for this. Career ladders also provide an avenue for the firm to perpetuate the values of a commitment-based culture, because all of the managers are derived from that culture.

14. **Have a long-term perspective.** Firms that have a short-term perspective are likely to seek to reduce costs in business downturns. Cost reduction might impact on employment security, the suspension of training and development programs and a reduction in rewards. Those actions are the opposite of what is necessary for a high-commitment system.

15. **Measure progress.** The measurement of progress is a pre-requisite for the effective control of a system. For example, the implementation of a plan to achieve a certain
outcome needs to be monitored in case the desired outputs are not achieved and modification is required. That is, Pfeffer suggests a successful company monitors its performance and is prepared to modify its actions.

16. Have a vision of what they want to be. Beer et al. (1985) suggested that employees should be given an informed choice. Walton (1985a) theorised that committed employees would achieve the firm’s goals. Therefore, the firm must have a vision in order for the employees to know what the goals are and to make an informed choice. Ogbonna & Whipp (1999) also observed that ‘soft’ model HRM emphasised a strong organisational culture as a means of implementing the firm’s vision.

Pfeffer (1994) does not include some ‘soft’ model practices proposed by Wood (1995). These are a two year training budget, quality circles, and the responsibility of workers for quality. Nor does Pfeffer (1994) include Sisson & Storey’s (2000) suggestion that developed economies need to add a quality factor to the provision of goods and services, because they would not be able to compete on price alone with developing economies.

Finally, unlike Pfeffer (1994), Wood & de Menezes (1998) suggested the provision of extra welfare facilities.

Therefore, Pfeffer (1994) provides a comprehensive list of the ‘soft’ model and one which can be used to assess the HR policies in organisations, which use the ‘soft’ model.

The contingency models
Fombrun, Tichy & Devanna (1984), known as the ‘Michigan School’, observed that management had failed to align HRM with business strategy, although alignment was essential for the firm’s success. The contingency models correct that failing because they are an open or contingent approach to HRM (Mabey & Salaman 1995). That is, if there is a possibility of an event occurring, the firm is willing to consider an appropriate HR action in response to the event. This is unlike the ‘soft’ model, which proposes that no HR policy should be changed, because the suite of HR policies is designed to gain the commitment of employees, who, by virtue of their commitment, will manage any event under all circumstances.
Contingency models are termed 'hard' model HRM by Guest (1987) and Storey (1987 and 1992a). They are a dispassionate and calculative way to manage the headcount resource, as any other factor of production would be managed (Storey 1987; Storey 1989). Workers are viewed in the models as objects to be treated as commodities (Guest 1999). Legge (1995) calls the models 'utilitarian-instrumentalism'. They potentially incorporate flexibility, business process re-engineering, performance management, performance pay, and contracting out (Guest 1999).

For the purpose of this thesis, this model will be referred to as 'hard' model HRM.

'Hard' model HRM focuses on strategic fit. HR policies and practices are closely linked to the strategic objectives of the organisation - known as 'external fit' - and are coherent between each other - 'internal fit' (Hendry & Pettigrew 1986; Baird & Meshoulam 1988) or 'matched between themselves' (Mabey, Salaman & Storey 1998). This fit has the aim of increasing competitive advantage (Alexander & Botter 1981; Tichy, Fombrun & Devanna 1982; Lengnick-Hall & Lengnick-Hall 1990; Storey & Sisson 1993). Wright, Dyer & Takla (1999) found that 53% of respondents in their study considered the ideal HR function must link with the business strategy.

The 'hard' model allows any practice that advances the business strategy (Sisson & Storey 2000) and has three sub-sets: the business life cycle model; the strategy and structure model; and the matching business and HR strategy model (Sisson & Storey 2000).

The contingency-business life cycle model is based on ideas detailed by Kochan & Barocci (1985). They present a table (Kochan & Barocci 1985, p104) showing the life cycle of the business through growth, maturity and decline, providing guidelines for recruitment, selection, rewards, training and development, and industrial relations against each phase of the life cycle. The table is reproduced in Figure 2.2.

The contingency-strategy and structure model is derived from concepts proposed by Fombrun, Tichy & Devanna (1984). Their table is reproduced in Figure 2.3. They suggest the model is the alignment of the HR systems with the formal structure in order to drive the objectives of the organisation. Fombrun, Tichy & Devanna (1984) provide a list of five different strategy/structure types and list guidelines for HRM policies in
selection, appraisal, rewards and development against each type. Fombrun, Tichy & Devanna (1984) and Hendry & Pettigrew (1990) both define HRM as managing human resources in a strategic way.
<table>
<thead>
<tr>
<th>Human resources functions</th>
<th>Start-up</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recruitment, selection &amp; staffing</strong></td>
<td>Attract the best technical/professional talent.</td>
<td>Recruit adequate numbers and mix of qualified workers. Management succession planning. Manage rapid internal labour market movements.</td>
<td>Encourage sufficient turnover to minimise lay-offs and provide new openings. Encourage mobility as re-organisations shift job around.</td>
<td>Plan and implement workforce reductions and reallocation.</td>
</tr>
<tr>
<td><strong>Compensation &amp; benefits</strong></td>
<td>Meet or exceed labour market rates to attract needed talent.</td>
<td>Meet external market but consider internal equity effects. Establish formal compensation structures.</td>
<td>Control compensation.</td>
<td>Tighter cost control.</td>
</tr>
<tr>
<td><strong>Employee training &amp; development</strong></td>
<td>Define future skill requirements and begin establishing career ladders.</td>
<td>Mould effective management development and organisational development.</td>
<td>Matching flexibility and skills of an ageing workforce.</td>
<td>Implement retraining and career consulting services.</td>
</tr>
<tr>
<td><strong>Labour/employee relations</strong></td>
<td>Set basic employee relations philosophy and organisation.</td>
<td>Maintain labour peace and employee motivation and morale.</td>
<td>Control labour costs and maintain labour peace. Improve productivity.</td>
<td>Maintain peace.</td>
</tr>
</tbody>
</table>

Figure 2.2 (Kochan & Barocci 1985, p104)
<table>
<thead>
<tr>
<th>Strategy</th>
<th>Structure</th>
<th>Selection</th>
<th>Appraisal</th>
<th>Rewards</th>
<th>Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single product</td>
<td>Functional</td>
<td>Functionally orientated: subjective criteria used</td>
<td>Subjective measure via personal contact.</td>
<td>Unsystematic and allocated in a paternalistic manner</td>
<td>Unsystematic largely job experiences: single function focus.</td>
</tr>
<tr>
<td>Diversification of product lines through internal growth and acquisition</td>
<td>Multi-divisional</td>
<td>Functionally and generalist orientated: systematic criteria used</td>
<td>Impersonal: based on return on investment, productivity and subjective assessment of contribution to company.</td>
<td>Large bonuses based on profitability and subjective assessment of contribution to overall company.</td>
<td>Cross-functional, cross-divisional, and cross-corporate/divisional formal.</td>
</tr>
<tr>
<td>Multiple products in multiple countries</td>
<td>Global organisation (geographic centre and worldwide)</td>
<td>Functionally and generalist orientated: systematic criteria used</td>
<td>Impersonal: based on multiple goals such as return on investment, profit tailored to product and country.</td>
<td>Bonuses based on multiple planned goals with moderate top management discretion.</td>
<td>Cross-divisional and cross-subsidiary to corporate: formal and systematic.</td>
</tr>
</tbody>
</table>

*Figure 2.3 (Frombrun, Tichy & Devanna 1984)*
The contingency-matching business and HR strategy model is based on the ideas described by Porter (1980), and Miles & Snow (1984).

Porter's (1980) three competitive strategies are cost leadership, differentiation, or focus. A cost leadership strategy is based on two themes: that the unit cost will fall as the firm gains experience and that unit costs will fall as the scale of the operation increases. Low costs can also be achieved by simplifying the product or service, finding and retaining a low-cost source of supply not available to competitors, minimising the cost of labour, and lobbying government for subsidies or tariffs.

Viljoen (1991) observed that cost leadership is a popular strategy in the public sector, because of budget pressures and the need to be accountable for public spending.

A differentiation strategy depends on creating value in the minds of customers to ensure brand loyalty and a lower sensitivity to prices. The quality of the product or service is a key basis for differentiation and might include reliability, features, brand image, after-sales service, service responsiveness, appearance of the physical assets and the behaviour of the employees. BMW, Mercedes Benz and Rolls Royce are examples of those that differentiate their products.

A focus strategy concentrates on a particular buyer group, a product segment, or a geographic area. The rationale is to find a market segment and dominate it.

In the USA, 90% of minimills have a cost leadership strategy and use a cost-focused HR system and 60% have a differentiation strategy that maximises commitment (Arthur 1992).

Miles & Snow (1978) propose four generic competitive profiles: the 'Defender', the 'Prospector', the 'Analyser' and the 'Reactor'.

'Defender' organisations tend to rely on the stability of the market and the external environment. They carefully protect their share of the market and take the actions necessary to maintain it. Operational efficiency is an important goal for 'Defenders'.

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‘Prospector’ organisations constantly search for new market opportunities and experiment with ideas to respond to emerging trends. ‘Prospectors’ assume that the only constant in the market is change and that ‘Defender’ organisations can be outmanoeuvred with entrepreneurial innovative strategies.

‘Analysers’ organisations operate in both a stable market and a changing market. They seek evidence of ‘Prospector’ activities and imitate those activities that appear promising. They then use their experience in operational efficiency to capture the market.

‘Reactors’ organisations perceive external change and uncertainty, but they are unable to respond owing to a lack of flexibility. Their only possible reaction is in response to irresistible external environmental pressure that leaves them no choice.

The use of the contingency-matching business and HR strategy model depends on choosing a business strategy from Porter’s or Miles & Snow’s descriptions and matching HR strategy to it in order to describe the employee behaviour required. For example, Cappelli & Singh (1992) wrote that a particular business strategy requires a particular set of behaviours and that a unique set of HRM policies and practices would bring about those desired behaviours. The contingency-matching business and HR strategy model is known as the generic approach to HRM (Wood 1995) and has been described by Boxall & Dowling (1990) and Boxall (1992).
Dowling and Schuler (1990) provide a table, shown in Figure 2.4, which describes the nature HR policies might take when competitive business strategies are used.

<table>
<thead>
<tr>
<th>Innovation goals</th>
<th>Quality goals</th>
<th>Cost reduction goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>High participation</td>
<td>High participation</td>
<td>Low participation</td>
</tr>
<tr>
<td>Implicit job analysis</td>
<td>Explicit job analysis</td>
<td>Explicit job analysis</td>
</tr>
<tr>
<td>External sources</td>
<td>Some external sources</td>
<td>Mostly external sources</td>
</tr>
<tr>
<td>Broad career paths</td>
<td>Narrow career paths</td>
<td>Narrow career paths</td>
</tr>
<tr>
<td>Process and results criteria</td>
<td>Mostly results criteria</td>
<td>Results criteria</td>
</tr>
<tr>
<td>Some employment security</td>
<td>Some employment security</td>
<td>Little employment security</td>
</tr>
<tr>
<td>Many incentives</td>
<td>Some incentives</td>
<td>Few incentives</td>
</tr>
<tr>
<td>Egalitarian pay</td>
<td>Egalitarian pay</td>
<td>Hierarchical pay</td>
</tr>
<tr>
<td>Extensive training</td>
<td>Extensive training</td>
<td>Little training</td>
</tr>
<tr>
<td>Cooperative IR</td>
<td>Cooperative IR</td>
<td>Traditional IR</td>
</tr>
</tbody>
</table>

**Figure 2.4**

Each of the 'hard' HR strategy models might seem as prescriptive as the 'soft' model, leaving business strategists few choices, yet Child (1972) defined strategy as 'a set of fundamental or critical choices about the ends and means of business'. The firm does not have this choice if it must adhere to one of the competitive business strategies and a matched set of HR policies.

The typical approach of generating business strategy includes an analysis of a firm's resource strengths and weaknesses, together with the characteristics of the external environment and the opportunities and threats presenting themselves to the firm (Viljoen 1991; Morden 1993). Child (1987) described environmental risks in three areas: a reduction in demand owing to business cycle recession or a loss of business to competition; a failure to match technology with the competition; or the price is too high. Hodgetts, Luthans & Slocum (1999) suggested that top managers will have to monitor their environment continually for opportunities.

After an analysis of strengths, weaknesses, opportunities and threats, management defines the objectives the firm should achieve to take advantage of its resource strengths, the opportunities in the external environment, measures to overcome its
weaknesses and actions to counter environmental threats. Mabey, Salaman & Storey (1998), however, wondered if management was able to recognise an environmental threat and even if they could, whether management had the ability to implement the right strategy.

Other criticisms of strategy are that the model of business strategy formulation described by Viljoen (1991) and Morden (1993) ignores power, politics and culture (Kamoche 1994; Purcell & Ahlstand 1994; Truss & Gratton 1994). As an example, stakeholders, which include employees, might seek to preserve the status quo and prevent management from taking new initiatives (Hodgetts, Luthans & Slocum 1999). Mabey, Salaman & Storey (1998) suggested that strategies are designed in a political vacuum with the incorrect assumption that the logic behind the strategies is clear and consensus will automatically result. They also found that, in their experience, strategy was “incremental, piece-meal, ad-hoc, incomplete, negotiated and only partly rational.”

The resource-based view of the firm
Legge (1995) and Mabey & Salaman (1995) observed that there are some conflicting ideas in HRM. Sisson & Storey (2000) suggested that there is a ‘Jekyll and Hyde quality to HRM’ with a variety of approaches as well as ‘hard’ and ‘soft’ versions. The ‘soft’ model offers a set of HR policies and practices, which are proposed by Sisson & Storey (2000) to be universally appropriate for a firm to achieve superior performance, whereas in the matching ‘hard’ model approach, HR policies and practices are contingent on the circumstances of the firm. Purcell (1999) suggested that the matching approach might not work if every organisation adopted the same method, because no single firm would have a competitive edge. Boxall (1996) proposed that firms who survive are good at everything, not just at using the cost leadership or differentiation strategies of Porter (1980).

The resource-based view (Barney 1991; Dyer & Kochan 1995; Boxall 1996) argues that successful companies adopt an approach, which is matched to their circumstances. It proposes that an organisation can gain a competitive advantage owing to the resources it possesses. The resource needs to be rare, valuable, difficult to imitate and not able to be substituted (Delery 1998; Sisson & Storey 2000). The resource-based view is not another theory of strategy. It does not replace the stress on market position, but
complements it (Kamoch 1996). Mabey, Salaman & Storey (1998) suggest a firm’s strengths are within its internal structure and, in the resource-based view, strategy follows structure and not vice-versa. The strategy will be the answer to the question ‘What can we do with the strength in our resources?’ (For example, invent a new market.) Cappelli & Crocker-Hefter (1996) did not agree. They thought organisations that attack new markets did not develop employee competencies from within and that IBM’s business problems are linked to a lack of new talent and ideas from outside the company.

Purcell (1999) explained that one of the resources in the resource-based view is a core group of employees essential for the successful operation of the firm, who will have to receive special HR treatment to be retained. Kamoch 1996) proposed that the retention of the core group can be facilitated through reward systems, job security, training and career development, autonomy and the fostering of a sense of belonging – policies very similar to ‘soft’ model HRM. However, Delery (1998) wrote that the resource-based view does not actually specify how HR issues should be managed. Cappelli (1999a) thought it unlikely that a firm’s competitors would not try to lure the core group away, nor that all of the core group would remain under all circumstances.

Brown & Eisenhardt (1998) commented that distinctive core competencies might be of little value in tomorrow’s markets and, in the twenty-first century, strategic advantage would only be temporary.

Conclusion
Mabey, Salaman & Storey (1998) remarked that there is no single model of HRM but a variety of different descriptions and ideas, which Sisson & Storey (2000) divided into two models: universal or contingency. The universal model offers a set of HR policies, which are claimed to be universally appropriate, whereas in the contingency model, HR policies and practices fit the circumstances of an organisation. Boxall (1996) supported Sisson & Storey (2000), observing that there are two strands to HRM: a high commitment model, equating to the universal model, and a model where a relationship between the business strategy and employment relations exists, which equates to the contingency model.
Sisson & Storey (2000) named two sub-sets of the universal model: the HRM model and the partnership model. They noted that there was no clear description of the universal model except that it was claimed to be suitable for an organisation in all circumstances. The model was derived from Beer et al. (1985) and concentrated on trust, commitment, employee development, teams, performance appraisal, training, career structure, internal promotion, performance pay, participation and involvement. An industrial relationship between unions is added to the universal model with the aim of the organisation collaborating with unions to provide the universal partnership model.

The universal model is also known as the high commitment model (Walton 1985a), the best practice model and the HRM model (Sisson & Storey 2000), or high performance work practices (Purcell 1999 and Hutchinson, Purcell & Kinnie 2000). All of these models are linked to Walton’s 1985a hypothesis that a commitment-building strategy of HR policies and practices will result in employees achieving the organisation’s goals. Beer et al. (1985) had a similar view. Arthur (1992 and 1994) also described commitment systems, as did Thomas & Vethouse (1992), Wright and McMahon (1992) and Lado & Wilson (1994). Therefore, many observers believed that a high-commitment management system would lead to success, although this system of HRM is a fixed HR strategy that does not vary. In addition, there is no full description of the HR policies and practices required in the model. Pfeffer (1994), however, lists sixteen practices, which represents a consensus view of Walton 1985a, Beer et al. 1985, Wright & McMahon 1992, Thomas & Vethouse (1992), Arthur (1992 and 1994), Lado & Wilson (1994), Purcell 1999 and Sisson & Storey 2000, to which can be added the ideas of Wood (1995) and Wood & de Menezes (1998), who also listed the practices of high commitment management systems. The modified list, therefore, represents a full description of several high commitment or universal HRM models, but it also represents the views of several commentators, which need to be incorporated into one ‘humanistic’ title. Therefore, it is referred to as ‘soft’ model HRM, as did Guest (1987) and Storey (1987 and 1992a).

Unlike the humanistic ‘soft’ model, the contingency model is ‘hard’. It focuses on matching HR policies and practices with the organisation’s business strategy. There is no single method of ‘hard’ model HRM. HR policies and practices are contingent on strategic objectives, are closely linked to the objectives of the organisation (external fit)
and are coherent between each other (internal fit) (Hendry & Pettigrew 1986 and Baird & Meshoulam 1988).

There are three subsets of the strategic ‘hard’ model: the contingency-business life cycle model (Kochan & Barocci 1985); the contingency-strategy and structure model (Fombrun, Tichy & Devanna 1984); and the contingency-matching business and HR strategy model based on the ideas of Porter (1980) and Miles & Snow (1984). Dowling & Schuler (1990) provide a table, which describes the nature that HR policies might take in the contingency-matching business and HR strategy model.

Purcell (1999) observed that the matching approach might not work if every organisation adopted the same method. Barney (1991), Dyer & Kochan (1995), and Boxall (1996) described the resource-based view of the firm, a strategy, which can avoid the problem and which is based on the question ‘What can we do with the strength in or resources?’ In this situation, it becomes imperative that the firm retains its core human resources and Kamoche (1996) proposed that their retention could be facilitated with HRM similar to the ‘soft’ model.

4. SECURE EMPLOYMENT

Secure employment is the first item on Pfeffer’s (1994) list of sixteen ‘best’ HR practices, that, together with those of Wood (1995) and Wood & de Menezes (1998), define the ‘soft’ model. Secure employment means a job for life with no involuntary retirement, but whether secure employment is still actually a facet of employment is discussed in this section.

Locke, Kochan & Piore (1995) reported on international research in industrial relations, both within and between companies, to document how firms and industries had been adapting their employment practices to face international competition. They found that managers had been the driving force behind changing employment practices at that time, whereas prior to this, managers reacted to union initiatives. That was because the regulations and norms concerning collective bargaining had been modified to allow individual workplace agreements in almost every country that they studied. The introduction of these agreements is a threat to secure employment, because Storey (1992b) considers a move to individual contracts one of the dimensions of
implementing 'hard' model HRM. In Australia, only 0.7% of employees were covered by individual agreements in 1990 (AWIRS 1991), but 5% were covered in AWIRS 1995 (Department of Workplace Relations and Small Business 1997).

Locke, Kochan & Piore (1995) found that in almost every country studied, government regulations concerning recruitment, dismissal, redundancy and the allocation of labour have been modified to give employers more discretion. As a result, more part-time, temporary or special contracts increased considerably. In Australia, by the mid-1990s, casual workers accounted for 20% of total employment, the second highest percentage in the sixteen countries of the OECD; 1 in 4 were casual employees in private industry and 1 in 10 in the public sector (Deery, Plowman & Walsh. 1997); 48% of companies employed about the same number of casual workers, but 27% had increased their use in 1990 (AWIRS 1991). The figures remained very similar in AWIRS 1995 (Department of Workplace Relations and Small Business 1997). Cappelli (1995) found that 78% of employers in the USA used contractors to do work in 1989 previously performed by employees, and 97% used temporary help. He also found that unpublished data by the US Bureau of Statistics suggest that employment by temporary help agencies had at least tripled since 1985.

In the USA, Cappelli (1995) found that employers felt that they were compelled to reduce costs over the last decade to face increased competition and that the increased use of new accounting techniques, such as activity-based costing and economic value added, assisted in honing the focus on costs. He also discussed some of the strangely positive attitudes of society to downsizing the firm, whereas one would expect society to condemn the loss of jobs. When IBM abandoned permanent employment, several other employers followed its lead. This was probably because the decision by Xerox to downsize by 10% was greeted very positively on the stock market.

Cappelli (1995) also discussed the development time of new products in the USA. 'Reverse engineering' somebody else's product could result in a copy appearing on the market within one year. Therefore, the time to market from concept to production of new products could be reduced and this has could affect the employment relationship. One example provided by Cappelli (1995) to reduce the time required for new products is the use of cross-functional teams, but another is to rely on external sourcing and
contracting. If skills become obsolete at the same time as products and the lifetime of products is shortened, then Cappelli (1995) suggested that it would be cheaper for the firm to discard obsolete skills and products at the same time and to re-hire people with the correct skills for the new products. Indeed, he observed that it might be difficult to recoup the costs of training over a short product lifetime and still maintain a competitive price.

Cappelli (1999) suggested that product markets might change too rapidly to develop internal skills and firms would have no choice but to employ new personnel. He also observed that arrangements to protect employees were a result of collective bargaining with unions. In the 1970s, firms agreed to secure employment to avoid industrial confrontation and these firms had a relatively stable product market, where the number of employees needed was relatively constant, but at the end of the 1980s, management's imperative was to reduce costs (Cappelli 1999). Boxall (1996) thought that a firm should establish stable employment relations to maintain a good reputation in both product and labour markets. If a control system is designed to reduce labour costs whilst still maintaining wages, strikes, high grievance rates and adversarial labour relations are likely to result, which have been found to be very expensive to firms in terms of quality and cost (Katz, Kochan & Weber 1985; Cooke 1992).

Of itself, secure employment for as long as an employee wants it, does not characterise a 'soft' model HR policy. Legge (1995) suggests that some employees may have to lose their jobs in the interests of the organisation as a whole, either for business reasons or because these employees are not equal to the task. Foulkes (1986) quoted a vice-president of ITT who said that a marginal, unproductive or a surplus employee should not be kept, because the act of keeping lowers the morale of the remaining employees.

Walton (1985b) is also pragmatic about permanent employment and the business pressures on management. He asked if management would simply admit that it has a higher priority for permanent employment wherever possible under the commitment approach than the control approach, and accept greater responsibility for outplacement if the need is unavoidable. There might not even be a need for this pragmatism in practice as Osterman (1994) found in the USA, against all expectations, that it is possible to introduce HRM innovations without reassuring employees that their jobs are secure.
Indeed, he found that there is a lack of evidence that employee security is important at all. The US data of Appelbaum & Batt (1994) showed that only 9% of a 188 firm sample provided employees with job security, but in Australia in 1990, 67% of firms reported that they did provide job security (AWIRS 1991). In AWIRS 1995, 37% of public sector and 27% of private sector employees felt insecure in their jobs (Department of Workplace Relations and Small Business 1997).

Nevertheless, secure employment is a pre-requisite for quality and the continuous improvement of productivity. For example, Collinson, Edwards & Rees (1998) suggested that employees would not be committed to the quality of goods and services if the only method management used to manage environmental pressures was to downsize. Locke, Kochan & Piore (1995) wrote that unless the business is growing to create more employment, employees would not participate in programs to increase productivity if the initiative can be linked to job losses. Therefore, the ‘soft’ model of HRM may well be inappropriate during downswings of the business cycle. However, there are other inputs than labour to the conversion process and Pfeffer (1994) proposed that motivated workers would generate lower waste.

Conclusion

A firm might need to offer secure employment to avoid industrial confrontation with unions or a decline in the quality of its goods and services, because its employees are not committed to the success of the firm.

Industrial confrontation can be avoided if employees are hired under individual contracts and such contracts have increased with changes to government regulations. These regulations have also changed concerning dismissal and redundancy, allowing for disciplinary dismissal action if an employee is not meeting the quality standards set by the firm.

In the 1990s, shareholders regarded downsizing by a firm as a positive action. Unless the sales of a firm are growing in excess of productivity gains, then downsizing is inevitable. In addition, short product life-cycles might not allow a firm to recoup the costs of re-training its employees in new skills. Therefore, employees might only retain their employment as long as the product sales are stable or increasing.
All of the events in the 1990s indicate that the 'soft' model HRM policy of secure employment is being replaced with a 'hard' model policy where continued employment is linked with the external business environment. However, a 'soft' model does not have to guarantee employment. If the firm has no choice, then under the 'soft' model, it should do its utmost to ensure that the employees who have to leave have every advantage. For example, in the twenty-first century, a key feature of 'soft' model partnership agreements with management and unions exchanges increased employee flexibility for a degree of secure employment and the 'employability' of personnel outside the firm (Sisson & Storey 2000). Consequently, firms that accept this responsibility for employees still exhibit the use of 'soft' model HRM despite job losses occurring.

5. COMMITMENT

Second on the list of sixteen 'soft' model HR policies derived from Pfeffer (1994), Wood (1995) and Wood & de Menezes (1998) is recruiting selectivity for commitment. Commitment is sought as a valued characteristic of an employee and an important underlying concept of the 'soft' model of HRM (Beer et al. 1985; Walton 1985a; Sisson 1990; Thomas & Vethouse 1990; Boxall 1996; Wood & de Menezes 1998; Sisson & Storey 2000). Commitment is attractive to an organisation as it is based on the idea that committed employees are likely to be more productive and adaptable to change. The costs of behavioural compliance might also be less. For example, if management has to force people to behave in a particular way, then the behaviours would need to be policed. If personnel were committed, audit costs to ensure compliance would be less (Locke & Scheweiger 1979; Wood 1996a).

Locke, Kochan & Piore (1995) reported on 'mutuality' in practice. Firms often engage in value-added strategies ('soft' model) and cost-based strategies ('hard' model) sometimes simultaneously, but often sequentially. For example, Fiat downsized after considerable conflict in the 1980s and then engaged in a process of rebuilding relationships. AT & T in the USA did a similar thing. IBM and Digital, however, long known for their 'soft' model commitment, have engaged in cost cutting and downsizing.
Cappelli (1995) discussed the 'psychological contract' between employee and employer whereby employment security was exchanged for reasonable performance and commitment. However, as seen earlier, (Cappelli 1995; Locke, Kochan & Piore 1995; Deery, Plowman & Walsh 1997) employment security might be outdated. What Cappelli (1995) found from a survey in the mid-1980s was that the statement 'I believe management is looking after my interests' showed the sharpest drop from a decade earlier and the measurement of commitment by employees to the firm also suffered a sharp decline. The new psychological contract offers 'employability', rather than job security (Herriot & Manning 1997; Sisson & Storey 2000).

Bassett (1994) proposed that no proof existed that committed workers were more productive. Cappelli (1995) reported that only 2% of managers believed that commitment to the organisation was a key to their success. He also considered an organisation that downsized and broke the 'psychological contract'. If this occurred, then employees would leave the firm. Arthur (1994) found that commitment systems result in a lower employee turnover than those with control systems.

Cappelli (1995) also found that employees did not leave when the psychological contract was broken. He deduced it was because they had nowhere else to go. Other organisations were downsizing, too, and there were only very limited opportunities for employment with other firms. Cappelli did suggest, however, that a labour market with a shortage of skills might lead to a very different situation: employees would leave their jobs if the psychological contract were broken because there would be opportunities elsewhere.

The benefits of winning the commitment of employees are the reduced costs of ensuring that their behaviour complies with the firm's requirements, because ensuring compliance is a part of the 'control model' (Arthur 1994). On the other hand, the costs of winning commitment are to provide the improved working conditions suggested by the 'soft' model. Cappelli (1995), however, suggested that commitment could be won by default when there are no other opportunities for employment. Unemployment is likely to be high in business cycle downswings, when employers are likely to be watching their costs quite closely. Therefore, the 'soft' model is only likely to be used when there are
plenty of other jobs to go to, but HR policies could well change to a ‘hard’ model during periods of sustained low demand.

Conclusion
Employee commitment is attractive to organisations, because committed employees are likely to be more productive and flexible, with compliance costs less. However, whether those claims are correct or whether commitment was actively sought is in doubt (Bassett 1994 and Locke, Kochan & Piore 1995).

Cappelli (1995) suggested that employee commitment might depend on the job market. If there were no jobs to go to, then employees would be committed, in which case a ‘hard’ model would not lessen commitment. If there were many job opportunities, then a strategy of employee retention would be necessary to ensure commitment, in which case a ‘soft’ model would be required.

6. REWARDS
Of the sixteen ‘soft’ model HR policies previously discussed, high wages is listed third, performance pay and skill pay eighth, and employee ownership ninth. Walton (1985a) suggested that commitment is sustained with variable rewards that create equity, reinforce group achievements, and include profit sharing. Beer et al. (1985), Wood (1995), Wood & de Menezes (1998) and Sisson & Storey (2000) had a similar view. Walton (1985a) reported that Ford in the USA saw economic sharing as an important transition to its commitment strategy in the 1980s. Storey (1992a) reported that Ford (UK) also introduced productivity allowances in the mid-1980s, as did Jaguar at the same time. Most of the craft unions resisted such schemes with vigour as they probably saw that the outcome of increased productivity without increased sales would lead to downsizing. As a result, the introduction of the initiatives was not generally successful because of this resistance.

Marchington et al. (1994) did not find support for the idea that commitment is linked to share ownership. Neither did Appelbaum & Batt (1994), who remarked that gainsharing and profit sharing, piece rates and merit pay are old ideas, and not innovations that either employees or unions particularly like. Wood (1996b) found that higher
commitment would result if, rather than a performance bonus, a permanent increase in wages occurred.

Appelbaum & Batt (1994) also reported that workers in the USA can be *de-motivated* if too high a proportion of their salary depends on performance; in fact, only a minority of 22% favour individual incentives, with a majority preferring a straight wage. Cappelli (1999b) foresaw problems if profit sharing were linked to market based wages. If the firm was performing well, then management saw employees as over-paid because high profits increased total wages. If the firm was performing badly, then employees saw themselves as under-paid because low profits reduced total wages. Hendry et al. (2000) viewed such reward incentives as controlling, because they contain an implicit threat that the reward can be withheld as a punishment.

Wright, Dyer & Takla (1999) found from their state-of-the-art and practice study, which involved interviews and surveys of 232 HR executives, consultants and academics, that performance rewards were mentioned more by consultants and academics (60% of respondents) than HR (19%) and line managers (10%). Egan (1995) found that for line managers, performance management is seen simply as time consuming, bureaucratic, paper driven and top down.

**Conclusion**

One group of academics believe that commitment is sustained with variable rewards, whilst another group do not support the idea. Unions do not like merit pay, workers might be de-motivated if too high a proportion of their pay depends on it, and commitment may, in fact, be sustained with a permanent increase in wages instead of a bonus.

It seems that consultants and academics regard variable rewards more importantly than HR and line managers do and, in the case of line managers, the whole system of performance appraisal and reward is disliked.

The presence of variable rewards in an HR policy system might not indicate the use of ‘soft’ model HRM as Walton (1985a) suggested. More likely, a stronger indicator would
be high wages, skill pay, and permanent increases in pay for merit as described in Pfeffer's (1994) list. Share ownership, however, is likely to be excluded.

7. TRAINING AND DEVELOPMENT
An emphasis on training and development is fourth on Pfeffer's (1994) list of sixteen 'soft' model HR policies and cross-training is eleventh. Sisson & Storey (2000) explained that training and development were significant in symbolic value. If managers fail to train, they send a signal that employees are not valued and are easily dispensed with. Storey (1992a) suggested that training and development send a message to employees that the firm wants to develop them. However, he found that UK organisations did not invest very much in training and development. Leading employers averaged 0.15% of their total annual budget, whereas in West Germany, Japan and the USA the average was 3% of the annual budget. Truss et al. (1997) also found that employees in the UK thought they did not receive enough training to do their jobs well. Nor did the majority of the same employees think that the organisation encouraged them to develop new skills.

In 1996, the estimate of expenditure on training by firms as a percentage of GDP for Australia was 0.9%, USA 0.4 to 1.2%, Japan 5%, West Germany 2% and France 0.4%. Training expenditure of firms in Australia has declined since 1993, probably because of the suspension in 1994 and abolition in 1996 of the Training Guarantee Scheme (Smith 1998). In Australia in 1996, professional and para-professionals were more likely to be trained than low-skilled workers (Smith 1998).

Storey (1992a) also surmised that line managers from the 'supervisory' level up, who had received little education in their lifetimes, and who were responsible for identifying training, were less likely either to recognise the need for, or approve, education for their subordinates. This attitude may change over time. Storey, Mabey & Thomson (1997) found that UK companies were offering a lot more management development in 1996 than they were in 1986, because senior managers are better educated and trained.

The new psychological contract that offers employability rather than job security increases the demand for training, because a broader range of skills must be provided for future employment in other firms, rather than a narrower set of skills for current
employment (Herriot & Manning 1997). However, Cappelli (1999a) observed that such an investment by employers is a risk because better-trained employees might leave to take up external job opportunities.

**Conclusion**

Training expenditure as a percentage of the annual budget of a firm is declining and the reduction demonstrates a transition from ‘soft’ model HRM to a ‘hard’ model cost reduction strategy.

The concept of ‘employability’ is more likely to increase the amount of training delivered to low-skilled workers and, thus, sustain their commitment to the firm, because they will perceive they are valued.

Consequently, a better indicator of the ‘soft’ model of HRM in a firm should be based on the perception by employees of the amount of training offered and why it is offered, rather than a percentage of an annual budget.

8. **INFORMED CHOICE**

Information sharing is seventh on Pfeffer’s (1994) list. Beer et al. (1985) wrote that employers should build trust with employees and give them an informed choice. Storey (1992a) found that direct communications with the workforce was regarded as extremely important in fourteen out of fifteen UK case studies, with a step-change from the mid-1980s occurring in firms in this regard. Walton (1985b) described this as a change from a ‘need to know’ basis to a wide sharing of business data. In Australia in 1990, data sharing was in the area of marketing, corporate plans and the financial position of the firm (AWIRS 1991). In AWIRS 1995, more than 90% of workplaces provided information on workplace performance, quality, customer satisfaction and occupational health and safety. 79% provided staffing plans (Commonwealth Department of Workplace Relations and Small Business 1998). Storey (1992a) reported that companies set up several systems for each line manager to use to perform regular briefings. However, it was rare to find that the systems were being used as specified and in some cases, union shop stewards knew more than line supervisors did. This embarrassed the supervisors and they were loath to perform briefings. Furthermore, what was particularly absent in the UK in the majority of cases was the upward flow of
communications from the shopfloor. Truss et al. (1997) also found that upward communication was absent. Only 12% of over 2000 respondents in eight firms agreed that senior management was well informed about what the lower levels think and do.

Marchington et al. (1994) found only a minority of employees in a study of six companies in the UK who felt that direct communications had any effect on their commitment, but they tempered their finding by linking the future possibilities of declining demand for the firm and the employee’s expectation of redundancies. In other words, if business is looking difficult, but possible, communication will elicit commitment, but if business is looking bad, and the firm has a history of retrenchment following failure, then communication does not increase commitment.

Sisson & Storey (2000) pointed out that communication is very important. Lack of understanding is a prime source of inefficiency and results in de-motivation. If all the employees of a firm are to work together to achieve the goals of the firm, then all employees need to know what the goals, priorities, threats and opportunities are.

Conclusion
The provision of basic information by the firm to its employees has increased from the 1980s, throughout the 1990s and includes corporate plans, finance, quality, customer satisfaction and workplace performance.

However, the information is simply passed down and there is no direct communication between management and employees. A true indicator of ‘soft’ model HRM communication would be two way and on any relevant subject to the firm or its employees.

9. PARTICIPATION AND TRUST
Symbolic egalitarianism is sixth on the HR ‘best’ practice list, team-based work tenth and participation and empowerment is twelfth. Walton (1985b) proposed that the commitment model sees line managers as facilitators, rather than directors; as mentors, rather than practitioners of technical and administrative expertise; and helping workers develop the ability to manage themselves. Storey (1992a) wrote that a key attribute of HRM is the decentralisation of responsibility from the personnel department to the line
managers. He found that all fifteen of the UK firms in his case-studies had made managers the first point of contact in regard to HR matters.

In the USA, Cappelli (1995) reported that in 1994, 54.5% of all establishments had work teams for which there was little or no direct supervision. The data of Appelbaum & Batt (1994) showed that in the USA, of the establishments using teams, 14% of them were purely autonomous, 73% self-managed and only 13% supervised. What is interesting about these teams is that Cappelli (1995) found that they were trained and developed in many skills at great expense, but the firm did not protect its investment by providing for secure employment.

Cappelli (1995) wrote that a proxy for commitment in work teams was lucrative rewards for team performance, with no compensating ‘adjustment’ if one of the team members was absent or under-performed. Hence, peer pressure by team members on the under-performers would ensure the best outcome for both the firm and the individuals. Marchington (1995) also suggested that not only do teams monitor their individual performance and highlight under-performance, but they adopt a disciplinary role, by applying sanctions against their fellow employees.

Sisson & Storey (2000) wrote that there are three types of participation and involvement in new forms of organisation structure: directly with the employee; joint consultation of management and unions with collective bargaining, which is discussed in Section 10, Industrial Relations in Australia; and financial, ie profit sharing and share ownership. They suggested that a more basic reason for participation and involvement in the 2000s was because management hierarchies had flattened and there were insufficient managers to ensure behavioural compliance.

**Conclusion**

Team based work ensures the full use of a worker’s skills and abilities (Wood 1995) and results in job satisfaction (Wood & de Menezes 1998). However, the presence of team-based work is not an indicator of ‘soft’ model HRM if the use of the teams is a ‘hard’ model HR strategy to use peer pressure to reduce costs and increase production. A better indicator of the ‘soft’ model would be the protection of the investment in the team’s skills by offering employment security.
10. CORE-PERIPHERY STRATEGY

Secure employment was at risk in special workplaces in the early 1990s. These were mainly found in greenfield sites, or where major technological changes were introduced and employees had a 'voice' in the process, or the pressure of international competition was the greatest, or when new union-management partnerships were created. The most serious threat to them appeared to be that if economic growth did not exceed productivity growth, then job losses would result. If this were the case, the long-term development of trust and commitment needed to ensure innovation and flexibility would fail (Locke, Kochan & Piore 1995).

Furthermore, Zeffane & Mayo (1995b) observed that those that remain after downsizing face the realities of more work and the fear of further job losses. Locke, Kochan & Piore (1995) also pointed out that there is a widely accepted belief that worker/management cooperation to improve efficiency is unlikely if the workers fear such improvements will lead to the loss of their job. Unfortunately, Locke, Kochan & Piore (1995) found that there has been a decline in job security in all of the countries studied. In some cases, job loss was coupled with income maintenance until re-hired, or generous severance payments, but they suggest that there is no solution to the dilemma of promoting innovations to increase productivity if it leads to the loss of job security. Companies could provide employees with continuous training to prepare them better for successful employment in the external labour market, but few firms are currently thinking about this.

If the 'soft' model is to succeed, then the problems described above must be solved and one strategy to cope with the dilemma is suggested by Zeffane & Mayo (1995b). The firm establishes a stable core of personnel with guaranteed job security, along with a flexible ring of personnel that expands or contracts as needed. It is very similar to the idea of numerical flexibility in Atkinson's (1984) flexible firm model. The 'soft' model could be sustained for a core group of employees, with the remainder employed using the 'hard' model.

Cappelli (1995) found no evidence to support the existence of a core-periphery strategy in the USA. The most compelling evidence he found to the contrary was that
management groups and older, educated workers who should have been in the ‘core’ were more at risk of losing their jobs than those that should have been in the periphery.

**Conclusion**

Employees cannot be guaranteed secure employment if the growth in sales of an organisation does not exceed productivity growth, in which case, the commitment model will fail (Locke, Kochan & Piore 1995). However, Zeffane & Mayo (1995b) suggested that the ‘soft’ model could be used for the most important core group of employees and the ‘hard’ model on the less important peripheral group.

11. INDUSTRIAL RELATIONS IN AUSTRALIA

As noted by Locke, Kochan & Piore (1995) and discussed in Section 3, Secure Employment, government regulations have been modified. In Australia in the early 1990s, the modifications included Certified Agreements and Australian Workplace Agreements.

**Certified Agreements**

A Certified Agreement, or ‘enterprise bargain’, is the result of management meeting with unions to bargain about changes to employment in exchange for a pay increase. Management may also negotiate a Certified Agreement directly with employees, who can agree by a majority vote, thus bypassing the unions. For example, if management wanted to increase the hours of working from thirty-eight hours to forty hours per week, then they might offer a 5% pay increase as compensation. Alternatively, unions might demand forty days recreation leave instead of twenty and management might agree this was acceptable if employees took recreation leave at half pay. Terms and conditions of employment can be changed as long as employees are not disadvantaged by the change. For example, if they receive a benefit, that at the least balances the loss. Employers must inform and consult with all employees about the content and consequences of the agreement.

After completing such a negotiation, the agreement is prepared and signed by management and unions (or employees) and is valid for a fixed term. The agreement must specify a nominal expiry date, which is not more than three years from the date of operation of the agreement.
The Industrial Relations Commission then ratifies the agreement, ensuring that no disadvantage has accrued to employees. Thereafter, unions cannot take protected industrial action whilst the agreement is in force and, although the conditions in the agreement remain in place until a new agreement is made, unions can take protected action after the expiry of the old one, prior to the making of a new agreement. Therefore, management are vitally interested in ensuring that a new agreement immediately replaces an old one before its expiry to avoid industrial action.

The terms and conditions of employment at an enterprise are contained in an Award. There is either one Award for the whole firm, or several Awards covering separate trade groups. Awards include hours of work, the amount of annual leave, long service leave, sick leave, the bandwidth of hours, pay, termination and allowances, for example. Certified Agreements overwrite Award conditions by re-phrasing the term or condition.

According to the Commonwealth Department of Workplace Relations and Small Business (January 1998), a Certified Agreement can be comprehensive; covering all terms and conditions of employment, or be specific to particular issues and operate alongside an Award. These specific issues might be efficiency initiatives, or other special projects, that the organisation wants to introduce to fund the pay increase contained in the agreement. These are mentioned to ensure that no opposition is met in implementing the changes.

For certification by the Australian Industrial Relations Commission, the agreements must include a dispute-settling process, be for a specified period, not disadvantage workers, (the ‘no disadvantage test’,) when the terms and conditions as a whole are considered, and not unreasonably or unfairly exclude particular employees. The Minister for Industrial Relations described the no disadvantage test in a speech delivered to the House of Representatives on 21 November 1996 (Commonwealth Department of Workplace Relations and Small Business January 1998):

The no disadvantage test is a global test, which means that an agreement would be able to fall below any individual terms and conditions set by the award or legislative benchmarks, provided that there was no disadvantage with respect to the overall package.
Any breach of the agreement attracts substantial penalties. The parties need to review the agreement to assess progress, measure change and have information sharing/consultation processes. As the agreement nears the end of its term they should review it and negotiate a new agreement. The old agreement continues to be binding until it is replaced or varied.

Certified Agreements cannot overwrite employment laws such as:
1. Workplace Relations Act 1996
2. Long Service Leave (Commonwealth Employees) Act 1976
3. Maternity Leave (Commonwealth Employees) Act 1973
4. Superannuation Act 1976
5. Superannuation Act 1990
7. Superannuation Productivity Benefit Act 1988

Therefore, organisations do not have complete freedom to change HR policies without complying with the statutes and these laws are a factor, which contributes to deciding what HR policies to have.

Public Service Certified Agreements and their associated Awards contain a number of provisions successfully negotiated between management and unions. These are redeployment; salary sacrifice; flexible working hours; working from home; special or family leave; gym membership; permanent employment; filling vacancies; performance assessment; and job swap. An explanation of the terms is contained in Appendix 2.

Australian Workplace Agreements (AWAs)

An AWA is an agreement between an individual employee and the employer, which concerns the conditions of employment and wages. AWAs may be agreed collectively, but individuals must sign them. Both employers and employees can appoint a bargaining agent to act on their behalf (Commonwealth Department of Workplace Relations and Small Business. January 1998).
The Employee Advocate must approve an AWA if it passes the no disadvantage test, contains anti-discrimination provisions, and has a dispute resolution process. The AWA has a nominal three-year life.

The Community and Public Sector Union (July 1999) stated that it firmly believed employees were far better off with collective bargaining and pointed out that no employee could be forced to sign an AWA, or be discriminated against for refusing to sign. Employees also have the right to strike, or take industrial action, to improve the conditions of their AWA and the process of approval is completed in private. Once an AWA is signed, there is no provision for fellow workers and unions to raise concerns about the negative effects of the AWA.

Conclusion

An employee's conditions of employment are contained in Awards and in Certified Agreements. Unions and management negotiate changes in HR policies and practices as part of a process to achieve pay increases for employees and offsetting benefits for the organisation. Consequently, organisations are not completely free to change or adjust to 'hard' model HRM where union power is strong and the union is determined to retain or improve conditions of service. A benefit in changing a HR policy or practice might be negated by a corresponding pay increase.

12. CONCLUSION

There is no single model of HRM (Mabey, Salaman & Storey 1998), although HRM can be divided into two main strands (Boxall 1996). These strands are the universal model and the contingency model (Sisson & Storey 2000). According to Sisson & Storey (2000), the universal model is universally appropriate to any firm in any circumstance and is derived from the Human Relations school of thought. It is known as the 'soft' model. The contingency models are known as the 'hard' model and align HRM with the business strategy (Fombrun, Tichy & Devanna 1984). The 'soft' and 'hard' models are HRM theories, which describe different approaches. The 'soft' model is prescriptive and has a closed view, whereas the 'hard' model is contingent on the circumstances of the firm and has an open view. The 'soft' model emphasises humanistic values, whereas the 'hard' model is calculative (Legge 1995; Mabey & Salaman 1995; Sisson & Storey 2000).
The ‘soft’ model concentrates on high-commitment management and incorporates a focus on employment security, an emphasis on training and development, information sharing, merit pay and rewards, team-based work, participation and empowerment and promotion from within (Beer et al. 1985; Walton 1985a; Storey 1987; Storey 1989; Pfeffer 1994; Wood 1995; Wood & de Menezes 1998; Sisson & Storey 2000).

Employment security might need to be offered to avoid industrial action (Capelli 1999a) or to ensure product quality standards are maintained. If employees were concerned about their future employment, the quality of goods and services would reduce and waste would increase (Collinson, Edwards & Rees 1998). However, individual employment agreements and disciplinary action can counter both threats. There are two other threats to sustaining secure employment: the firm’s sales growth must exceed its productivity growth (Locke, Kochan & Piore 1995); and the cost of re-training employees if the product life-cycle is short must be recovered (Capelli 1995). If neither of these two criteria is met, then profits will decline and shareholders will pressure management to change the policy of secure employment.

There are two methods of sustaining the ‘soft’ model without offering employment guarantees. One method is to adopt the concept of ‘employability’ (Herriott, Manning & Kidd 1997; Sisson & Storey 2000) and train employees for future careers with other firms, in which case training costs will rise; and the other method is to adopt a core-periphery strategy, offering secure employment to the core group (Zeffane & Mayo 1995b).

There is little consensus amongst researchers that merit pay and rewards will result in commitment. Unions and employees do not like the concept and prefer a permanent increase in wages for merit (Appelbaum & Batt 1994; Wood 1996b). In addition, high wages and skill pay are indicators of ‘soft’ model HRM (Pfeffer 1994). However, if wages are held at a high level, the firm’s product prices might no longer be competitive and sales will decline along with the level of profit. Once again, shareholders will insist management take action.
The 'soft' model also emphasises the importance of training and development. Development facilitates internal promotion up a career ladder and reinforces secure employment. However, there is an open labour market for many of the skills that an enterprise might want and the cost of developing a firm's own resources might impact on the product price once again. Similarly, two-way communication takes time, decreases the available time to produce goods and increases the average price.

There is a further possibility for the use of the 'soft' model, where competition and cost might not be issues. A business matching approach might leave no firm with a competitive advantage if all firms mechanistically arrive at the same strategic conclusions (Purcell 1999). The resource-based view of the firm challenges the classical method of strategic business planning, because its structure is its strategy. The structure contains resources, which are rare, valuable, difficult to imitate and non-substitutable (Barney 1991; Dyer & Kochan 1995; Boxall 1996; Delery 1998; Sisson & Storey 2000). However, the resource-based view has people as part of the firm's resources and these people may need special treatment to remain with the firm (Kamoche 1996; Delery 1998; Cappelli 1999a). This special HR treatment is likely to follow 'soft' model guidelines.

Much of 'soft' model HRM is rhetoric (Legge 1995). 'Soft' model HRM is morally appealing, because intuitively most managers would like to have dedicated, satisfied employees that raise no industrial issues. Unfortunately, 'soft' model HRM is very restrictive, many of its ideas are criticised and it lacks conviction. It does not appear to be able to be sustained because enterprise managers cannot ignore the world around them and be compelled to exclude necessary strategic options by adhering to a single universal model. The 'soft' model might not be sustainable for any firm whose product is subject to competition, or whose overall cost is of concern to stakeholders. Therefore, it is unlikely that 'soft' model HRM is a useful method of HR management in the 2000s in a global market of fierce competition. If low profits or high costs become an issue and if stakeholders apply pressure to the managers, would the firm continue to use 'soft' model HRM, or would it introduce the 'hard' model?

'Hard' model HRM is not restricted and more attractive to managers, who have the freedom to do whatever is necessary when they are compelled by the business
environment to act. They might have credibility problems changing from the ‘softer’ HR strategies to a ‘harder’ HR strategy, but they will, at least, be able to maximise their enterprise’s chances of survival and their own over the long term.

In the ‘hard’ model, there are three choices of matching: business life-cycle (Kochan & Barocci 1985), strategy and structure (Fombrun, Tichy & Devanna 1984) or matching business and HR strategy (Porter 1980; Miles & Snow 1984). Each of them come with recommendations for HR policies and might be viewed as prescriptive as the ‘soft’ model. The business planning process commonly used describes an analysis of strengths, weaknesses, opportunities and threats that managers perform (Viljoen 1991; Morden 1993), which results in competitive strategies and which can be compartmentalised into generic strategies. However, the question arises whether researchers described models that managers later adopted, or whether researchers described strategies in a generic way into which the business strategies of firms generally fitted. If the latter, then managers might develop strategies which do not fit into the existing matching ‘hard’ model options described in the literature and there will be variances.

Finally, in Australia in the twenty-first century, there are workplace laws, which must be complied with and, as Hodgetts, Luthans & Slocum (1999) observed, employees might prevent management from changing HR policies. Such changes have been facilitated from the early 1990s by Certified Agreements. It is possible that employees will not agree to change HR policies at all, or that the cost of the pay rise required exceeds the benefit of the new policy.

The theme of this thesis is that organisations will change from a ‘soft’ model to a ‘hard’ model when forced to do so by competition factors. In seeking to find organisations that use the ‘soft’ model, the Investigator must first define the ‘soft’ model and there is no clear definition. Consequently, a proxy for a definitive ‘soft’ model has been developed using Pfeffer (1994), who provided a comprehensive list, which included most of the ideas of the high commitment management authors and, where it did not, additional clarifying terms were added. However, the list is far more extensive than was envisaged by any single author and it is unlikely that any organisation considered the use of every HR practice described.
One aspect that all of the writers on high commitment management do agree on is that the use of the 'soft' model will lead to committed and flexible employees achieving the organisation's goals. However, the writers did not consider that the 'soft' model might be too expensive to use in certain competitive conditions, nor did they provide any examples of how competition was faced and beaten by committed employees. Therefore, the discovery of costs and benefits supporting the use of the 'soft' model and examples describing the facing and beating the competition would be a valuable contribution to knowledge.

Further to this theme, two possible methods of the use of the 'soft' model beating the competition were described in the literature: a core-periphery strategy or a resource-based view of the firm. In both cases, the 'soft' model can be used to retain the critical human resources of the firm and to provide competitive advantage. It is important, therefore, to seek examples that fit into these two categories.

The 'hard' model, however, is better defined and the need for 'external' and 'internal' fit. However, as logical and descriptive the choices are, it seems unlikely that even a start-up company would clearly define its HR policies and practices strictly in terms of the 'hard' model and external and internal fit. It is more likely that such policies and practices would evolve as the company grew. It seems even more unlikely that a company that had grown and evolved its HR practices and policies into a 'soft' model, would have complete freedom to then change its practices and policies into a 'hard' model. This might particularly be the case when there are minimum terms and conditions of employment expected by the Australian Industrial Relations Commission and unions. Where union power is significant, an organisation might not be able to change from a 'soft' model to a 'hard' model except in the very long term and at a price which might preclude the change completely. Furthermore, the Australian Industrial Relations Commission might not ratify an Award, if the Award described conditions far below the general standard for the appropriate industry.
CHAPTER 3

METHODOLOGY

1. INTRODUCTION

This chapter discusses the methodology of the research project. It includes sections on Limitations, Organisations Selected, Method Selection, In-Depth Interviews and Data Collection, Data Analysis, Transcribing the Data into Case Study Format and Cross Case Analysis.

The Limitations section describes why the research was limited to organisations that have links to the Public Service. Organisations Selected provides the names of the organisations and why they were chosen. In the Method Selection, a qualitative, multiple case study is named and the reasons why the method was used are given. In-Depth Interviews were utilised for data collection and the section describes why. In this section, the occupations of the participants were named and why such occupations were sought. In addition, the way the data was collected and what data required is explained, whilst in the Data analysis section, the coding system methodology is detailed.

Transcribing the Data into Case Study Format is a section, which describes the rationale behind the titles used in the case study write-ups and the Cross-Case analysis explains the tables, which were used in the analysis.

2. LIMITATIONS

The Literature Review concluded that the additional cost of using ‘soft’ model HRM might cause the goods and services of an organisation to be higher than the prices of the competition and result in a loss of revenue. Profits would decline and shareholders would pressure management to reverse the unfavourable trends. Managers might change from the ‘soft’ model to the ‘hard’ model and reduce the cost of HR policies.

One sector of industry that very probably used ‘soft’ model HRM was the public sector. In the 1980s and earlier, public servants enjoyed superior working conditions guided by policies, which could be classed as ‘soft’ model HRM. Examples of these working conditions were secure employment, good pension schemes, flexible working hours, family sick leave, working from home, special travel and remote area allowances, subsidised study, and study leave. The anecdotal evidence is that many of the conditions
were won by unions lobbying the Public Service Board and through the ‘Industrial Democracy’ policy of the Hawke-Keating Commonwealth government, which encouraged Department Secretaries to mandate committee-style decision-making between unions and management in matters that concerned employees.

However, in Australia in the mid-1980s, the Hawke-Keating Government embarked on what was termed by the Parliament of the Commonwealth of Australia Joint Committee of Public Accounts (1995), the ‘commercialisation and corporatisation’ of government departments. Departments that provided goods and services private industry could supply were firstly transformed to government business enterprises (GBEs), required to make a profit, and then opened up to competition. Some of the GBEs were later sold to private bidders, whilst others were floated on the share market. Well-known examples of share floats in the 1990s were Qantas, Telstra, and the Commonwealth Bank, with airports as an example of sale to private bidders. (Airports were previously ‘owned’ by the Federal Airports Corporation.)

The Commonwealth government claimed that these activities resulted in goods and services becoming cheaper than they otherwise would have been; Australian Industry became more competitive internationally as a result of some cheaper inputs; and the Government had a lower bill to support business, which resulted in funds to reduce the budget deficit, reduce taxes, or support other programs (The Parliament of the Commonwealth of Australia Joint Committee of Public Accounts 1995).

Impelled by the Competition Policy Review (The ‘Hilmer Report’ 1993), State governments followed the lead of the Federal Government by selling electricity, gas and water supply authorities to private industry; and these same governments have forced efficiency initiatives on schools, hospitals and Local government.

These actions by government applied pressure for costs to be reduced. The managers of government departments and GBEs were forced to consider what HR strategies they would use to achieve that goal. Permanent employment was replaced by massive downsizing and enterprise agreements traded away special allowances with once-only payments.
Further actions by the Commonwealth and State governments forced revisions to Award provisions. Victoria, for example, was ‘coldly calculative’ and not ‘humanistic’ in changes, which reduced the number of public holidays for employees. In the late 1990s, the Commonwealth government was implicated in waterfront reform, where the actions of the employer were also not ‘humanistic’.

The Commonwealth and State governments have justified their actions in raising revenue and cutting costs for financial purposes, which included balancing their budgets and reducing their external debt.

In summary, the public sector was isolated from competition, but the Commonwealth, State and Local governments exposed their departments to competition during the 1990s. Government also created corporations, which streamlined their operations to increase profits and, thus, the share price, when the corporations were floated.

Anecdotally, the Public Service has not been noted for its efficiency, so what changes did management make to reduce costs? Their obvious choices would include physical assets and the overall cost of wages. In the latter case, an organisation would not be able to compete if its wage costs were much higher than the sector average.

Consequently, it is unlikely that public sector companies could compete whilst offering high wages, permanent employment, good pensions and other incentives, if the sector they needed to compete in did not. Therefore, managers would seek to change those HR policies, which were not competitive to a lower-cost set: a possible transition from ‘soft’ model HRM to ‘hard’ model HRM.

For these reasons, the investigator has chosen to research organisations that have their origins in the Public Service, or who are still in the Public Service, and to limit the investigation to the 1990s, when HR policies would have been most likely to have changed.

3. ORGANISATIONS SELECTED
The organisations selected to research were the Australian Maritime Safety Authority (AMSA), Brisbane City Council (Council), the Queensland Department of
Communication, Information, Local Government and Planning (the Department), and the Canberra Institute of Technology (CIT).

The reasons for choosing these organisations were based on their possession of a number of certain characteristics.

a) Are they or were they in the public sector?
b) Had their business environment changed?
c) Were they large enough to need professional HR management?
d) Were they based in a convenient location?
e) Would they allow research to be conducted?

The basis for choosing these characteristics is:

Public Sector
For the reasons already discussed in Section 1, Limitations and because there are four areas of government in the public sector: Local, State, Territory and Commonwealth. Therefore, the investigation sought to include one organisation from each area.

Competition or cost issues
The theme of the investigation is that an organisation that has been isolated from the business environment and then suddenly exposed to it, will change its HR strategy, particularly if competition exists on the open market. Consequently, organisations needed to have experienced these changes to be a valid case to investigate.

Scale of operation
Small organisations are unlikely to have formal arrangements and dedicated managers to formulate HR strategy because of the cost. Therefore, the operation needed to be large enough to absorb the overhead of providing a structure that includes an HR group and a strategy group.

Location
The investigation had limited funds available for travel, although the investigator could readily perform research at little cost in both Brisbane and Canberra. Therefore, the organisations had to be located in either of those two cities.
Entry

The investigation needed to involve very senior managers in the selected organisations, who normally cannot spare the time to assist in research. It is also difficult to speak to them about the research to convince them it is worthwhile, because ‘gatekeepers’, such as secretaries, protect them. Consequently, one reason for selecting the companies was that there was a person known to the investigator who could facilitate entry. Without such facilitation, entry is almost impossible.

Why the particular organisations were selected

In the case of the Commonwealth government regulatory authority, AMSA, located in Canberra, the government has been active in reducing costs to balance the budget, and all types of government want to reduce taxation to the public whilst still maintaining services in order to win votes. Any Commonwealth government department would suffice, but the researcher selected AMSA because it was an ideal candidate. It possessed all of the characteristics the investigator sought. It had an engineering operation, which was threatened with competition, and it sought to reduce costs by seeking additional external business to contribute to overheads. The organisation was also disposing of assets, contracting out some functions and downsizing. Last of all, the investigator had contacts, which were able to facilitate entry.

In the case of the Brisbane City Council, it is the largest example of all Australian Local governments, which are under pressure to reduce costs, whilst still providing the same services. There are other Local government offices in the Brisbane area, but none that were subjected to as much competition as the Council, which includes several operations, that might be provided by private industry.

In addition, Councils appear to have budget problems. For example, the merger of Local governments to reduce overall operating costs in South Australia and Victoria, together with the replacement of local councils by commissioners in Victoria, were items of media attention in the late 1990s.

The addition of a State government Department and a Territory agency provides a full picture of change at all tiers of government. The investigator also had a contact to facilitate entry into both of these organisations.
The Department was selected because of its very erratic growth and decline period in the 1990s forced upon it by changes in government. During the period it had lost a source of revenue, but had later acquired another source in IT and one that would face considerable competition.

Finally, CIT is a college that provides training services, which are becoming readily available from private industry, and was thus expected to be facing a very challenging business environment because of increased competition. CIT is sited in a convenient location, because the investigator frequently visits Canberra.

4. METHOD SELECTION
A qualitative, multiple case study method was selected for research into the thesis because it seeks to propose an alternative model of theory to that already existing in the subject literature. The research fundamentally seeks to answer the question: 'Do public sector firms change their HR strategy from a ‘soft’ model to a ‘hard’ model when cost reductions are paramount and how do they do so?'

Yin (1994) suggested case study research, experiments or histories are the favoured method to investigate ‘how’ questions. If the goal is to develop an hypothesis or proposition for further investigation, then an exploratory case study is recommended by Yin (1994). This is exactly what the goal of the research project is.

A ‘how’ question deals with history over a period. History is the past and researchers rely on documents and artefacts as a main source of evidence. Case studies rely on many of the techniques used in history, but add observation and systematic interviewing, which is not usually available to historians. Schramm (1971) wrote:

...(T)he central tendency among all types of case study is that it tries to illuminate a decision or a set of decisions: why they were taken, how they were implemented and with what result.

Yin (1994) proposed that the case study inquiry can manage a situation where there are many more variables to investigate than there are data points. Case studies rely on multiple sources of evidence, which converge in a triangulation manner. Triangulation is a term derived from radio direction finding, where two separate tracking stations
locate the source of a radio signal. Thus, Yin means that each of the multiple sources of
data separately confirms a fact.

The case studies in the thesis rely on multiple sources of evidence, which relate to many
theoretical propositions that have been discussed in the Literature Review.

Yin (1994) suggests that the strength of case study is its ability to deal with a wide range
of evidence and this investigation gathered such evidence to converge on facts. He
suggested that converging lines of inquiry are likely to be more convincing. Yin (1994)
and Eisenhardt (1991) also observed that multiple cases are often considered more
compelling and permit replication and extension. Eisenhardt (1991) suggested that
replication means that individual cases can be used to corroborate specific propositions.

The multiple sources of evidence collected were drawn mainly from in-depth
interviews. Other evidence was gained from pamphlets or brochures, strategic plans and
annual reports. Each organisation also operated an Internet site from which other
material was gathered. All of this data was collected to build construct reliability as
suggested by Yin (1994) as a form of triangulation.

5. IN-DEPTH INTERVIEWS AND DATA COLLECTION
Sykes (1990) recommended interviews if depth of information was needed and where
such information may be sensitive. This investigation was likely to uncover many items
of sensitive information and required depth. McQuarrie & McIntyre (1997) thought that
individual interviews would generate more ideas than focus groups and because the
investigation was exploratory in nature, the opinions of the participants were important
to confirm causal links. Palmerino (1999) wrote that in-depth interviews allowed
participants to talk more than would be the case in focus groups and individual
interviews eliminated any influences one member of the group might have on another.
Yin (1994) asserted that interviews focus directly on the topic, that they are insightful
and provide causal inference. However, the interviewer might introduce bias if questions
are constructed poorly, or respondents themselves might be biased or provide answers
they think the interviewer wants to hear. Yin (1994) also recommended that the
questions asked in open-ended interviews should assume a conversational manner and
display naïveté in order for the respondent to provide valid commentary to overcome sources of bias. The investigator attempted to adopt this manner in all interviews.

The in-depth focussed interviews were of a fixed duration of about one hour each. Interviews were conducted with employees representing a vertical slice of the organisation hierarchy. The slice included a senior HR manager, a strategy manager, a line manager, and employees. If public sector firms do transition from a ‘soft’ model to a ‘hard’ model, then the transition will be linked to a new business strategy based on a business environmental scan of which a strategy manager can provide details. The HR manager would have to change the HR policies themselves and be familiar with the associated problems, whereas the line manager would be the manager most under pressure to reduce costs and know which HR policies were the cause of concern. Finally, the employees could provide information of how the changes affected them and what their attitude to the changes were. Each of the four hierarchical slices would also have historical knowledge and opinions about the HR policies used before the changes were implemented.

The participants were:

**The Australian Maritime Safety Authority**
- General Manager, International and Strategic Development (Strategy Manager)
- Human Resources Manager
- General Manager, Engineering and Maintenance Operations (Line Manager)
- Safety and Quality Officer (Employee)
- Purchasing Officer (Employee)
- Technical Officer (Employee)

**The Brisbane City Council**
- Principal Human Resources Information Adviser (Strategy Manager)
- Manager Workplace Health and Equity (HR Manager)
- Manager Workplace Relations (HR Manager)
- Business Manager, Poinsettia Press (Line Manager)
- Project Officer (Employee)
- City Fleet Officer (Employee)
For the first interview with any of the participants, a targeted list of discussion areas was used, which was based on the specialty of the participant. For example, HR managers would be asked to discuss HR areas and strategy managers asked to discuss strategy matters.

After the first interview was completed, the data collected was roughly coded and examined to identify any lack of clarity, or if a required additional subject area had emerged. Additional areas were then created and coded appropriately.

The next interviews sought clarification of the previous interview, if it was necessary, and the balance of the list of discussion areas was completed for each participant over as many interviews as were needed. This was typically a minimum of three.

Discussion areas included themes to provide triangulation in areas where bias might exist and where several participants would have the knowledge to provide full information. For example, both employees and managers would be asked ‘Is employment security important to the firm or employees?’ and data common to each participant taken as reliable.
The purpose of these interviews was to at least establish:

a) That a ‘soft’ model HRM was in use by the organisations in 1990 and the extent of it.
b) Why elements of the ‘soft’ model were in use at that time. For example, because it was management preference, or union power.
c) What competition or cost issues had occurred in the 1990s and what were the effects on the business.
d) The range of business environments, both internally and externally, that the firm had directly experienced in the decade.
e) The history of strategic business planning for the decade.
f) If and how strategy and competition had influenced HR policies.
g) If there were any other factors, which influenced HR policy.
h) If HR policies were matched to strategy.
i) When, why and how did matching occur.
j) What mechanisms were used to change HR policies.

Maxwell (1992) discussed the concept of interpretive validity with reference to the accuracy of data. For this reason, audio recording was preferred for the investigation, which all participants but one agreed to. The exception agreed to the taking of written notes.

Written notes were taken using guidelines recommended by Taylor and Bogdan (1984). Each page of notes started with a title showing date, time and place and left a wide margin for comments and coding. New paragraphs were formed often, to allow physical cut and paste. Quotations were identified correctly and pseudonyms were used for places and persons to protect confidentiality in all circumstances. ‘Asides’ were provided as interviewer’s comments and people were carefully described. Non-verbal signals were also recorded as well as dialogue. Information not understood was highlighted for later analysis or clarification.

To protect the confidentiality of participants, any quotations used in the thesis do not identify the source, and no names are attributed to the data. Recordings of interviews on audio-cassettes have been marked with an alphanumeric code and kept in a locked filing cabinet. The code key is kept in another locked filing cabinet at a different location.
6. DATA ANALYSIS

The discussion areas for each interview were decided beforehand by referring to the coded list shown in Appendix 1. The list was derived from theoretical propositions discussed in the Literature Review (Chapter 2). Each proposition was given a brief title, sorted into logical groupings, and given a code number.

Mintzberg (1979a) suggests that there are two steps in inductive research. The first is identifying patterns, following one lead to another. However, the second step is creative in nature and not easily described. An essential prerequisite is to establish a database to organise notes that can be searched and retrieved, with a chain of evidence established, which are linked to the relevant portions of the database, which in turn points to the actual evidence (Yin 1994). The coding created for the investigation was designed to achieve these aims.

For example, section 1 (Introduction) in each case study describes the organisation in terms of its history, its business activities and its sources of revenue to help the researcher understand why the organisation exists and if its operations have changed over time. The areas that are investigated in this regard are coded in a 200 series.

Similarly, the thesis investigates corporate strategy. ‘Soft’ model HRM is a single strategy, whereas ‘hard’ model includes many options. Therefore, the investigation of strategy formulation is a prerequisite to discover whether ‘soft’ or ‘hard’ model is in use or has been in use. Code number series 300 lists the items of interest, which include historical factors and methods of work organisation, together with generic strategies such as a cost focus, commitment, and types of employment, such as contracts or casuals.

Code number series 400 guides the enhancement of corporate strategy by adding generic strategies for HR management. Series 500 lists issue of permanent employment, which is complemented by series 600, which focuses on the ‘hard’ results of corporate strategy – an example of which is downsizing.
Series 700 Rewards; series 800 Training and Development; series 900 Communication; series 140 Industrial Relations; and series 150 Employees, guide data collection into the areas of commitment-seeking specifically described in the Literature Review.

Commitment is an important indicator of 'soft' model HRM. Series 110 Line Managers and series 130 Work Teams, guide investigation into work organisation to discover any HRM transition.

7. TRANSCRIBING THE DATA INTO CASE STUDY FORMAT
Interviews were transcribed into a word processing program and coded. Then the case studies were written up using the cut and paste facilities in the computer program to insert the relevant information into main headings to write the case studies in the same format.

The main headings used to aid analysis and provide a basis for cross-case analysis were:

a) **Introduction.** The introduction describes the organisation in terms of ownership and control, history, business activities, Executive management, organisation structure, and sources of revenue.

b) **The Strategic Planning Process.** The strategic planning process includes the history of planning, the operating environment, commitment building and core-periphery strategies, which are discussed in the Literature Review. Commitment building is the foundation of 'soft' model HRM. Was such a strategy used in the organisation? Did the strategy remain the same whilst the environment changed? It is possible that the 'soft' model can be provided to a core group of employees, but not to a peripheral group, who might be treated as 'disposable' assets (Zeffane & Mayo 1995). Did the firm use this strategy?

c) **Human Resource Policies.** The section provides a history of HR policy making and any matching to business strategy that might have occurred over the decade.

d) **HR Practices and how and why they have changed over time.** Includes permanent employment, retraining employees in new skills, informed choice, participation and trust, and mutuality, which are discussed in the Literature Review.

e) **Work teams.** A proxy for commitment might also be derived through work teams, which are committed not to the organisation, but to the benefits that the organisation bestow on them for superior productivity (Capelli 1995).
f) Individual contracts. A transition to individual contract is said by Storey (1992b) to be an indicator of a change to 'hard' model HRM.

g) Continuous improvement. One of the major dilemmas of providing job security is that productivity increased by continuous improvement might displace employees unless product sales increase (Locke, Kochan & Piore 1995). How does the firm manage this dilemma?

h) Performance appraisal. Commitment might also be gained through variable rewards (Walton 1985a). How is employee performance appraised and rewarded?

i) Training and Development. Similarly, commitment is sustained if the organisation has an emphasis on training and development (Pfeffer 1994). This type of focus sends a message to employees that they are valued (Storey 1992a).

j) Unions. Finally, unions can be marginalised by 'soft' model HRM (Monks 1998), provide a method of participation (Sisson & Storey 2000), and an industrial power to prevent change (Hodgetts, Luthans & Slocum 1999).

At the conclusion of these sections, each case is analysed, summarised and presented in the form of vignettes (Miles & Huberman 1994) to compare the actual behaviour of the firm to the behaviour theorised in the literature. Finally, a conclusion is drawn in the form of a narrative considering four factors of change: the environment, HR policy, strategic planning, and actions. If the internal or external environment changes, then strategic planning might give rise to actions to change HR policies. The conclusions are presented in content analytic summary tables as described by Miles & Huberman (1994).

8. CROSS CASE ANALYSIS

The coded data collected was sorted into ascending code number format and a time-ordered matrix table, as described by Miles & Huberman (1994), was derived to display the changes over time of 'soft' model HR policies using Pfeffer's (1994) best practice list.

The content analytic summary tables, as described by Miles & Huberman (1994), at the conclusion of each case, were combined to describe common patterns in the internal and external business environment, and strategic planning. From these and from the patterns found in the subject areas, it was possible to describe how HR policies were changed and the methods used to change them. In addition, an environmental scan was
performed for each organisation and their strategic planning imperatives matched to
generic ‘hard’ models described in the Literature Review.

Following this, a number of time-ordered matrix tables (Miles & Huberman 1994) were
used to find if each organisation had introduced any of the generic ‘hard’ models of
HRM.

9. CONCLUSION
One important assumption in the Methodology chapter is the investigator’s belief that
‘soft’ model HRM was used in the organisation’s history. The assumption was made
because the Public Service mandated the use of HR policies and practices, which were
not matched to business strategy and which sought commitment. The assumption is also
based on the isolation of the organisation from competition. Therefore, the case studies
must include a description of the HRM method used, why it was used, and if it included
policies and practices which equate to ‘soft’ model HRM. If competition factors were
introduced into the organisation, the case study must discover what they were and if the
factors impelled a change of HRM method.

In addition, themes discovered in the Literature Review also need to be explored in
order to assess the depth of the ‘soft’ model and what HR policies and practices it
included. Following this discovery, investigation must find whether a ‘hard’ model was
introduced and why; how the organisation made the change to the model; the difficulties
it experienced in introducing changes; and what the imperatives for change were.
CHAPTER 4
CASE STUDY. THE AUSTRALIAN MARITIME SAFETY AUTHORITY

1. INTRODUCTION
Ownership and Control
The Australian Maritime Safety Authority, (AMSA,) is a regulatory authority whose Board reports to the Commonwealth government Minister of Transport and Regional Development.

AMSA commenced business as a government business enterprise on 1st January 1991. In 1995, the government business enterprise status was changed to a regulatory authority, because of media criticism about the ability of regulators to act as a commercial business. This was because a commercial business would not maintain sufficient safety inspection programs. It would reduce them to increase profit.

History of the Business
The Commonwealth Labor government decided to reform the Maritime Industry in 1987/88 by creating AMSA, which was to be located regionally at Newcastle. However, the cost of transferring employees from Canberra to Newcastle was too expensive and there was a great deal of staff resistance to the proposal. A revised decision located AMSA in Canberra.

In late 1990, prior to inception on 1st January 1991, some management and approximately 600 staff were transferred from the Department of Transport to AMSA, and a Board was formed.

In the year 2000, AMSA had less than 300 employees as a result of continuous improvement. It merged aviation with maritime search and rescue, introduced a purchaser-provider model, disposed of assets, and restructured from a northern and southern region to business centres. There was a high degree of centralisation to the head office in Canberra to ensure the most efficient operation and only operational people remained in the States.
Business Activities
AMSA provided services with four main themes. These were ‘Safer Ships’, ‘Cleaner Oceans’, ‘Australian Search and Rescue’, and ‘Lighting the Way’.

‘Safer Ships’.
AMSA administered the regulations and safety standards applying to ships in Australian waters. This included survey, port control inspections, cargo carriage, certification, and services relating to the quality of crews. AMSA also administered Australia’s ship safety and marine pollution regulatory responsibilities in international Maritime Industry and inter-governmental forums.

‘Cleaner Oceans’.
AMSA provided the planned prevention of and response to pollution of the marine environment and administered national marine pollution legislation in accordance with international conventions. It was the managing agency for Australia’s National Plan to Combat Pollution of the Sea by Oil and Other Hazardous and Noxious Substances. This National Plan was the contingency and response arrangement to combat oil and chemicals spills threatening Australia’s coastline. It incorporated the combined resources of the Federal, State and Territories Governments and the oil, exploration and shipping industries.

‘Australian Search and Rescue’.
AusSAR coordinated maritime and aviation search and rescue in Australian waters and across the continent and provided maritime distress and safety radio communication services. A Rescue Coordination Centre in Canberra, which was staffed around the clock, planned and coordinated search and rescue in an area covering one tenth of the World’s surface. Specialists in the Centre were involved in detecting and locating distress beacon calls through the international COSPAS-SARSAT satellite system. They operated the Australian Ship Reporting System and issued radio navigation warnings. The Centre also provided a medical evacuation service to commercial shipping.

‘Lighting the Way’.
AMSA managed a network of over 400 aids to navigation, including lights, global positioning systems, and radar stations to meet the needs of commercial shipping.
The Executive Management Group

The Executive met briefly every week, but had a longer meeting every two weeks. The Executive comprised the CEO and the General Managers of the six business centres. Board meetings were eight times per year.

Organisation Structure

AMSA had a head office in Canberra and principal offices in Brisbane, Sydney, Melbourne and Fremantle. It was structured into six business units: Marine Safety and Environmental Strategy; Maritime Operations; Engineering and Maintenance Operations; Australian Search and Rescue, (AusSAR,); Corporate and Commercial Services; and International and Strategic Development. This arrangement is shown in the organisation structure in Figure 4.1.

Marine Safety and Environmental Strategy managed navigation systems and aids to navigation; operational standards for ships; and marine environment protection standards.

Maritime Operations provided ship inspection programs; marine operations; environment protection; and ship safety in all State and Northern Territory ports.

Engineering and Maintenance Operations provided maintenance operations to navigation aids and AusSAR; the construction of navigation aids; project engineering; and ship management services. Engineering and Maintenance Operations had bases at Cairns, Brisbane, Melbourne, Adelaide, Hobart, Fremantle, Port Hedland, Darwin and Thursday Island. There were 120 people in this group.

AusSAR provided the Rescue Coordination Centre; satellite distress systems; maritime safety communications; and boating and aviation safety education.

Corporate and Commercial Services provided financial management; staff resources; property services; information technology; and registration of vessels.

International and Strategic Development provided international relations; corporate strategic planning; government liaison; legal services; and public relations. AMSA had a
strong international influence in the International Maritime Organisation, (IMO,) and had been a member of that council since the 1940s when it was formed.

Sources of Revenue
85% of AMSA’s $70 million revenue came from fees and levies on the shipping industry and 15% from the Commonwealth government to pay for community service obligations. Community service obligations were related to aviation and maritime search and rescue, maritime communications, and boating safety education.

No revenue was raised from the recreational Maritime Industry, although AMSA stated during research investigation that it should be. Services were provided for this segment of the industry and it did not pay its share. However, AMSA explained it may be very difficult to identify some of the services supplied because users of such ‘public goods’ as navigation aids are impossible to verify without the introduction and use of sophisticated technology.
2. THE STRATEGIC PLANNING PROCESS

History of Planning

AMSA's business mission was to provide its services safely, effectively and efficiently. The CEO and the general managers of each business unit met every year to decide the business strategy. They created the corporate plan for submission to the Minister, and this submission was required by the Act that created AMSA. The plan was for three years and was updated annually. It was passed to the business units, who determined how their own business strategy would link to the objectives stated in it.

In the early years the plan was a series of platitudes and employees at all levels did not regard it very seriously. But, in 1997, AMSA had a substantial meeting at a retreat with general managers, the Chairman of the Board, 20 of the most senior middle managers and a selection of specialist advisers, where all of the issues affecting AMSA were discussed. That first meeting at a retreat was very effective in ensuring that the Corporate Plan became more meaningful to all levels of employees in AMSA and, as a result, retreats became a regular occurrence.

Prior to 1997, the Board would discuss strategic issues. Management would spend a day with the Board and attempt to understand what they needed to do. There was limited feedback. The process changed in 1997, when senior management presented the reasons for their strategies to the Board against a background of government policy, industry desires, common goals, and other environmental factors. From 1997, management informed the Board and employees what AMSA planned to do, and if the Board or employees needed to, they provided the reasons why the plan should be modified.

The HR Manager did not meet with the Executive to participate in corporate planning. AMSA management defined the function of the central HR department as providing a framework of HR policies for discussion by the Executive and as an adviser to business units.
The Operating Environment

AMSA’s mission was to pursue world best practice in the efficient provision of highly effective maritime safety, aviation and marine search and rescue and marine environment protection services.

AMSA stated that a government organisation would always be prone to political pressures. The type of pressure differs with a change in the Minister or in the political party in power, but because it had performed consistently well up to and including 2000, it had not been put under any political pressure to change its operating mode.

Senior managers had actively pursued cost reductions since inception. They preferred to be in control of change rather than have somebody else define what had to be done, although they took into consideration sources of information and comments from stakeholders. New technology and cost savings had been provided without being demanded and the Maritime Industry was satisfied that AMSA had kept ahead. The Maritime Industry forgave AMSA the occasional mistake, but managers said that the tolerance of their external customers was based on AMSA’s good performance prior to 2000, and if performance did decline, tolerance would decline as well.

In 2000, AMSA concentrated on how levies were charged. The industry preferred a navigation aid user-pay principle, rather than a flat rate based on the weight of the vessel. For example, a large bulk carrier that operated around Port Hedland used a smaller number of navigation aids than an Eastern Australian coastal vessel. Under the 2000 system, although it used fewer navigation aids, it paid more because it was heavier than the coastal vessel. Under user-pays, it would pay less.

AMSA introduced an in-house purchaser-provider model in 1998 based on service level agreements as a result of an organisation-wide business improvement project. The service level agreements provided visibility for managing costs and provided opportunities for comparing in-house costs with the price of external providers. AMSA believed that this sort of action was expected in accordance with government competition policy and the notion that market forces should be brought to bear on government business.
In accordance with the principles of a competitive market, Engineering and Maintenance Operations, (EMO,) will have had its in-house bid compared to an external provider in 2001 to decide if there would be benefits to justify contracting out the function.

EMO suffered a decline in work caused by the introduction of new technology and the retirement of assets such as ships and lighthouses. The decline threatened the ability to retain the core expertise that EMO needed if it were to remain competitive. Accordingly, EMO successfully pursued external work to increase total revenue to raise funding to retain the economy of scale. In pursuing additional work, they gathered information about competitive pricing which identified that further efficiency was required. Line managers subsequently complained that processes and the management structure were not efficient enough to minimise the overheads on direct labour, and these complaints led to more improvement projects, such as the consideration of centralising accounts payable, or purchasing, to reduce costs. Because EMO had pursued cost reductions and had become very efficient, it was not certain that it would lose an in-house bid for its own work. Even if did lose, AMSA would not contract out the work unless there were significant benefits.

AMSA led the World in the maritime field by installing new technology such as Global Positioning Satellite equipment, although the normally conservative Maritime Industry did not ask for it. In the ship survey area, AMSA planned to bring in a quality management approach, which establishes procedures on board ships. If a ship has certification in this quality system, then AMSA would have to perform less regulatory work. The Shipping Industry is complex, and sails under flags of convenience. It does not want the high costs associated with a deep regulatory audit. Therefore, AMSA was attempting to move away from prescriptive approaches.

**Human Resource Strategy**

In the early 1990s, AMSA still had a Public Service organisation culture. The creation of an AMSA Award in 1995 was management’s first step in breaking away from the public sector and employees supported the new Award. Many professionals were underpaid in comparison to the labour market for the same job because clerical people dominated the public sector and they sought pay and conditions for administration personnel rather than professional or technical officers.
AMSA's Award was based on the philosophy of having their own salary scales, rather than a Public Service Award, with terms and conditions which gave flexibility to encourage some good professional people from private industry to be attracted for employment.

**Commitment Building**
AMSA's concept of commitment building was based on several examples, which were described during research. Senior management attempted to bring in innovative ways of remunerating people. They were amongst the first in the public sector to add in many allowances into an annual salary and simplified many of their Awards over the time period from AMSA's inception. Trades people were transformed into technical officers by providing education at the Associate Diploma Level and AMSA was actively moving all employees towards performance pay.

Management tended to be supportive of staff. When employees had personal problems related to finance, their family relationships, or with addiction to substances or gambling, they were supported with an Employee Assistance Scheme. The scheme scored well in the 1998 and 1999 annual employee survey.

Commitment to the safety goals of AMSA was easily achieved, because many of the employees were professional seafarers who had been committed to safety at sea for all their lives. Other employees were involved in visual aids, such as lighthouses, and a cultural commitment to keeping the light lit dates back for over 80 years. In some cases, this commitment was so intense, employees might have put themselves at risk in trying to service navigation aids in appalling conditions in order to ensure the safety of ships at sea.

The majority of employees were generally committed to AMSA, although that commitment was weaker in the late 1990s than it was in the late 1980s. There were too many changes for employees to be satisfied with the level of understanding that managers had extended for the employees' plight. The employees' opinion was that changes could have been implemented better if managers had a more caring attitude, gave attention to raising low morale, and had sympathy for employee concerns.
Management stated, however, that it did care about employees and it demonstrated its care by providing health and fitness programs. Unfortunately, employees were also cynical about these programs. They observed that management invested in health to reduce the risk of increased sick leave owing to an aging workforce.

Employees believed that some managers did care, but because of their own values and not because of an AMSA strategy. For example, with a manager in 2000, a helicopter would have been hired to bring an employee home from a ship at sea to attend to a personal problem. Whereas, with a previous manager in 1990, the employee would have been expected to complete the task before leaving the work site.

Core-Periphery Strategy and the Use of Temporary Employees

AMSA's managers stated that AMSA increasingly used temporary employees for short-term needs and also as a probationary measure prior to offering a permanent job, but had no statistics available.

Spending on temporary employees has doubled between 1997 and 1999, and contractors had been employed since 1998 to perform tasks for engineering and maintenance operations to reduce overall costs, particularly in travel. But there was no deliberate strategy in place to employ temporary employees to provide a numerical flexibility, because the workload was relatively constant.

3. HUMAN RESOURCE POLICIES

AMSA's original HR policies were created by the Public Service Board and were in use until July 1995. AMSA management assessed the Public Service approach as very prescriptive and tending to focus on strict definition of employment conditions. However, despite prescriptive policies, managers said they could still achieve their HR goals by finding deficiencies in the policies. Managers said that Public Service HR policies also lacked common sense, which they described with an example. One can replace a travel allowance with a credit card, which is a public sector wide initiative, but is there a benefit in that? Accommodation costs might go up. People will not seek the lowest accommodation cost so that they can benefit by underspending their travel allowance, because there would be no allowance. All expenses would go to the credit
AMSA said that there was evidence that the use of credit cards to pay travel expenses rather than receive an allowance was a more expensive option.

AMSA stated that the focus of the Public Service Board was on issues that were politically important to governments at the time. For example, equal employment opportunity, harassment, and discrimination. The policy manuals were almost 75 millimetres thick and every manager would get a copy, which they probably never used. They would telephone a HR expert instead.

The major impetus for AMSA to change HR policies has been to move away from prescription, to a policy that was a framework to operate with, rather than a description of every situation and its solution. AMSA made such changes in order to empower line managers and eliminate the need for an expert dedicated to policy areas.

HR policies had been linked to corporate planning since 1995. From 1999, the HR policies became skeletal and constructed around legislative requirement. In writing skeletal HR policies, the biggest problem AMSA had was in application. It was difficult for it to get its managers to apply the policy as it was intended. Interpretations were biased towards events and personal preferences. Some policies were totally ignored, so some managers wondered why there was a policy in the first place. From 2000, AMSA planned to overcome varied interpretations by holding meetings between HR and line managers to seek a shared understanding of what the policies were meant to achieve.

4. HR PRACTICES AND CHANGES OVER TIME

**Permanent Employment**

In the year 2000, many AMSA employees were originally public servants in the Department of Transport who had had no other job. They had difficulty accepting that AMSA no longer provided permanent employment. Some of them feared future job losses, depending on their age and degree of specialisation and what their future employment prospects were. There were losses throughout the 1990s and more were likely in the 2000s.

When there were more employees of a particular type than jobs available, a reverse merit selection process took place to decide on those that would leave. It was also
possible for employees who had been identified by such a selection to swap with another employee who wanted to leave voluntarily. This was termed a 'job swap'.

Surplus employees could also be 'redeployed' into other vacancies for which they had no skills or experience. AMSA had a policy, which was common in the Commonwealth Public Service, to allow re-training of individuals for whom training was likely to impart the skills required for a new job. Unlike the Public Service, there was no priority given to a redundant employee in filling a vacant position.

For other employees who were public servants prior to the inception of AMSA, 'mobility provisions' were available. This entitled surplus employees to fill vacancies in other Commonwealth government Departments. But if they failed to find a job within thirteen or seven months, depending on the length of their employment, they would be terminated and sacrifice termination payments. AMSA paid two weeks salary for termination for each year of employment, up to a maximum of forty-eight weeks, with an additional four weeks pay in lieu of notice.

Employment security was important to employees, who had some expectation of permanent employment. Employment security was also important to AMSA managers because they believed that they should treat others in the same way that they expected to be treated themselves and, without some security, they said, 'Loyalty and commitment is in question'. Managers provided employees with the employment security that was available - a three-year contract with the employee.

In 1998-9, there was a trend in the central office when there were more resignations than normal for AMSA. The level of resignations had been stable in the last decade apart from that year. The explanation given by management for the trend was that personnel skilled in electronics, which AMSA had not employed before, had some difficulty identifying with the Public Service culture and the job variety of the multi-skilled teams that worked away from the offices and depots. Managers blamed themselves for the trend, because they had failed to properly brief applicants on the duties of the positions.

Management guessed that employees did not normally resign because the labour market was poor, AMSA salaries and conditions were very good, and there were good
arrangements for maximising superannuation by salary sacrifice into a spouse account. No doubt, an attractive redundancy payment also limited resignations. There were also employees who were in their second and third careers, who already received pensions from previous jobs and who could afford to leave. They were committed to marine safety and search and rescue and the type of job they had, rather than to AMSA itself.

AMSA management admitted it probably did not exchange permanent employment for good performance in the year 2000, whereas it always did previously. In the past, good performers would seek and find an organisation need for themselves that they would fulfil, and if that need was coming to an end, then they would seek and find another. However, this option was no longer available and good performers also lost their jobs because of the pursuit of cost reduction.

AMSA promoted from within the organisation. It only advertised externally, if it believed the skills, knowledge and experience it wanted were not available internally, although this did not usually apply to new CEO positions. Some managers stated that AMSA had been over-loyal to internal applicants in the past, particularly for higher management positions. In 1996, a new level of management was created, but, because of staff reductions, the average employee per manager in 2000 was only 7. Too many management positions were created to ensure nobody lost their job, because of loyalty to the employees at risk. Despite this event, AMSA had appointed 40% of all of its employees externally and assessed its mix of old and new employees as good.

In June 1991, 557 personnel were employed by AMSA. By June 1995, this had declined to 414 and to 350 in 2000. There was an increase in regulatory employees of approximately 50 within these numbers. Therefore, approximately half of the original employees had been terminated.

A constant criticism from those that remained in 2000 was that they worked harder. Managers, however, stated that process improvement had not been finalised and there was potential to reduce the workload. Managers also believed that employees were not adopting new approaches, but were still working with old methods. Employees, on the other hand, perceived changes taking place before the workload diminished, which was
of concern to them because a shortage of labour might lead to an increased safety hazard for shipping if all of the work could not be completed.

For maintenance and engineering personnel, fewer employees led to more time away from home. In the early 1990s, 80 days would be spent in the field but this had increased in the late 1990s to 160 days. These extra days away suited some employees because of the travel allowance paid, but not others, who wanted to spend more time with their families.

Retraining Employees in New Skills
AMSA introduced new satellite technology, but to service the equipment, it also needed to employ electronics specialists. There were existing employees, whose positions were surplus to AMSA requirements, but AMSA Managers preferred to release a group of employees who did not have the new skills that were needed rather than retrain them, because, as an AMSA manager expressed, ‘We have a degree of scepticism those employees are willing to take on a new mindset with a new job.’ Managers maintain that new technology requires new ways of thinking and many employees are insufficiently flexible to do that.

However, under the terms of employment, AMSA would have to advertise vacancies internally and allow employees who were going to lose their jobs a chance to fill the vacancy. A surplus employee could only fill the vacancy if AMSA considered that the applicant could be retrained.

Informed choice
There were regular meetings in the regional depots and communication flowed from middle management to employees, and vice-versa, although it was rare for employees to see senior management. Management recognised that communication did not flow both ways from a total organisation point-of-view and organisation-style communication had never been done well enough. In late 1999 and 2000, communication from the head office improved by informing staff about the contracting out of AMSA’s last ship. Timeframes were provided, together with a list of the bidders for the work, and what the possibilities for employment were with those bidders. Although this communication was bad news for staff, the manner in which it was done was well accepted, whereas in 1995
and 1996, the accident rate rose, because there was insufficient communication with affected employees who could not keep their minds on the job because of speculation about their future.

Some managers believed that insufficient information was shared and even when it was, it was done in an inappropriate way. For example, the typical manner was by electronic mail on Friday afternoons, especially for bad news, as though it had been delayed to the very last moment to avoid the unpleasantness of the task.

Engineering and Maintenance Operations, (EMO,) was an ISO9000 quality certified group and the certification required at least one half-hour meeting per fortnight with regionally-located participants joining by telephone conference call. These participants attended the meeting in person every three months. The meetings concentrated on safety and financial statistics and the minutes were published on AMSA's intranet, which all employees had access to.

Employees stated that communication in EMO had improved over the years from AMSA’s inception. There were more briefings than there were prior to their quality system being certified in 1998. AMSA also planned to put EMO work out to competitive tender and the reasons for this were communicated well. Before the Board’s decision to tender the work, EMO sought external work and this type of marketing information and the reasons for seeking external work were also communicated well.

For other groups very little financial information was shared, nor were human resource statistics such as absenteeism, occupational health and safety, and turnover, although some managers believed it should be. Business plans, corporate plans, capital programs and monthly reports were all available on the intranet.

Employees said that good communication increased their commitment to AMSA and allowed them to participate in change. Management’s reason for communication was to gain commitment, to treat people with respect, and to give them enough information for personal decision-making.
Participation and Trust

Employees perceived that they did not participate in change programs except to provide technical advice. As one employee said, ‘Employees have taken a back seat in change programs owing to a lack of management initiative.’ Management agreed that was the case.

Management stated that its HR policies were primarily in place to protect the organisation from prosecution for Occupational Health and Safety negligence, or from industrial confrontation with unions. Policies did not extend trust to employees. Even some Occupational Health and Safety policies, which alerted staff to hazards, primarily protected the organisation from legislative actions. Employees perceived that HR policies were changed to erode pay and conditions by using Certified Agreements and manipulated the wording of the agreement to allow a different, later interpretation for AMSA’s benefit.

Management trusted employees, but suspected that there were groups of employees, who mistrusted it, because they were not cared for as well as they could be. Employees agreed. Some groups whose jobs were threatened did not trust management at all and had a low opinion of it. These employees did not receive enough information and a Certified Agreement providing a 5% bonus would not come into effect until after some employees had left. Employees were also confused about in-house bidding for EMO work and share purchase in a company to be formed by employees for that bid, should it be successful.

Mutual Benefits to the Firm and the Employee

In the year 2000, gym membership of $250 per year was paid. Salary sacrifice was available from 1997 and AMSA provided a remuneration consultant to organise the sacrifice and to assist employees in calculation.

Study leave for up to ten hours per week was usually given if work priorities could be fulfilled. AMSA also paid for attendance at ‘residential’ and reimbursed the full fees if the examinations were passed. Employees could have additional time off for exams. AMSA’s policy was that external education was desirable if it fitted into the sphere of operations, or for a development need that would suit the employee’s job. The policy for
external study was very flexible and some managers never refused, so there was some doubt that the course of study approved was always a good fit to AMSA’s business.

As a result of this doubt, AMSA planned to tighten up the policy by describing the type of education people needed in the longer term for AMSA and to tie that to the development needs of individuals. For example, AMSA might have exactly defined what types of education could be approved.

There was no ‘flex time’ for AMSA employees. ‘Annualised Hours’, which were calculated by the total hours required to perform a job and agreed with a supervisor, were introduced into Australian Workplace Agreements for the majority of AMSA employees in 1998, and for the balance of employees on 1st July 2000.

Employees did not normally have the opportunity to work from home, or ‘telecommute’, although it might have been approved on an ad hoc basis. AMSA intended to examine the concept after 2000 in order to reduce accommodation costs.

Employees received special leave of up to five days a year. Another five days for providing free community services might have also been approved.

AMSA had a commercial share in a childcare centre run by an external provider who provided subsidised childcare to employees. AMSA found that some excellent employees were distracted by the problem of childcare and intervened in order to retain the employees.

5. WORK TEAMS
AMSA operated semi-autonomous teams. Ships’ crews were an example, although AMSA disposed of its last ship in 2000. Maintenance depots also had semi-autonomous work teams, who worked away from the depot for four to six weeks at a time. They were semi-autonomous, because they maintained navigation aid sites and made most of the decisions about the extent of work required. Employees did not receive additional rewards for being part of a team, but they did receive travelling allowances and overtime. As a result, their net pay was probably higher than the labour market would pay for similar work.
Teams tended to be self-disciplinary in the first instance in some cases, but in other cases relied on management. In both instances, management was made aware of the issues. Management could discipline work team members by keeping them at the depot, where they received less overtime and travel allowance than they would have received had they been working remotely.

Team members did not have any more secure employment than anybody else, but if the number of staff had to be reduced, then the multi-skilled people in teams would have had more qualifications and would be more likely to be selected to remain in AMSA’s employ.

Multi-skilling had always been pursued for maintenance work teams by AMSA. There was no demarcation, except when a special licence was needed. Most team members had scaffolding and rigging tickets, and even mechanical people performed solar power electronics work.

AMSA believed that multi-skilling always led to a degree of deskilling and, sometimes, to a lack of job satisfaction, particularly when employees were educated specialists who had to pour concrete, for example. This multi-skilling led to some employee resignations, although other employees enjoyed the variety of work.

6. INDIVIDUAL CONTRACTS
AMSA was committed to having every employee on either a common law contract for managers, or an AWA for employees, because it sought a degree of flexibility in negotiating employment conditions which it could not achieve using collective bargaining. A clause in the Certified Agreement allowed for AWAs.

AMSA had difficulty with the collective bargaining process because it had to adopt an agreement that covered everybody. Seeking a common denominator resulted in severe constraints to that which could otherwise be agreed. AMSA employed a wide variety of trades persons, clerical officers, professional surveyors and engineers, and AMSA had differing needs for each group. AWAs met this need, whilst a single Certified Agreement did not.
AMSA also wanted to establish an intimate relationship with employees that would result in mutual trust, built up over time, using AWAs. It wanted managers to talk to and be involved in the employment relationship and its development. Therefore, it was quite willing to pay extra in salary to achieve that objective. Employees, however, complained that the extra salary was insufficient to sign away conditions of service in an AWA.

7. CONTINUOUS IMPROVEMENT
AMSA's charges came down about 27% from 1991 to 2000 and the shipping industry was very happy about such performance. Charges had only gone up once in the 1990s and every other year they have been reduced.

One improvement initiative concerned contracting out ships, which carried maintenance, engineering and other employees to navigation aids. Another was to de-staff or close lighthouses around Australia. As technology changed to satellite navigation, all lighthouses were not needed and, in some cases, AMSA only needed a light, not a structure and a tower. There were also initiatives driven by the Maritime Industry to put lighthouses in places, which were not necessarily where AMSA would want to erect a manned structure. As a result, 100 lighthouse keepers were made redundant over a period of five years and this facilitated the disposal of three out of the four ships, and their crews, which serviced lighthouses; with a fourth ship being disposed of in 2000. Ship crews amounted to 70 personnel in 1998 and 100 in 1992.

The time period between scheduled maintenance was also extended to navigation aids, because statistical analysis demonstrated that the visits were too frequent. That decision was very difficult for some of the maintenance personnel to accept because they believed that reliability would fall and the change from an engineering excellence focus to a cost focus was not in the interests of the Maritime Industry. But AMSA's navigation aid reliability increased owing to improvements in technology.

AMSA also reduced the cost of replacing its assets. Rather than install an expensive, almost heritage style structure and maintain it for many years, a decision in the late 1990s was made to install much cheaper structures, maintain them to the minimum, and
replace them more often. The examination of these ‘whole of life’ costs convinced AMSA this was a more cost-effective solution.

In 2000, an employee said, ‘We think a job in AMSA is more centred around budgets and costs than it was ten years ago.’ Employees recalled the changes in AMSA with some bitterness and ascribed the changes to the new Industrial Relations policies introduced by the Commonwealth government in the 1990’s by Minister Peter Reith. Employees maintained that these new policies helped to force AMSA’s costs down even more.

Employees also stated that they no longer had a say in what should be done and decisions were made by personnel who had no technical expertise. Employees perceived that the focus was on completing the work order, and everything was on a work order basis. The work order had become more important than the task, it was needed for the time sheet, and every minute had to be accounted for. According to employees, AMSA was more concerned about costs than quality of service and reliability.

8. PERFORMANCE APPRAISAL

Every employee had performance formally appraised and linked to a performance bonus. The final group of employees was planned to be placed into this scheme in July 2000. In earlier years, only contract managers had performance linked to a bonus and employees had salary increments tied to it.

Development was also derived informally from performance appraisal. For example, trades persons were prevented from being promoted to technical officers without the appropriate education. In 1997, courses were offered to trades persons for whom promotion and a pay increase would follow on successful completion.

9. TRAINING AND DEVELOPMENT

One of AMSA’s managers asserted that professional staff received the most training, especially marine surveyors, who had to complete post-graduate education. AMSA paid all of the fees and gave them paid leave. Management received the least training.
There was no formal development process derived from the performance appraisal system. It was attempted, but did not work in practice. AMSA had historical links to the Public Service, which insisted on formal merit selection, so it was very difficult for them to formally target a person for development without employees complaining.

AMSA employees said they received enough training to do their jobs and management supported extra education when it was requested. Employees identified the need themselves. Study leave was available, but might be difficult to obtain by certain skill groups. Job needs took priority.

10. UNIONS
The Community and Public Sector Union, the Maritime Union and the Metal Engineering Workers Union represented employees in AMSA. In the early 1990s, these groups had a common strategy, but that was not the case in the year 2000. Nevertheless, there had always been the opportunity for AMSA to negotiate with a single union outside a joint meeting comprising them all.

Unions did not form a partnership and participate with management in achieving change, but AMSA was obliged by the Certified Agreement to consult with them. Management trusted some union representatives, but not others. It stated that the unions had marginalised themselves by failing to represent their members. Instead, they set their own agendas and strategies. AMSA also had a policy where every employee must be employed under an AWA or a contract. Unions could act as bargaining agents for AWAs, but this was very rare in AMSA. Managers suggested that employees might have thought that the union fees would exceed the value of the benefits the unions could win. Managers said the introduction of AWAs might explain the dramatic decline in union membership in AMSA. In the early 1990s, almost every employee was a member, whereas in 2000, very few were.

In the past, employment practices were driven by the Public Service Act. AMSA stated that those practices were based on many factors, which probably included union requests. From 1991 to 1993, management drove the changes in employment practices, but then the unions united and, because of legislative restraints, the initiative to change employment practices slowed until the first Certified Agreement.
The dates of the Certified Agreements were 1995-7, 1997-9 and February 2000. Management perceived Certified Agreements as no longer useful, because collective bargaining covered the majority, and did not allow for specific groups and individuals to have separate conditions. Therefore, AMSA much preferred AWAs, which could be better tailored to each employee. Both AWAs and Certified Agreements contributed to changing HR policies.

For the first agreement, efficiency was sought by adding various event-based entitlements into a constant salary rather than by paying each separately. Clarification concerning the retention of individuals under mobility provisions was also agreed, because AMSA did not want personnel who had lost their jobs affecting the morale of remaining staff whilst they were waiting for their notice period to expire. AMSA needed to have a clear agreement on whether an employee was entitled to seven or thirteen months.

Certified Agreements exchange a payment for increased productivity, but AMSA management predicted that there were no productivity gains left to achieve. In future negotiation management forecasted that the conditions of service for employees would have been driven so low that the unions might well seek to reinstate them. If a change in the Commonwealth government to Labor occurs, this might well happen.

11. ANALYSIS AND DISCUSSION
The Extent of ‘Soft’ Model HRM in 1990
At the beginning of the 1990-decade, Department of Transport personnel who would be transferred to AMSA were employed under a fixed set of Commonwealth Government HR policies, as were all employees of the Commonwealth Public Service. The HR policies were not matched to the business objectives of the various departments, because the use of strategic planning in the public sector was immature. It can be concluded, therefore, that ‘hard’ model HRM was not in use. In 1990, AMSA used about half of the possible sixteen indicators of ‘soft’ model HRM based on Pfeffer’s (1994) best practice list.

In 1990, those who would become AMSA employees had tenured employment. The
Public Service was considered a lifetime career and job loss would only result for severe misconduct. Therefore, one might reasonably assume that AMSA employees were selected for employment, because they would be committed to providing a public service and that they would be receptive to development over their working lives. In addition, in consideration of the amount of investment in training and development and the consequential importance of retaining public servants, 'lifetime' wages were high. For example, the Commonwealth Superannuation Scheme provided an attractive pension to retired employees, which would partly pass on to spouses in the event of the retiree's death.

Training and development was provided to all Commonwealth Public Servants in almost every imaginable field, simply because the Commonwealth employed a variety of professions and skills and employees could apply for vacancies in other departments of government. However, information sharing appeared to be at a low level and a well-spaced hierarchy of employment levels was maintained along with wage increment levels. Performance and skill pay did not exist, but team working was utilised by AMSA, particularly in ship's crews and other work groups, such as maintenance. Jobs were not redesigned to provide work satisfaction, however, although cross training was required to minimise the number of employees in a team.

Employees participated in AMSA initiatives at the beginning of the decade, mainly through union consultation, and the promotion of internal employees invariably occurred. AMSA also took a long-term view, possibly because assets such as ships and lighthouses are long-term assets, but had no long-term vision and did not measure progress to a particular set of goals, because they did not have mature strategic process, which described the goals.

The Public Service Board employed a group of HR practitioners, whose job it was to formulate policy. One assumes that the practitioners were required to consider a method of HRM, which would universally fit all departments of government. 'Hard' model HRM was not possible for the group, although a form of 'ad hoc' HRM was possible. For example, 'ad hoc' HRM would create or adopt policies for no reason other than a policy was needed to fill a policy vacuum. However, it is difficult to accept that the Public Service Board, which could afford to employ and did employ professionals,
would create HR policies without considering the outcomes that the policies were required to deliver. Therefore, although it might be argued that the Public Service Board did not consciously adopt the ‘soft’ model, a counter argument would indicate that they unconsciously adopted at least half of it.

Environment
AMSA was created in 1991 by consolidating its functions and transferring them from the Department of Transport. The strategy that the Hawke-Keating government employed in creating AMSA was derived from ‘economic rationalism’. The first step was to create a Government Business Enterprise (GBE), the second step to capture revenue in excess of costs from users of the service to provide a dividend to the government, and the third step to consider selling the GBE. The difficulty experienced by GBEs was that the users of the services perceived their costs as too high. Consequently, the reduction of cost by downsizing and disposing of assets became a common GBE strategy.

In 1993 and 1994, there were several aircraft crashes which were attributed to too low a level of regulatory inspections in the aviation industry. Media commentators criticised the notion that a safety regulator should make a profit, because the reduction in cost would mean a reduction in safety inspections. As a consequence, AMSA had its GBE status revoked in 1995 and it became a regulatory authority. AMSA increased the number of employees involved in regulation.

In the same year, the Council of Australian Governments agreed to implement the majority of the recommendations for competition contained in the National Competition Review (Commonwealth of Australia 1993). AMSA considered what aspects of its business could be exposed to competition.

Strategic Planning
Strategic planning became more relevant and meaningful to AMSA personnel from 1997. The HR Manager was not a member of the Corporate Planning team, but had been tasked to change HR policies and enable Australian Workplace Agreements.
AMSA used a ‘hard’ model contingency-matching business and HR strategy based on the ideas of Porter (1980) and Miles & Snow (1984), although AMSA was not aware that it did so.

It ‘differentiates’ (Porter 1980) with a focus on safety. AMSA was a safety authority and had to adopt this focus as its prime objective. It did not act as a cost leader, because it was a monopoly and had no competition, but it did act as a type of ‘defender’ (Miles & Snow 1984) by concentrating on operational efficiency where it could. It acted in this way to avoid criticism by the Maritime Industry that it was over-priced.

Secondly, EMO was a division whose services were found in the private sector. It acted as a ‘defender’ (Miles & Snow 1984) to retain its internal business and, thus, concentrated on operational efficiency. EMO also acted as a type of ‘prospector’ (Miles & Snow 1984), seeking new business to lessen its dependence on internal customers and to lower its overhead percentage on direct labour by increasing the amount of direct labour hours sold, whilst maintaining the same indirect resources.

Human Resource Strategy

Some HR policies were in use, which promoted mutuality (Walton 1985a). These were gym fees, special leave, and subsidised childcare, for example. Some of the policies were inherited from the Commonwealth Public Service Board, but others were created from AMSA’s initiative.

The policies were not ‘soft’ model HRM but were linked to corporate strategy. For example, gym fee payments encouraged fitness for the aging workforce to avoid increased sick leave; special leave for community service demonstrated that AMSA was a monopoly that cared about social needs; and subsidised childcare was an initiative designed to retain employees and minimise recruiting costs.

There was no evidence that HR policies in 2000 equalised power, built trust, or allowed for participation (Beer et al. 1985) and AMSA did not provide enough information for employees to make an informed choice. All of these factors are indicators of ‘soft’ model HRM, and AMSA displayed none of them.
HR policies were directly *matched* to strategic planning. *Matching* is clearly 'hard' model HRM (Hendry & Pettigrew 1986).

Policies underwent significant change in the 1990s with the creation of a new Award and the deliberate movement away from 'soft' model Public Service HR policies. Because of this change, employees perceived a loss of employment conditions.

**Permanent Employment**

AMSA managers were responsible for the change in employment conditions. Locke, Kochan & Piore (1995) also found managers driving change. AMSA managers also introduced individual contracts for employees, which is an indicator of a change to ‘hard’ model HRM (Storey 1992b).

In 2000, permanent employment in AMSA was merely a classification to distinguish an ongoing job from a temporary one. There were still some employees who had a degree of true permanent employment under the Commonwealth Public Service Mobility Provisions, but this provision was challenged and clarified in the 2000 Certified Agreement to ensure the notice period was minimised. If employees took the mobility option, they sacrificed termination pay and lost a substantial amount of money.

Many employees left through redundancy in the 1990s, whether they wanted to or not. There was no industrial action by unions as a result, because consultation with the unions, notice periods given and termination payments made, were all in accordance with common arrangements used by the Commonwealth government.

AWAs, Certified Agreements and redundancy provisions are all facilitated by changes to government regulations, which is in accordance with the findings of Locke, Kochan & Piore (1995). AMSA used all of these tools to reduce costs and introduced a purchaser-provider model and a work-order computer system as new accounting techniques. New accounting techniques were found by Cappelli (1995) to assist organisations in decision-making.

Cappelli (1995) also suggested that employers might hire in new skills rather than retrain personnel. This was certainly AMSA's preferred strategy and it is 'hard' model.
Some ‘soft’ model inherited Public Service HR policies allowed for re-training, but AMSA had little difficulty in avoiding adopting them.

**Commitment**

Cappelli (1995) found that employees did not believe management was looking after their interests. This was the case in AMSA. Resignations might increase if employees had such a perception of management, but Cappelli (1995) surmised that they would not resign if the unemployment rate was high. The research performed in AMSA adds other findings to Cappelli’s: high rates of pay, good superannuation arrangements, commitment to the job rather than the organisation, and the loss of attractive termination pay if the employee was to otherwise await redundancy, will also prevent resignation.

From the mid-1990s to 2000, AMSA broke the psychological contract (Cappelli 1995). Employment security was no longer exchanged for good performance. Permanent employment, which was available in the very early 1990s, was no longer available. This finding is in accordance with Locke, Kochan & Piore (1995); Cappelli (1995) and Deery, Plowman & Walsh (1997). Without employment security, AMSA doubted that it could ensure the loyalty and commitment of its employees. Commitment is an important aspect of ‘soft’ model HRM (McGregor 1960; Walton 1985a; Beer et al. 1985; Boxall 1996).

**Rewards**

A variable reward was planned to be introduced and coupled to performance appraisal in 2000. According to Walton (1985a) this is a factor linked to sustaining commitment. However, Marchington et al. (1994) and Appelbaum & Batt (1994) did not support Walton and remarked that merit pay and profit sharing were old ideas that neither employees nor unions like. Wood (1996b) found that a permanent increase to wages for merit would result in higher commitment.

**Training and Development**

Professional and para-professional staff received the most training in AMSA in accordance with Smith’s (1996) findings.
Training and development in AMSA was matched to a business strategy of operational efficiency, making it ‘hard’ model HRM. Management planned to further review and limit the types of courses that would be approved after 2000, tightening the policy further.

Informed Choice
Beer et al. (1985) stated that trust is built by good communication and employees should be given an informed choice. Trust, commitment and informed choice are all indicators of ‘soft’ model HRM. However, AMSA’s strategy was to reduce accidents and ensure that no industrial action would result from redundancies. Matching in this way is clearly ‘hard’ model.

Participation and Trust
Employees and managers agreed that employees did not participate in change programs. Employees did not trust management, because they perceived their pay and conditions were eroded by management manipulating the interpretation of Certified Agreements to the detriment of employees.

Core-periphery strategy
When downsizing has occurred, Zeffane & Mayo (1995b) observed that the remaining employees work harder and fear for future job losses. This was the case with employees in AMSA. Zeffane & Mayo (1995) suggested that the solution to the dilemma is to have a stable core and flexible ring of employees. AMSA did not have such a strategy to facilitate ‘soft’ model HRM for the core.

Unions
Unions were becoming marginalised by AMSA because of the introduction of AWAs and AMSA’s perception that the future of collective bargaining was limited. Unions might play an important part in slowing a change from ‘soft’ model HRM to ‘hard’ model, but this was generally not the case with AMSA, although one union resisted change.
12. CONCLUSION

Environment

AMSA was formed in 1991. A transfer of employees occurred from the Public Service as part of the Commonwealth government’s initiative in micro-economic reform. The challenge for the new AMSA management and Board was to provide a return on investment to the Commonwealth government by earning revenue from the users of its services. However, what the Maritime Industry would consider an acceptable price for AMSA’s services was lower than AMSA could provide, necessitating a focus on cost.

In 1995, the Australian media criticised several of the Commonwealth government’s regulatory authorities, because they thought regulators should not reduce costs to make profits. In their opinion, a value could not be placed on a life. In response, the Commonwealth government revoked AMSA’s GBE status and made it a regulatory authority reporting to the Minister of Transport. AMSA had to demonstrate to the Minister that it was adequately managing all of the regulatory issues.

In 1997, the external environment was stable for AMSA, but it had introduced purchaser-provider models to demonstrate to its external stakeholders that it would purchase goods and services from the most competitive suppliers in accordance with competition policy. In so doing, it made its internal environment unstable.

AMSA management had rigorously pursued cost reductions since inception, although there was no direct pressure applied by the Commonwealth government or the Maritime Industry. This was only because AMSA had demonstrated that it was achieving goals articulated in the Corporate Plan, which were endorsed by the Parliament.

HR policy

The HR model in use in 1991 by AMSA was the universal ‘soft’ model. It was very prescriptive. It was not possible for the Commonwealth Public Service Board to tailor HR policies on a contingency ‘hard’ model basis, because of the wide range of different operations that had to be included.

By 1995, the Executive management group of AMSA had described the HR policies it needed for the organisation, taking into account the operating environment and its goals,
which were to pursue best practice in the efficient provision of highly effective services. It began to link HR policies to its strategy of a ‘differentiation’ and ‘defender’ contingency ‘hard’ model.

In 1997, ‘hard’ model HRM was fully in place. HR practices were devolved to line managers, HR policies became less prescriptive and AWAs were introduced for para-professional employees.

AWAs were introduced for the remaining employees in 2000, such that all AMSA employees were employed under a common-law contract or an AWA. AMSA used Minister Peter Reith’s industrial legislation to introduce new HR policies using Certified Agreements, but AMSA foresaw difficulty from 2000 in gaining any more efficiencies from Certified Agreements and relied on contracts and AWAs to define the terms and conditions of employment.

AMSA needed to attract and retain professional personnel and considered the educational requirements these personnel required. It introduced paid leave of absence and fee reimbursement for professionals for post-graduate study to ensure they were well-educated to act as regulators. AMSA also developed a new market pay and conditions Award for professionals, where, previously, the pay and conditions were not competitive.

AMSA also considered the difficulty of attracting and retaining personnel, who had to work harder than they did in the early 1990s. New HR policies introduced merit pay, the inclusion of overtime and allowances into salary to make the package more attractive, and an annual amount of hours that employees would reach by self-management of attendance to reach the hours.

AMSA’s workforce was also aging. AMSA introduced HR policies for health and fitness programs.

Finally, AMSA decided it would not guarantee employment, but would provide attractive redundancy payments to achieve downsizing goals. It also marginalised the unions by insisting all employees had to be employed under common law contracts or
AWAs, which detailed termination arrangements. The employment policy also dispensed with the need for collective bargaining for the unions.

Value of Strategic Plan
AMSA produced a Corporate Plan from 1991 that met the budget and general requirements of the Commonwealth government, but was not based on any organisation-wide strategy. The situation remained unchanged throughout 1995 until 1997, when management retreats from the workplace commenced and strategies were considered. In general, a strategy of operational efficiency was adopted, a facet of a 'defender', with some 'differentiation' in maritime safety. Some prospecting also occurring.

In 2000, all operational plans were linked to the Corporate Plan and it is likely that when AMSA has completed its plans to contract out non-competitive operations, that a differentiation strategy which focuses on cost-effective safety will result. Until then, some confusion of strategy between operating divisions is likely to remain.

Actions
There were no significant actions for AMSA that provided evidence of a change to 'hard' model HRM that might have occurred in 1991. There is no doubt that AMSA management very quickly focussed on cost containment, cost reduction and a culture change from the Public Service to a more commercially focussed one for the next few years.

In 1995, assets were disposed of along with the associated employees because external organisations would provide the services cheaper. At the same time, because communication with employees was poor, there was an increase in self-inflicted accidents by distracted and concerned employees attempting to guess what their future might be. At the same time, more regulatory employees were employed to demonstrate to a critical media an increased focus on safety.

In 1997, the focus on operational efficiency increased with the consideration of purchaser-provider models and their introduction. More assets and associated employees were replaced by contracting in externally provided services.
Communications increased in 2000 to reduce accidents as more contracting out was contemplated and AMSA considered the tactics it should use to manage the change.

**Summary table**

The change in the Environment, HR policy, Value of strategic plans and Actions described in this conclusion as AMSA adjusted its HRM approach from a *universal* 'soft' model to a *contingent* 'hard' model is summarised in Figure 4.2.
### Figure 4.2 SUMMARY TABLE

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<tbody>
<tr>
<td><strong>HR POLICY</strong></td>
<td>Humanistic 'soft' model from Public Service.</td>
<td>Initial move to 'hard' model. Creation of new Award to attract and retain professional and technical staff. Certified Agreement rolls up allowances.</td>
<td>'Hard' model. Devolved to FLMs to reduce costs. Skeletal frameworks. AWAs introduced into Certified Agreement for para-professional staff.</td>
<td>Strategic 'hard' model. Certified agreements becoming less effective. All employees on AWAs or contracts. No permanent employment. HR policies to allow for retention, efficiency, redundancy, education, health, rewards for achieving strategic goals.</td>
</tr>
<tr>
<td><strong>VALUE OF STRATEGIC PLAN</strong></td>
<td>Low. A document to follow procedure.</td>
<td>Low. A document to follow procedure.</td>
<td>Retreats commenced. Plan becomes more meaningful and understood by stakeholders.</td>
<td>High. All business plans must be linked to the Corporate Plan.</td>
</tr>
<tr>
<td><strong>ACTIONS</strong></td>
<td>Nil significant.</td>
<td>Disposal of assets and associated staff. Increase of regulatory staff. Poor communications result in accidents.</td>
<td>Consideration of purchaser-provider model. Disposal of assets and associated staff.</td>
<td>Increased communications to reduce accidents. Market testing introduced with possible contracting out.</td>
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CHAPTER 5

CASE STUDY. THE BRISBANE CITY COUNCIL

1. INTRODUCTION
Ownership and control

Brisbane City Council, (the Council) managed the largest municipality in Australia on behalf of a population of 848,741 residents in 355,000 rateable properties. The Council reported to the Civic Cabinet. The Cabinet comprised the Lord Mayor and the Council Chamber, which had the responsibility for determining actions for the city in a similar manner to the Board of a public organisation.

History of the business

Queensland became a separate colony from New South Wales in 1859 and in 1902, Brisbane was officially declared a city. In 1924, the City of Brisbane Act was passed by the Queensland Government, which established a City Council in 1925 to replace work previously performed by twenty local authorities.

Lord Mayor Jim Soorley, an Australian Labor Party member, headed the City Cabinet from 1991. After his election, the Council placed more emphasis on operating as a commercial business. A purchaser-provider model was introduced in 1997-8, which was prompted by National Competition Policy, but which also matched the corporate model that Council had adopted. The model gave rise to a major restructure and the redundancy of approximately 200 employees.

Council benchmarked the provider groups against private industry. Each of the main businesses had an advisory board and each business was encouraged to benchmark their performance by establishing key performance indicators, which the boards monitored. Performance payment for senior managers was also determined against the indicators.

Business Activities

The Council employed 6,500 people. It was split into internal purchasing divisions and internal provider divisions. The purchasing divisions were Urban Management, Community and Economic Development, City Governance, and Human Resources and Strategic Management. The providers were all contained in City Business, whose work could readily be obtained on the commercial market.
Urban Management was responsible for developing and managing land use; transport and traffic; natural environment; waterways; and water and sewerage.

Community and Economic Development was responsible for setting strategic directions for the Council’s community health and safety, and economic development and community life programs.

City Governance managed finance and physical assets, and the organisation’s relationships with all levels of government.

Customer and Community Services provided a telephone inquiry service to ratepayers and an intranet site to the community.

Human Resources and Strategic Management was responsible for HR management strategies; the strategic management process; workplace relations; corporate development and learning frameworks; marketing and communications policy; and integrated customer service outcomes.

City Fleet managed and provided the Council’s vehicles and road plant.

Brisbane Transport was contracted to the Queensland State government to provide buses and ferries.

City Works provided construction and maintenance services for the City’s infrastructure in the areas of roads, pipes, and bridges.

Brisbane Water operated as a franchise to Urban Management.

The Executive Management Group
The executive management group was comprised of the CEO and seven divisional managers, one of whom was responsible for HR and Strategy. They met weekly. The Council’s equivalent of a Board of Directors was known as the Civic Cabinet.
Figure 5.1
Sources of Revenue
The Council forecasted revenue of $1,151 million in the financial year 2000-01. Approximately $743 million was raised from rates and utility charges; $255 million from fees and fares; and $153 million from donations, subsidies and grants.

2. THE STRATEGIC PLANNING PROCESS

History of Planning
Council did not produce a corporate plan until 1994. Prior to that, a budget document linked to programs of works was the only type of planning the Council performed. The corporate planning process had improved each year and in 2000, all of the divisional plans and business centre plans linked to the corporate plan.

The executive held concept meetings once a month and met at a retreat, two or three times each year. The Civic Cabinet was occasionally involved, as was the Lord Mayor, who attended part of the retreat to listen to some points or to pass on a message of direction.

There was a two-day annual executive management retreat, which included the branch and divisional managers, a total of approximately 50. The future direction of Council was considered at this session as well as some leadership development activity. Council managers valued the meeting for the opportunity to network with colleagues they would otherwise rarely see. Executive forums also occurred at least every two months for a few hours, where the group of 50 discussed business strategy.

The Operating Environment
The Council had the capacity to lead many different types of activity in the community. As a result, it had to perform a thorough environmental scan to ensure that Council would be completely aware of all the factors that influenced operations.

The Council was a third tier of government and legislatively required to deliver some specific services to ratepayers. As one manager remarked:

The State government does not apply any pressure to Council and would be courageous if it did so. The Lord Mayor has the biggest single electorate in the country and, as an elected official, can claim to truly represent a large number of
people, particularly as the Lord Mayor was elected with a 20% majority. However, a working relationship with the State government is essential because of infrastructure development, which is split between the two parties. Although both the Council and the State government are both Labor Parties in 2000, it does not always follow that automatic agreement occurs.

The key priority for Council between 1990 and 2000 was to become more commercial and to implement National Competition Policy. Council management also implemented a change to a more efficient, effective and customer-focused work force. The strategy did not centre on selling assets, or contracting out services traditionally provided by Council employees. Divisions had to demonstrate that they were as efficient as they could be and not necessarily the cheapest provider on the market. Some latitude was provided of approximately 10% on price. Beyond that, after an internal provider had been given every chance to become more efficient and failed, then the business would close and be contracted out.

The focus of Council management was not on cost cutting, but on cost and revenue management. The Civic Cabinet had set a target of maintaining AA+ credit rating and, in order to achieve this, revenue streams had to be diversified. Therefore, reliance on ratepayers and government grants was not sufficient, and gaining external revenue was an important Council activity.

**Human Resource Strategy**

A Council manager explained:

Council's 2000 HR strategy is based on giving people worthwhile work to do, having pride in the job, and letting them do it their own way. Customer service forms a large part of the value set. This strategy began in 1994 and is a cultural shift away from directive management.

However, the actual Council strategy was that of a 'defender' (Miles & Snow 1984) and the pursuit of the associated goal of operational efficiency. It also used a 'differentiation' strategy (Porter 1980) and concentrated on customer responsiveness.

The first integrated corporate plan was produced in 1994. Consequently, HR strategy could not be matched to the plan before then. Before 1994, there was an amalgamation of a number of divisional plans to produce a quasi-corporate plan, but divisions solely drove it. There was no organisation vision and no common objectives. Similarly, with
the exception of the Award standards, Divisions created HR policies by doing what they pleased based on a best practice generic way to manage human resources.

The HR Strategy was determined by the corporate strategy from 1994. It was directly matched to it. Council stated that the strategy had a humanistic focus, or a people orientation, but this was related to the organisation’s vision, values and objectives.

Council described the process of how they matched policies by developing a vision and then a number of operational plans, which had people implications. HR managers also had a personal interpretation of the vision, such that they not only responded to the operational needs, but also tried to develop a big picture about where the organisation was going and how the HR strategy could match that. Consequently, Council saw two factors in strategic HR management: the long-term organisation vision and the short-term operational needs.

Commitment Building
Council attempted to build commitment to the organisation’s vision from 1994. Management claimed that as a result of the commitment strategy, the majority of employees had certainly accepted the importance of customer service as a priority. Council believed it derived commitment by using extensive communication regarding what had to be done to survive in the long term.

Commitment was also reinforced with a bonus tied to four key performance indicators and the performance bonus of senior managers. The Lord Mayor also awarded monetary prizes to employees and teams, which ranged up to $6,000 for an individual prize. A total pool of $100,000 was available.

Core-Periphery Strategy and the Use of Temporary Employees
Council operated a core-periphery strategy, although the core was large. Brisbane Transport introduced casual employment to cater for 10% of its bus operators in the mid-1990s as a cost-reduction strategy, although those casuals could win permanent employment as vacancies arose. Call centres also used casual employees for two reasons: firstly for numerical flexibility to handle peaks and troughs, and, secondly, to attract a certain segment of the workforce, such as students, who preferred part time
employment and flexible working hours. Council also used labour hire companies for projects and to provide particular skills needed for a short period.

There was an increase in using temporary employees, casuals and labour hire over the 1990s, which was tied to cost management and numerical flexibility. Part of the need for numerical flexibility was because some businesses still had an uncertain future until they became competitive.

3. HUMAN RESOURCE POLICIES

HR policies had diverse origins. Some were derived from City Ordinances dating back to the 1940s; others from the State government; the preference of different CEOs; various administrations, each of whom had a different impact depending on their political beliefs; and on what the Community and Society expected.

Until the early 1990s, engineers, who were the chief advisers to the administration, occupied the highest management positions in Council. Industrial and HR matters were left in the hands of personnel managers. In the mid-1990s, Council employed specialist and contemporary managers and these new managers included strategic human resource managers. The HR managers created some HR policies that applied to all as a corporate consistency, and other policies that could be varied by the various businesses.

Council claimed its policies were based on innovations in industry and their HR practices were necessary to attract and retain staff. The policies were developed in a consultative way with employees and union representatives. A small project team or an individual HR officer might have drafted a policy and circulated it internally. After agreement, it was approved by the Executive and then sent to the unions for review. If it was not agreed, then it was returned for a re-draft until it had reached an acceptable form. The HR policy was then endorsed by the Joint Consultative Committee, which comprised the Executive and senior union officials.

The policy change might have been as a result of a good idea, or a complaint that the policy was not effective, or the labour market had changed and the policy would not attract new entrants. HR issues also appeared on the agenda of the Civic Cabinet. One
such example was the problem of demarcation caused by the large number of Council Awards, a matter raised by Cabinet in 2000.

In 2000, Council had to review its military service policy because it did not cater for reserves serving overseas for long periods - as they did in East Timor. In August 2000, Council proposed introducing special paid leave for employees to participate in community activities, such as work for Meals on Wheels, or St. Vincent de Paul, as a result of the wishes of the City Cabinet for Council to be more in touch with the community. A manager commented:

Such mandating of policy by powerful people is rare in Council, but, nevertheless, the policies are still matched to corporate strategy and were not mere whims.

HR policies could also be changed with local area agreements whose use had been approved in the Certified Agreement since 1995. For example, in 1997, bus operators agreed to work a 40-hour week in exchange for a pay increase.

All of the Council's HR policies were changed in the 1990s to some degree to match the 'defender' and 'differentiation' strategy. The Certified Agreement process was used very effectively for that, delivering acceptable outcomes both to the Council and to the Unions.

4. HR PRACTICES AND CHANGES OVER TIME

Permanent Employment

A 1997 restructure was primarily derived from the introduction of a purchaser-provider model, which revealed that the prices for internal services were too high compared to competition. Approximately 200 employees were made redundant and given redundancy packages to correct the price. Since then, the Certified Agreement did not allow for redundancy.

The redundancy packages were attractive. For involuntary retirement, four weeks pay per year of service with no maximum and a minimum of 26 weeks. For voluntary retirement, two weeks pay per year with a limit of 52 weeks and an additional incentive of eight weeks pay if the employee left within two weeks.
Employees expected to be given permanent employment and it was given. A manager stated:

Council views permanent employment as an acknowledgment that the work required for the Brisbane community is relatively constant and, after the brief 1997 upheaval, (the purchaser-provider model leading to downsizing,) the right amount of resources is in place. Permanent employment for the Council is not related to the Queensland State government’s agenda of job growth.

Employees feared for future job loss in the late 1990s, but did not in 1990. They stated that the likelihood of employment being truly permanent had greatly diminished since the introduction of Competition Policy. There was a reduction in the number of indirect workers such as clerks, so employees who were so classed as an overhead worried about their future. So did direct workers in non-viable businesses. There was also a fear that if a Liberal Council succeeded the Labor Council, permanent employment numbers would be severely cut. Employees in 2000 were coming to realise that there was no truly permanent employment any more. Council had informed them that only good performance secured employment and this was the thrust of the Certified Agreement.

Internal promotion took preference. Vacancies were advertised weekly, internally. If there were no suitable applicants for the lower levels, external advertising could take place, but only if the union agreed. Management vacancies had to be advertised nationally to attract the best possible candidates, but internal applicants were also welcome to apply. Council also made an effort to absorb people whose jobs had ended into other areas.

Employees believed that they had to work harder from the introduction of the purchaser-provider model. In many cases, they had to meet various targets and task times, but resignations amongst Council employees were very low. Employees stated this was because:

The pay and conditions are good, the Council is a good employer and it provides good opportunities for training and development. Council generally values people highly despite a variety of management styles, and there has been an ever-increasing acknowledgment of the value of its human resources as the years of the 1990s have passed.
Retraining Employees in New Skills

When the restructure to purchaser-provider occurred, Council restricted new employment opportunities to those that had lost their jobs. Employees were retrained for both internal and external jobs, taking priority in filling any vacancies in Council.

Employees remarked:

Council has a strongly humanistic focus when it comes to job loss. They do the best that they possibly can to find work for an employee and provide retraining if that is possible.

A manager agreed, stating, 'The option of releasing employees has always been a last resort, with managers ascribing such an action as failure.'

Informed Choice

Many of the business centres had ISO 9000 certification, which required management review, a meeting where the effectiveness of the quality system was discussed and modified, if necessary. The review entailed meeting with employees to discuss the effectiveness of the quality system. As a result, information flowed upwards. The Council also conducted a quarterly survey of randomly selected employees who provided their opinions on the adequacy of training, communication and the work environment, for example.

The Council's intranet provided information on business planning and finance, which was also reported quarterly as a public document. No information was withheld from employees if they wanted it. A condensed version of the corporate plan was provided to every employee annually.

Each week the CEO published an intranet communication compiled from various areas, which was known as the 'Rumour Hotline'. Employees asked the CEO questions and he provided answers. Divisions and small businesses also published newsletters and there were regular meetings at division and branch manager levels.

Employees believed that communication had improved throughout the 1990s owing to intranet technology. The communication gained their commitment to achieving targets, particularly in the areas of the key performance indicators, which measured the viability of their business centre.
Participation and Trust

An employee commented:

Employees trust management, although the restructure into a purchaser-provider model created a short-term lack of trust.

A manager added:

Council thinks their HR policies reinforce trust. Council employs justice referral officers who provide advice on harassment, or discrimination, for example, and there are many avenues of appeal on management decisions, which affect employees.

The Council was persistent in devolving delegations from the late 1980s, to allow decision-making to be made at a lower level. One manager commented, ‘The approval delegations were at such a high level as to seem occasionally silly.’

Mutual Benefits to the Firm and Employee

The Council did not pay for or subsidise gym membership, but employees could use the gym in City Hall at no cost.

Salary sacrifice began in August 2000 for every employee. Contract managers could have a fully maintained vehicle at a gross salary cost of $17,000, but some non-managerial employees were permitted to take Council vehicles home for logistics and efficiency reasons.

Where agreed, salaried staff could work flexible hours and wage employees a nine-day fortnight. Special or carer’s leave of up to one week might be granted, as could bereavement leave of one or two days, depending on the employee’s relationship to the deceased. Job sharing was also offered.

Sick leave was not allotted annually or accrued. Unlimited sick leave was granted with a review after six months of an absence to consider a return to work program, or other options, such as invalidity. The granting of sick leave from an annual entitlement to a ‘safety net’, as Council described it, changed when the Council transitioned to accrual accounting in 1996 and realised accrued sick leave would become an increasing liability. When employees left the Council, 25% of accrued sick leave was paid out after 5 years employment, 50% after 10 years and 75% after 20 years.
As a result of the change to the sick leave policy, managers became more active in managing the employee back to work, because of the budget impact on them. Managers also attempted to address abusers of the system better than they did previously, when they adopted the attitude that because sick leave did not affect their budget, they did not need to act.

Council subsidised work-related education that was aligned to work needs. Divisional managers approved subsidised education, and some were more lenient than others were. For example, post-graduate study was not generally approved, but some managers might have approved it. For tertiary study, Council would pay up to 50% of the undergraduate fees, but not post-graduate fees, and would provide study leave of up to four hours per week if the study could not be completed externally. Leave to attend examinations was also provided. Prior to the introduction of the FBT in 1986, the Council reimbursed the full fees.

Council superannuation was a condition of employment. Council put in 14%, but did not contribute any more if employees increased the percentage by additional salary sacrifice, as some government agencies did.

5. WORK TEAMS
With the exception of a bonus tied to the Certified Agreement, there was no provision for semi-autonomous work teams to receive lucrative rewards. The only rewards available were intangible. Teams were expected to be self-disciplinary, but Council believed that the level of peer pressure to drive performance would be low if there was no ability to receive monetary rewards based on team performance. Examples of semi-autonomous teams were mosquito spraying teams, who made decisions regarding the spray quantity needed whilst on a site, and road repair crew, who made decisions on traffic management and the extent of repair necessary.

Multi-skilling was present in Council for the whole of the 1990s. Multi-skilled employees did not have any more secure employment than others as a result of the skills they possessed, but they were more likely to win other employment if their jobs were threatened because of those many skills.
6. INDIVIDUAL CONTRACTS
The entire senior management group was employed on contract from 1995-6. All 50 of these managers were once in the Senior Executive Service. In addition, there were 500 casual employees and 40 senior officer contracts for which there was no Council Award. Council had no plans to increase the number of individual contracts except when a high employment market might dictate the need for special terms and conditions.

There were several workplace agreements, which generally covered alterations to standard working hours. For example, for seasonal work, overtime was necessary in the peak period, but not in quiet periods. The overtime component was paid for the peak period, but the actual time at work was taken off in lieu in a quiet period.

The Council did not intend to use AWAs. It stated that if it wished to increase contracts there were normal contract arrangements, which were easier and quicker. In addition, Council held the view that collective agreements would cover the majority of employees and Council’s business needs.

7. CONTINUOUS IMPROVEMENT
Continuous improvement was an operating mode of Council from the late 1980s, but the projects that took place in 1997 as a result of the restructure into a purchaser-provider model were more significant.

In 1997, Council requested volunteers for projects using their intranet. Job security was provided to volunteers by restricting new recruitment by Council, quarantining a section to be staffed by its employees, regardless of whether this might result in a promotion or not, and actively matching employees whose jobs were still lost to vacancies in other areas of Council.

If displaced employees failed to get a job after six months, they received assistance in writing curriculum vitae, how to write job applications, the techniques of giving a good interview, given financial and career-planning advice, and a generous redundancy package.
Capital equipment increased productivity in areas such as road making and repairs, but Council's infrastructure also increased. As a result, the increase in productivity balanced the increase in infrastructure and allowed staff numbers to be kept constant.

8. PERFORMANCE APPRAISAL

Employees wanted more monetary rewards, but were not prepared to risk a component of pay that depended on performance.

Council had a performance management system, introduced in 1998, which applied to every employee. Each year, employees met with their team leaders to set goals for the coming year and the actions needed to improve their performance. The system allowed for both business-related and personal goals.

There was no link with a monetary reward, although annual incremental increases in pay to rise to a maximum salary for a grade were dependent on them. The 1999 Certified Agreement also provided a bonus for all employees, which was linked to four key performance indicators at a work unit level. The performance indicators were: financial outcomes, that is, the level of profit; community and customer service, or the responsiveness of telephone answering; business processes and innovation, which was the implementation of a project in a particular time or less; and people and learning, which was the completion of required training. For each of the four areas, expected performance yielded $250, and for superior performance, a further $165. Thus, expected performance could achieve a maximum of $1,000 and for superior performance a further maximum of $660.

Contract managers had an annual performance bonus of up to 20% of salary that depended on their success in achieving the goals of the corporate plan.

9. TRAINING AND DEVELOPMENT

The Council's broad range of activities required many different skills. Consequently, all types of technical and administration training were provided. There was acceptance within Council that the training budget should exceed 3% of total annual costs and it had been at least at that level since 1990, although some departments would run at a higher level to fulfil short-term needs. White-collar workers received the most training.
Management and leadership training was at a low level during the 1990s although approximately $1 million was spent since 1998 to compensate. Leadership training was cascaded to lower levels of management in a dedicated way since 1999.

Short-term placements of employees for development purposes could be made without conducting a merit selection, but any vacancy had to be filled formally.

During the negotiation of the first Certified Agreement in 1994, the unions requested a more formal process of assessing training and development, because they considered that the Council was performing the task badly. As a result, rigorous planning and union consultation regarding training plans began in 1994 and continued until late 1996. After this period, consultation ceased, because all parties considered that the Council was managing training and development adequately.

Development needs were identified through the performance planning process, but the effectiveness of the process depended on the interest of the employee. Since low level employees had only been in the scheme since 1998, they were inexperienced in using it. One Council manager said:

In some areas of Council, the idea of the Learning Organisation (Senge 1990) is taking hold, and the mutual benefit of learning hypothesised in this concept is beginning to drive the provision of training in 2000.

However, no other participant knew anything about the subject.

Council’s motives for training were to equip employees with the skills to do the job as it was forecasted to be two years hence. They considered that employees acquired the skills to perform their current job two years past. Council was also committed to the concept of employability for its personnel, equipping them with skills that would ensure a career throughout their lives, whether the career be external or internal to Council.

Council provided a description on the intranet of the core competencies to do certain basic jobs, which was planned to be expanded in the years following 2000 to include online tutorials to provide training against those core competencies.
10. UNIONS
Management claimed that Council has established a partnership with unions, who were fully involved in change processes through a consultative forum, with a hierarchy of branch level, divisional level and CEO level consultation. However, there was little evidence of a partnership, because the consultation process had to be reaffirmed by the CEO and Lord Mayor, in response to union complaints about the closure of three small businesses in August 2000, where no consultation had occurred.

There were many unions associated with Council. The principal unions were the Australian Workers Union, the Australian Services Union, The Rail, Tram and Bus Union, and the Australian Manufacturers Workers Union. There was a significant number of employees who were members of the Australian Services Union Clerical Branch. The four main unions also represented a variety of other unions with small memberships.

A Council manager remarked:
Generally speaking, management trusts the unions. There is a high level of personal involvement by senior management and senior union officials.

At local levels, different relationships might have existed, but the investigation was not broad enough to include all of Council’s sites.

Union membership had declined since the Workplace Relations and Other Legislation Amendment Act was introduced in 1997, which required the Australian Industrial Relations Commission not to certify an agreement if it contained a clause contrary to the freedom of association provision. As a result, Council could no longer operate a ‘closed shop’. In 2000, although some areas, such as bus operations, still had very high membership levels, there were almost none in the management areas.

Council drove employment practices because of the need to attract skills. In some areas, notably IT, employer competition for resources could be high. Consequently, employers had to offer more flexible arrangements, higher remuneration and more flexible remuneration packages, because that was required to attract personnel. Council was no different.
In the 1970s, unions drove employment practices. According to Council, this was because legislative arrangements protected the unions. One aspect of this legislation provided employers with an excuse to increase prices because of arbitrated pay increases. Therefore, Council did not have to pursue efficiencies to offset the pay increases.

The dates of the two-year Certified Agreements were 1994, 1996, extended for one year, and 1999. Certified Agreements were used by Council as a strategic workforce change document to meet the future vision of Council.

The 1999 Certified Agreement concentrated on IT, the year 2000 problem, the ability to develop local area agreements, the concept of developing new remuneration structures and skill development arrangements, where competency based progression systems are linked to the pay rate structure. In the future, Council wanted to reduce its twelve Awards down to four, because there had been a considerable amount of demarcation.

The 1996 Certified Agreement concentrated on introducing the purchase-provider model, the need for competitive business, and redundancy provisions. Whereas the 1994 Certified Agreement concerned itself with working conditions related to placing the employee’s family first.

11. ANALYSIS AND DISCUSSION
The Extent of the ‘Soft’ Model in 1990
In 1990, the Council used a set of HR policies that they described as ‘best practice’, which, according to Sisson & Storey (2000), is synonymous with ‘soft’ model HRM. There was no matching to business objectives contained in a strategic plan, because strategic planning was not introduced until 1994, and ‘hard’ model HRM could not, therefore, have been in use. Indeed, against the sixteen indicators of the ‘soft’ model derived from Pfeffer (1994), Council used at least half of them.

Council provided tenured employment in 1990. It did not specifically recruit employees for their ability to be committed, although it did expect to provide a service to the community and one might conclude that recruiters would expect applicants to possess traits exhibiting commitment to service. Wages, when combined with superannuation
were high. Superannuation was 14%, when no mandated level of employee superannuation existed and employees stated that wages have always been consistently good. Employees also observed that the opportunities for training and development were extensive and remarked that the Council freely shared information with them. However, an extensive management hierarchy existed, with clear wage increments; there was no effort placed into compressing either managerial levels or wage intervals.

Performance and skill pay did not exist for any employee, nor was share ownership an option, although semi autonomous team based work did exist with cross training applied to members of the teams. Participation occurred through union consultation and internal promotion consistently occurred, offering Council employees a career ladder. However, the Council did not have a long term perspective, did not have any vision and consequently, no goals against which progress needed to be measured.

Environment
The Council operated the majority of its business in a competitive environment driven by Competition Policy and a purchaser-provider model introduced in 1997. New accounting techniques such as this were found by Cappelli (1995) to assist organisations in decision-making.

Strategic Planning
The first corporate plan was introduced in 1994. Corporate planning linked all business centres and was performed at retreats where the CEO, the Council Chamber and the Lord Mayor attended. The HR manager was a member of the executive planning team.

Human Resource Strategy
Some HR policies were in use, which promoted mutuality (Walton 1985a). Examples of these were the use of a gym, flexible hours, carer's leave and salary sacrifice. There was also evidence that HR policy and consultation methods equalised power, built trust and allowed participation (Beer et al. 1985). The Council also provided enough information for employees to make an informed choice. Two way communication existed in quality system meetings and by email to and from the CEO. In addition, information was provided on the Council intranet and through newsletters. Mutuality, equalising power,
building trust, allowing for participation and informed choice are indicators of ‘soft’ model HRM.

Before 1994, Council used a set of HR policies, based on a best practice HRM. Personnel managers managed the policies and they included the preferences of various CEOs and politicians. Consequently, a universal ‘soft’ model HRM was in use. HR policies could not be matched with strategies in the Corporate Plan, because such a plan did not exist and there were no strategy meetings. From 1994, Council matched its HR policies to a corporate strategy of ‘defender’ (Miles & Snow 1984) and to ‘differentiation’ (Porter 1980).

Permanent Employment
Council offered permanent employment throughout its history, although a restructure in 1997 resulted in downsizing. Businesses had to also be competitive and would be closed if they were not. Closure of three businesses occurred in August 2000.

Some contracts were given to Council employees, which is an indication of the introduction of ‘hard’ model HRM (Storey 1992b).

When downsizing occurred, the Council made every effort to place its employees into other jobs and was committed to the concept of employability. Council also gave redundant employees an attractive termination payment. Such actions are recommended by Walton (1985b) and can be considered an element of ‘soft’ model HRM.

Council employees would also receive retraining if their job disappeared. The action was not the view of Cappelli (1995) who proposed that ‘hard’ model organisations would hire in new skills rather than retrain.

Council also embarked on continuous improvement projects. Locke, Kochan & Piore (1995) suggested that employees would not cooperate in continuous improvement if it put their jobs at risk. Within Council, employees were protected from job loss, which is an indicator of ‘soft’ model HRM.
Commitment

Council did not operate a high-commitment model (Walton 1985a). However, it used communication to elicit commitment, which concentrated on what Council had to achieve to remain viable. Such communication might be successful (Marchington et al. 1994).

Employees saw Council as a good employer and resignations were low, in accordance with the findings of Cappelli (1995). Council also exchanged employment security for good performance if it was able, but this is an opposite view to Cappelli (1995).

Rewards

Contract managers had their performance tied to a bonus. Part of their salary was at risk. Other employees could receive a bonus based on four key performance indicators. According to Walton (1985), variable rewards are a key component of winning commitment and the Council provided them.

Training and Development

The Council provided at least 3% of its total annual costs to training. Targeted development was also in use, together with training and development linked to individual performance plans. The Council supported higher education, but rarely at post-graduate levels. Fee subsidisation was also cut by 50% to maintain a constant cost when FBT was introduced.

Informed Choice

Council provided a great deal of information to its employees in quality meetings, through the intranet and newsletters, email to and from the CEO and in regular employees surveys. Nothing was withheld.

Participation and Trust

Union delegates, who had established a partnership with management, represented employees at all levels. Employees also participated in continuous improvement programs, where their jobs were protected. HR policies protected employees from management decisions that might affect them.
Core-periphery strategy
Zeffane & Mayo (1995b) suggested that the employees who remain after downsizing has occurred work harder and fear for future job loss. This is the case in Council. Zeffane & Mayo (1995b) offer a solution to the dilemma by introducing the stable core and flexible ring, where the core can be guaranteed employment. Council moved towards this strategy in the mid-1990s.

Unions
The Certified Agreements were used to allow change to HR policies and to expose the unions to the necessity of Council operating commercially. Certified agreements and redundancy provisions are facilitated by changes to government regulations, as observed by Locke, Kochan & Piore (1995).

12. CONCLUSION
Environment
The internal and external environment was stable for the Council in 1990, but a new Lord Mayor focused the Council on operating the City as a commercial business in 1991. In 1994, the internal environment became unstable because Competition Policy began to drive decisions on whether Council would or would not employ internal suppliers. Casual workers were employed as bus operators to reduce costs and labour hire companies began to supply labour for short-term projects.

In 1997, Council introduced a purchaser-provider model causing further internal instability. Internal business had to be within 10% of an external supplier’s price or be closed. Some businesses were closed in 2000 and internal instability continued.

HR policy
The set of HR policies in use in 1990 were derived from City Ordinances over a period of 50 years from the State government, the preferences of various CEOs and different political administrations. This set of policies attempted to focus on the notion of best practice, or a universal ‘soft’ model HRM, not linked to any business strategy.
HR policies were changed throughout the 1990s because of complaints about the effectiveness of a policy, or as the result of a good idea, and union representatives participated in agreeing all of the changes.

Certified agreements were used as a tool to change HR policies. For example, although some HR policies could not be changed because they were a corporate consistency to all employees, since 1995 the Certified Agreement permitted some HR policies to be changed by business centres to suit their own strategy.

A transition to 'hard' model HRM began in 1994 with an increased focus on strategic planning. When the Council introduced accrual accounting in 1996, it realised it had significant exposure for accrued sick leave liability in its balance sheet. It changed the sick leave policy to limit the liability and to focus management on the cost effects on their profit and loss statements.

**Value of strategic plan**

Until 1994, the only type of planning the Council undertook was a program of works linked to a budget document. In 1994, the first corporate plan was produced. Subsequent annual plans remained important to the Council’s managers up to and including 2000. There was considerable involvement by executives and Cabinet at workplace retreats to ensure the plan was up-to-date and correctly focussed.

Council used a 'hard' model matching business and HR strategy (Sisson & Storey 2000) and it acted as a defender (Miles & Snow 1984), although there was an additional focus on prospecting (Miles & Snow 1984) to diversify income streams to maintain an AA+ credit rating. It also differentiated (Porter 1980) in customer service. Operational efficiency was somewhat used in the defender strategy, although internal businesses had some latitude to be more expensive than external suppliers.

Council also appeared to be simultaneously using a limited type of universal-partnership ‘soft’ model (Sisson & Storey 2000), particularly the concept of employability (Sisson & Storey 2000) rather than job security. The use of the model was probably linked to the strong Labor party ties with the union movement and the Council Cabinet. However, there was no hesitation in challenging inappropriate behaviours,
which did not fit the Council’s strategy. For example, in 2000 the Lord Mayor required a demarcation issue to be addressed.

Council operated ‘hard’ model HRM because its HR policies were most definitely matched to strategic planning, but many of the policies had a humanistic, or people-centred focus. That this was so might have been linked to the Labor Party in power in Local government, a long history of union membership, the militancy of some of the trade unions and the values of the senior management group.

Council moved from ‘soft’ model to ‘hard’ model in 1994, with the introduction of the first corporate plan. The ‘hard’ model was further reinforced with the introduction of the purchaser-provider model in 1997 to focus on commercial operations and in accordance with competition policy.

Certified agreements have been a valuable strategic tool for Council to implement HR policy changes.

Actions
There were no significant actions before 1994. A new CEO was employed in 1994, who embarked on commitment building and contracts were drafted for issue to managers in 1995.

The purchaser-provider model was introduced in 1997 and downsizing resulted. Local area agreements were established for changed working conditions and continuous improvement became a normal operating mode for business centres. Accrual accounting was introduced, resulting in a change to the sick leave policy.

In 1998, performance planning was introduced for all employees and in 1999, permanent employment was protected until mid 2001.

The changes to the Environment, HR Policy, Value of Strategic Plan and Actions are summarised in Figure 5.2.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>1990</th>
<th>1994</th>
<th>1997</th>
<th>1999</th>
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<tbody>
<tr>
<td><strong>VALUE OF STRATEGIC PLAN</strong></td>
<td>No corporate plan.</td>
<td>First Corporate Plan. Increasing importance of strategy.</td>
<td>Very important.</td>
<td>Very important.</td>
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Figure 5.2 SUMMARY TABLE
CHAPTER 6

CASE STUDY. CANBERRA INSTITUTE OF TECHNOLOGY

1. INTRODUCTION

Ownership and control

The Canberra Institute of Technology, (CIT,) was a statutory authority whose Director-CEO reported to the Minister for Education of the Australian Capital Territory government.

History of the business

CIT began in 1928 as the Canberra Trades School, teaching Fitting and Machining, Plumbing and Sheet Metal Work, Engineering Trade Drawing, and Carpentry and Joinery. In 1939, the name was changed to the Canberra Technical College; in 1975, to the Canberra Technical and Further Education College (TAFE) and in 1992, to the Canberra Institute of Technology.

CIT had six campuses, in spite of suggestions in 1995 that only three faculties were required. In 1988, a consolidation reduced nine schools down to five faculties and a school, which were established between 1928 and 1975 based on government predictions that the ACT would have a population of one million by 2000. The ACT population in 2000 was only 300,000.

Business Activities

CIT provided technical and vocational education and training, through more than 250 courses to about 20,000 students, at certificate, diploma and graduate certificate level. CIT’s five faculties and one school were:

- The Faculty of Applied Science.
- The Faculty of Communications and Community Services.
- The Faculty of Engineering and Construction.
- The Faculty of Management and Business.
- The Faculty of Tourism and Hospitality.
- The School of Applied Arts and Design.

CIT also delivered specialised services, such as customised training courses, through its
wholly owned subsidiary company CIT Solutions. CIT Solutions’ customer base in 1999 included Australian government agencies, major private organisations and overseas government agencies.

The Executive Management Group
The Executive Management Group of CIT was known as the Director’s Advisory Committee and met fortnightly. It comprised six deans, two general managers, an associate director, and the Director.

CIT did not have a Board, but a similar function was performed by CITAC, which was the acronym for the CIT Advisory Council. CITAC met six times per year and its eleven members were Industry and Union representatives.
MINISTER FOR EDUCATION

CIT ADVISORY COUNCIL

CEO & DIRECTOR

DEAN OF APPLIED SCIENCE

DEAN OF ENGINEERING & CONSTRUCTION

DEAN OF MANAGEMENT & BUSINESS

DEAN OF APPLIED ARTS & DESIGN

DEAN OF TOURISM, RETAIL & HOSPITALITY

DEAN OF COMMUNICATION & COMMUNITY SERVICES

GM CORPORATE SERVICES

GM CIT SOLUTIONS

ADIRECTOR LEARNING SERVICES

CANBERRA INSTITUTE OF TECHNOLOGY ORGANISATION STRUCTURE

Figure 6.1
Sources of Revenue
CIT had total revenue of approximately $65 million in 2000. Training and Adult Education accounted for $44 million, which was subject to a purchaser-provider agreement with the ACT Department of Education and Community Services. The ACT Government also put programs out to public tender of which CIT won $7 million. Similarly, tenders to overseas and domestic government agencies awarded CIT another $11 million. Student Fees received were $3 million.

2. THE STRATEGIC PLANNING PROCESS
History of Planning
The ACT Government required a corporate plan to be submitted, but management observed that the CIT plan was merely a document to satisfy the government requirement up until 1996. It was not used by CIT as a tool. One reason for this was because the previous Director of the CIT was a political appointee and represented the ACT government in national forums for training and adult education. The director did not want to be bound to a specific plan, preferring flexibility.

Faculties had operational plans in the early 1990s and there were discontinuous bouts of enthusiasm about linking them to the corporate plan. It was not until 1996, when the Deans organised a retreat, that operational plans, which involved employees down to the heads of department level, were linked to the corporate plan and judged as meaningful.

Strategic Management and Public Relations were merged into the one department, with Public Relations as the dominant focus. Because the manager of the department was a lower level than Deans were, one CIT manager observed that the Deans might dismiss the function as not important. Consequently, CIT was considering whether the management position should be elevated in importance at some time in the future, when structural changes were more likely to be accepted.

The HR Manager reported to the GM of Corporate Services and was not on the planning team. The Executive, however, involved the HR manager and others as needed. There was a separate HR plan known as ‘CIT’s People’, that linked into the CIT plan. ‘CIT’s People’ detailed the corporate directions in a preamble to show how the HR strategy
was linked to the corporate goals and what actions were allocated to employees at all levels to reach the goals.

CIT also generated a capital works plan to submit to both the Commonwealth and ACT Governments. CIT stated that one of its priorities was to have a long-term vision, to ensure that spending on capital works was consistent with its goals. In 2000 many elements of that vision were clearer than in 1997, with discussion and consideration of whether six campuses, or less, were needed and what consolidation was possible against the education profile that CIT plans to have.

The process of planning was to establish a three-year plan and continuously review it throughout the timeframe it covered. A steering committee and representatives from sections of the organisation who wanted to be involved in determining the broad direction of CIT performed the reviews. The representatives were charged with consulting with a large number of staff.

The education profile implicit in plans was largely described by the Deans, their deputies, and members of external advisory committees. Advisory committees existed for each of the various faculties. The Deans held a retreat twice a year to discuss strategy and the Director’s Advisory Committee, which included the Deans, met at a retreat once a year for the same purpose.

In 1999, CIT held a successful one-day retreat where management considered areas that needed development to fit CIT’s education profile. A further workshop was scheduled in 2000 to identify the source and use of funds to achieve the development goals.

CIT considered planning had become a mature process. CIT also wanted the plan to be a dynamic tool and not a document to produce when managers realised the deadline had approached.

CIT’s major planning challenge was to create a vision of what managers wanted CIT to be in the future and how to achieve the necessary goals to fit the vision. Managers had a good grasp of their educational profile in 2000 and a broad view of areas that should be contracted and those that need to be enhanced, but the vision was not specific enough.
Achieving a shared vision was difficult for CIT because of job security issues and a difference between management’s vision based on competitiveness and the employees’ vision based on a non-profit community service. In addition, the majority of funding was derived through a purchaser-provider agreement with the Office of Training & Adult Education. In the agreement, the education profile and the priorities were specified annually, with no longer-term vision. Consequently, although CIT’s vision had to be congruent with their purchaser’s vision, it was not. For example, in 2000 the purchaser wanted to increase the amount of training in management and business, but CIT’s experience was that it was already meeting demand in that area and should not expand.

The Operating Environment

CIT’s operating environment was highly politicised. A purchaser-provider system was introduced in 1994 by the ACT government, which had a major budget impact on CIT, forcing cost reductions. The purchaser decided CIT could only charge the amounts in national cost benchmarks based on TAFE services in other States and these prices were lower than CIT’s current ones. There was no allowance made for population differences in States and CIT had to provide a similar number of courses as the States, but with a smaller population to fill classes.

Since 1996, the ACT government called for public tenders for the training services that CIT traditionally provided in the past. CIT won about 30%, but lost 70%. Trainee and Apprentice education also went to public tender. CIT won 90% of apprentices for off-the-job training, but only 14% of trainees. Unfortunately, CIT assessed the business growth potential in trainees to be high and the business growth potential for apprentices to be low, because more training on the job occurred for the latter.

CIT observed enormous growth in the number of private providers in Vocational and Educational Training (VET) in Canberra to whom CIT had lost about 12% in overall revenue. Management claimed that these private providers used the latest software and, in order for CIT to compete, it had to spend to keep up with the private sector. The necessary spending was an additional cost impact on the already-stretched budget.
The commitment of teachers to meeting community needs also raised difficulties, because CIT had to act commercially. Some CIT managers stated that the organisation no longer fulfilled the social role for the community that it used to in the mid-1990s. CIT used to offer free courses that had social benefits, for which fees were charged in 2000. The ACT government no longer funded such community service obligations. CIT also used to provide a second chance for people who would otherwise have had no other opportunity. Teachers were committed professionals and they adopted a caring approach to community needs for education. They were not completely comfortable with CIT acting solely as a commercial business and it was difficult for managers to convince them that the operating mode had changed from a community service to a profit-making venture.

Changes in technology also had a major impact on CIT. General use information technology was one such example, but CIT were aware of hypotheses and proposals that there were other ways of training using information technology. Training institutions in Australia, such as CIT, however, might not have a sufficiently large market and the level of funds to be able to compete with global providers. Nevertheless, CIT did have some potential to expand its services using technology. By 2002, all homes in Canberra will be fitted with fibre optic cables to ensure fast, error-free, digital communications and CIT might benefit from the infrastructure by providing on-line VET services, as might, of course, private providers.

The increased pace of change in IT had an additional impact on CIT’s costs. Courses might have once lasted more than three years before a review, from which changes would be made to about 20% of the course content. In 2000, the whole course had to be rewritten, particularly if it was in application software. In 1990, teachers would have allocated time for course review before the semester, but in 2000, revisions were done every week, an increase in the teacher workload.

Better financial systems did not help CIT to focus on costs and to drive improvement. For CIT, the necessity to manage at a particular cost gave rise instead to better systems so that it could target improvement projects. Some managers in CIT believed that the focus on cost was receiving more attention than it deserved.
Human Resource Strategy

In 1990, the HR department concentrated solely on personnel management: processing payroll, allowance entitlements, and recruitment, for example. They did not operate as a strategic group. In 2000, the HR department acted more strategically by focussing on the goals that CIT wanted to achieve and Industrial Relations personnel concentrated on achieving strategic outcomes for CIT rather than implementing agreements, which avoided industrial confrontation.

In 1990, Managers regarded HR management personnel as those that police adherence to policy. Managers considered HRM and HR policies as an encumbrance to operating efficiently and effectively. In 2000, the HR department began to help others to manage human resources and planned to demonstrate the worth of policies and strategic HR management to others.

A CIT manager remarked:

The Corporate Plan is not specific enough to match HR policies to it, although CIT strategic managers state that a direct match is essential at some time in the future. CIT’s preference in 2000 is to try to solve HR policy problems by using the Certified Agreement process. For example, until the 2000 Certified Agreement, Australian Workplace Agreements, (AWAs,) could not be used at all, but now can be for non-teaching employees. The Certified Agreement also contains a clause to allow discussion and negotiation with unions about any HR policy problems concerning teachers.

In 2000, CIT Managers were becoming more aware of the cost impact that some HR policies had and whether these policies should be changed to better compete with private providers.

Commitment Building

Employees perceived that the management of CIT did not look after its employees in 2000, whereas they did in the early 1990s. In 2000, employees thought that managers were as concerned with job security as all employees were. Faculty management was seen as more caring than the Corporate group, who appeared to employees to be very detached. Employees believed that Faculty managers would also become more detached as they became more aware of the competitive pressures that Corporate was familiar with.
CIT admitted that any commitment building strategy that it had was non-specific. There were staff achievement awards, which CIT thought would build commitment. The Corporate Plan stated that CIT would build commitment by using the Public Relations and Strategic Management group, which would communicate CIT’s goals to employees. Whereas CIT managers with a teaching background stated that management would have to debate and agree CIT’s goals with teachers in order to gain commitment.

Core-Periphery Strategy and the Use of Temporary Employees
CIT had a core-periphery strategy to allow numerical flexibility to cater for extensive program changes that have occurred annually from 1997. Numerical flexibility was also needed to cater for fluctuations in student demand. For example, demand for engineering courses had declined, and demand for information technology courses had increased since 1997. Temporary employment was also used to assess an employee’s performance during a probationary period prior to full employment being offered.

CIT employed casual teachers that managers explained were to ensure that teaching was up-to-date with industry. However, casuals might also offer a cost saving and be easier to terminate than permanent teachers. Casual teachers were usually full-time employees in their applicable industry and were up-to-date with current practices. This employment strategy had not changed since 1990.

3. HUMAN RESOURCE POLICIES
The HR policies that CIT used were the ACT Public Service guidelines, which comprised two manuals: a minimum standard and Best Practice Notes. Best Practice Notes were issued in 1999 and give CIT some flexibility with its HR policies. Since the ACT had not matched any HR policies to the strategy of any particular government business, the original policies were ‘soft’ model HRM and CIT had been operating under this model until flexibility to use Best Practice Notes was attained in 1999.

An example of the Best Practice Notes was described in the General Notes for Leave. Automatic entitlement to various types of leave were listed, and other types of leave approval was left to the Chief Executive Officer to decide, bearing in mind the overall operating efficiency of their agency. Thus, the ‘standards’ were the minimum sets of HR
policies needed to meet common working terms and conditions in the Public Service in Australia; and the Best Practise Notes allowed Chief Executives to tailor their HR policies to match their organisation’s strategy.

CIT had problems with HR Policies that were resolved using Certified Agreements. For example, teachers had flexible hours from 7am to 10pm seven days a week, but the technical officers that service the same class might have had to be paid overtime. The 2000 Certified Agreement negotiated by CIT specifically permitted AWAs for non-teaching employees, which would allow negotiation with technical officers for flexible hours and other means of compensation such as time off in lieu.

The 2000 Certified Agreement also included a clause for addressing the poor performance of an employee, which might lead to termination. Before 2000, the voluntary redundancy process was used to terminate poor performers because the Public Service procedure to address poor performance was unwieldy.

CIT managers believed that the Public Service HR policies the ACT government compelled them to use, blocked the changes that they needed to make to be competitive. A CIT manager remarked:

There is far too much emphasis on conditions of service described in great detail. Many non-teaching employees know the details so well that they use the conditions of service to achieve their own goals rather than CIT’s. Teachers are aware of the conditions, but are not so obsessed with using them.

Consequently, CIT’s dream was that it would have its own HR policies in use, not the ACT Public Service ones. CIT wanted to be free of impediments to competition.

4. HR PRACTICES AND CHANGES OVER TIME
Permanent Employment
CIT offered permanent employment as commonly described in Public Service policies. Canberra has many public servants permanently employed in ACT and Commonwealth agencies. If the CIT had not offered similar permanent employment, it would have had difficulty filling employment vacancies.
CIT would have preferred to offer the type of ongoing employment that private industry uses, rather than the public sector’s concept of permanent employment. CIT used more contract and casual employees than it normally would have done because of the difficulty of terminating employees classed as permanent. With ongoing employment, it could have given more contract and casual employees a job that had no termination date, yet terminate them when necessary. It did not have this flexibility with permanent employment. A manager remarked:

Contract and casual employees are disadvantaged because they cannot get a mortgage or bank loan owing to their temporary employment status. In spite of that, the unions would not agree to change permanent employment guarantees in the 2000 Certified Agreement negotiation. The unions were concerned that many employees would lose their jobs as a result, but management stated that funds for redundancy payments would be very limited, so the union’s fears were groundless. Even if CIT did have the funds, the age profile is such that there would be many who requested voluntary redundancy to harvest a termination payment to help fund retirement. Severance pay is two weeks per year of service up to a maximum of one year and there are superannuation advantages provided for early retirees, which might require a further five years of work before these advantages are equalled.

There was no involuntary redundancy, but employees perceived that some volunteers might have volunteered to avoid dismissal through performance reviews and they did not really want to leave. Employees believed that permanent employment in 2000 was not as permanent as it used to be in the 1980s and there were always management methods to break permanent employment. The 2000 Certified Agreement allowed for involuntary redundancy for non-teaching employees, but the process took some months to complete. The union had to be informed and considered their position for one month, the employee had one month to elect to depart on a voluntary date, and an involuntary date was three months after that. Mobility provisions also applied, together with a priority in filling a vacant position.

Some managers of CIT believed that their policy of permanent employment was destructive. When the workload diminished, CIT would terminate employees on contracts, who were younger, more in touch with the student culture and more energetic. Casual staff would also be terminated, who had other jobs in industry and bring an industry focus to CIT. This would occur in ignorance of who performed the best, because of the inability to terminate permanent employees.
The resignation rate for teachers in CIT was extremely low, apart from information technology teachers, who had a higher resignation rate. CIT managers hypothesised that this was the case because there were limited opportunities for TAFE teachers, particularly as the majority enter the teaching profession as a second career after completing a first career in industry.

There were some employees who would have liked to take a redundancy package, but they were not likely to resign and sacrifice it. There were others that CIT claimed should go because they could not manage the higher levels of stress in the 1990s. However, despite all of the change and uncertainty of employment with CIT, teachers remained because they were committed to the profession.

The employees that remained at CIT after downsizing worked harder in 2000 than they did in 1997. Class sizes had increased to reduce costs, demand for information technology courses had increased and it was difficult to attract enough teaching staff in the IT industry. In addition, many functions were being decentralised. Managers at CIT believed that it was the goodwill of employees that was permitting such efficiencies, but it was not sustainable over the long-term. Stress levels were already increasing, which occasionally led to serious health problems.

Younger teachers did not fear future job losses because there were so many other teachers in the over fifty age bracket who would retire early to reap the benefits, but administration employees had significant concern about their future.

Internal promotion took preference in CIT in 2000, as it had for more than ten years. There were very few new entrants into CIT apart from the Director, whose position was always filled through external advertising.

Retraining Employees in New Skills
Some managers would have rather re-trained existing permanent employees than hire in new skills. These managers believed they should ensure their permanent employees would have a career, although the managers emphasised that the employee must also be willing.
Retraining for TAFE teachers was not likely to be successful. They needed both the education and the industry experience. CIT would send them on a return to industry program for approximately six months or one day a week for a year, or other suitable combinations, if time allowed. Otherwise, CIT reluctantly hires in new skills.

Informed Choice
CIT bids for work were shared with employees in a limited way, because of the commercial sensitivities, although financial information was freely available to all.

Strategic plans were virtually unknown to employees, but CIT was determined to have employees know the details of strategic plans from 2000 onwards. CIT believes that every employee should be involved in top-down and bottom-up communication concerning planning.

Employees believed that no information was deliberately withheld and they had opportunities to raise questions, which CIT Managers confirmed that they asked without reservation. Much more information was shared in 2000 than in 1990, because the systems to capture and extract the data had improved.

CIT faculties produced weekly newsletters, CIT Corporate produced a monthly newspaper, and there were two staff meetings a year. For one faculty that was considering a restructure, a workshop held in May 2000 had a 65% attendance by employees although classes were still being taught.

CIT managers believed that good communication increases the commitment of employees, but teachers, in particular, need good communication. A CIT manager commented, ‘The teaching staff does not generally respect management and demands to be kept abreast of developments.’

Participation and Trust
A CIT employee survey showed that a slight majority of employees trusted management. More trust was extended to Faculty management than to Corporate. There was less trust of CIT management than there was in the early 1990s, when employees perceived that previous senior CIT managers were committed to the organisation.
2000, employees thought managers were not as committed, because senior management did not appear to have negotiated for funding as vigorously as their predecessors did.

CIT teachers expected to be consulted on proposed change and their input was freely provided. A manager said:

The culture of teachers at CIT is that they want to be involved. Performance improvement working groups are often established to implement change and innovate.

**Mutual Benefits to the Firm and Employee**

In 2000, CIT did not subsidise gym membership. Education was subsidised, but not for those courses where HECS fees were payable. Study leave was available for administration staff, but was limited for teachers.

Flex time and Special Leave was provided. Teachers had to attend a campus for thirty hours each week and twenty hours in front of a class, after which they could work from home. Teachers also received ten weeks recreation leave per annum, which was likely to have been a factor in attracting employees to the profession.

Salary sacrifice was introduced in the 2000 Certified Agreement, but had not been used by August 2000 and only the Deans and General Managers had the use of a company car.

**5. WORK TEAMS**

CIT did not have autonomous or semi-autonomous work teams.

**6. INDIVIDUAL CONTRACTS**

Executive and senior staff were under contract. A union negotiated some of the senior staff contracts. CIT often used individual contracts for teachers in 2000 for periods up to five years and mainly for full time employment. CIT's philosophy was to transition some contract teachers to permanent employment after three years.

Permanent and contract employees performed 70% of all the required teaching and casual teachers, paid on an hourly rate basis, performed 30%. These ratios were likely to remain constant, as they had in the past, because it was extremely difficult to attract
recruits in Canberra unless permanency was offered. In addition, permanent teachers performed more administration duties in 2000, whereas with less permanent employees, such work would not be completed. Contract teachers might have had significant dependence on CIT, but they made it quite clear that they were employed to teach and if CIT wanted them to work longer, they wanted more money.

In the non-teaching areas, there had been a trend since 1998 to employ more people under an individual contract. There were no contracts for that area before then. Work for CIT was tendered every two years and some flexibility was required should it lose the business. Unions recognised and accepted CIT's difficulty that it could not have all of its employees permanently employed in this type of environment.

Some faculties had no reason to introduce AWAs, but in other faculties, working hours could be an issue involving overtime for engineering staff that AWAs could overcome.

The CIT unions were philosophically opposed to AWAs. CIT management thought the unions saw AWAs as taking power away from them, because they did not have the resources to act as effective bargaining agents to support individuals.

7. CONTINUOUS IMPROVEMENT
The Arts and Design campus was planned to close at the end of 2000 and the services amalgamated into another campus. There were other campuses, which were under-utilised, and CIT was under pressure to provide the space to private providers. In 1999, CIT also started to joint venture with a sports body which would pay for a building which would become CIT's in exchange for the sporting body using other CIT facilities.

Increased productivity was linked to job loss by CIT. Class sizes had increased since 1997 to reduce staff and CIT also had some increase in demand owing to population growth. With increased class sizes, CIT saw the withdrawal rate increase. That was because exit interviews revealed that those students were not getting the help they needed from the overloaded teacher.

A change to on-line learning started in late 1999, which CIT believed would reduce their employee numbers in five to ten years.
8. PERFORMANCE APPRAISAL

The performance appraisal of senior executives was linked to the corporate plan. In 2000, there was no performance appraisal for other employees, although CIT had been piloting a program since 1999. One year later, there was a degree of cynicism about the pilot because participants had received no feedback.

However, the 2000 Certified Agreement allowed for disciplinary proceedings for poor performers and the implementation of the performance management system to monitor performance was a priority before the end of 2000. There would be no financial rewards linked to this system.

9. TRAINING AND DEVELOPMENT

CIT spent approximately $800,000 in 2000-01 in time release, and another $100,000 in actual payments, for about 700 people. This had remained static for a decade.

CIT perceived that non-teaching teachers, who did not take classes, probably received the most training, although there was no data to support the view. A manager remarked:

There is a very large and growing number of teachers who are doing masters and doctorate degrees, which I think might be linked to teacher job insecurity and the need to make sure that they have good qualifications. It might also be linked to keeping skills current, particularly in rapidly changing technologies. CIT job descriptions also require higher levels of education in 2000 than in 1990, because CIT offers a number of degrees and graduate diplomas for which teachers require higher qualifications.

CIT stated that it had provided no management training in the 1990s to its employees, but it would have to before 2003, because all of the senior managers would probably retire and successors would need training.

New employee teachers were expected to participate in a teacher development program and CIT gave them study leave. Optional programs were also provided for casual teachers, who might have started with CIT with no previous teaching experience. There were ongoing professional development programs of approximately two weeks per year for teachers and non-teachers.
CIT did not have a plan for individuals, who tended to elect what they personally wanted to do. In the 2000 Certified Agreement, CIT agreed to put in a professional planning process for each teacher, with funds and time off available for training and development only if there was an agreed plan.

CIT trained and developed its staff because the models of education delivery in 2000 tended to be different than they were in 1990. Instead of class time, there were more flexible arrangements, such as on-line learning and on the job training. Teachers required training in these new ways. Specialist teachers in a particular skill were also employed who needed to be up to date with developments in industry. For the non-teachers, the introduction of new methods, such as finance and student administration computer applications, required that employees be trained.

CIT commented that employees had to have enough training to do their jobs in order to maintain credibility with students. Furthermore, teachers had to maintain a certain level of staff development if they wanted to apply for promotion from the basic teaching level, and, to maintain that higher level, training and development was monitored and its adequacy reported on.

CIT also had a handbook of courses, which were available to all employees if there was a link with their job. Employees frequently attended such courses.

CIT employees were not specifically developed for future internal and external jobs. CIT would have liked to develop employees for future internal jobs, but its managers were not unanimous that CIT should develop its employees for employment elsewhere.

10. UNIONS
The principal unions in CIT were the Australian Education Union, the Community and Public Sector Union and the Amalgamated Metal Workers Union. Even managers and deans were commonly in the Education Union, but membership in the Community and Public Sector Union was very low.

Management had a good working relationship with unions in 2000, but the quality of the relationship fluctuated over time depending on individuals. In 1990, there was a much
more hostile union-management relationship regarding the amalgamation of colleges into the Institute that led to downsizing. Employees considered that the unions had given in too easily to management's demands and employees were left with a high level of distrust for management.

Management attempted to change employment practices since 1997, but the unions resisted. The resistance delayed renewal of the Certified Agreement from 1999 to 2000. Management would not agree to pay increases without substantial changes in terms and conditions, and the unions would not accept management's proposal. However, the ACT government agreed to fully fund a pay increase each year up to and including 2003 for the entire sector, providing agreement was reached within two weeks. As part of the agreement, involuntary redundancy was no longer an option for CIT, but the introduction of performance planning, performance improvement, and the linkages to staff development were agreed.

The outcome was disappointing for CIT management, because the actions of the ACT government will delay further reform until 2003 and beyond. CIT wanted a single agreement to cover all unions and a single CIT salary scale, to signal that CIT is one organisation and to allow greater flexibility in using employees, but it could not achieve this outcome within the government's allotted timeframe.

The first Certified Agreement achieved nothing for CIT apart from the replacement of allowances paid annually by a composite salary. In the second, some productivity activities were agreed, on which pay increases were dependent. One activity related to the formation of voluntary teams to seek productivity improvements. There were only a few volunteers and no practical ideas emerged. It was also agreed that CIT could employ assistant teachers if local staff agreed. They did not. Nevertheless, employees still got the pay rises, which CIT managed to pay for with productivity improvements identified by management, who explained to teachers the amount of finance available and then let them work out how to achieve the educational outcomes. As a result, increased class sizes reduced the number of teachers through voluntary redundancies.
11. ANALYSIS AND DISCUSSION

The Extent of the 'Soft' Model in 1990

Although CIT submitted a corporate plan to satisfy government requirements in the early 1990s, the plan did not address strategy. CIT did not produce a strategic plan until 1996. Even then, 'hard' model matching of HR policies was not possible, because the ACT Public Service Board mandated HR policies until 1999. In 1999, the Public Service Board issued minimum standard HR policies together with Best Practice Notes and the Notes allowed some flexibility to match HR policies to strategy. Consequently, it can be concluded that the 'hard' model was not in use before 1999. In 1990, seven of Pfeffer's (1994) sixteen indicators of the 'soft' model were present at CIT.

In 1990, CIT guaranteed employment, but did not specifically recruit teachers for their ability to become committed, because CIT said that teachers already had a commitment to their profession and that was all that CIT required in 1990. There is no evidence to suggest that CIT wages were high, although the overall employment conditions included ten weeks of recreation leave, which were probably attractive in 1990.

In the early 1990s, CIT did not share information with employees and did not have policies of symbolic egalitarianism, wage compression, performance pay, employee ownership, team based work, or cross training.

CIT employees freely participated in change programs in 1990 and wanted to become involved. Internal promotion took preference and employees shared CIT's 1990 vision. However, a long term perspective was not introduced until 2000. Consequently, there were no goals against which to measure progress.

Environment

CIT had to supply its services to other ACT government agencies at a benchmark price, which was below CIT's cost. The ACT government also requested tenders for work that were traditionally CIT's. As a result of awarding these tenders to others, there was growth in the number of VET private providers.

Methods of teaching were rapidly changing to on-line and on-the-job-training, which affected CIT's ability to compete in two ways: firstly, it necessitated an increase in
spending on IT, increasing operating costs and, secondly, it reduced demand for training at a CIT campus, thus lowering revenue.

The ACT government was quick to interfere in the operation of CIT and, in 2000, worked against a progressive Certified Agreement by awarding fully-funded pay increases to the teaching sector.

**Strategic Planning**
Strategic planning became more meaningful for CIT in 1996, but the process might have been inadequately led by a manager who had dual responsibilities for public relations and strategic management, with public relations taking priority. The HR manager was not on the planning team, but was invited when appropriate to do so.

CIT had difficulty creating a shared vision with its major purchaser, who had different ideas about the variety of education and training that CIT should have provided.

**Human Resource Strategy**
In 1990, CIT had a personnel department and no particular HR Strategy. The devolution of the HR function to first line managers in August 2000 was CIT's first step in implementing HRM (Storey 1992a). CIT had the potential to match HR policies to strategic planning (Hendry & Pettigrew 1986) because the use of Best Practice Notes, issued in 1999, allowed the Executive to do so.

There was no evidence that CIT’s HR policies equalised power, or built trust. CIT did provide top-down information on its intranet server and produced newsletters, but this was not the two-way communication required to give employees informed choice. Equalising power, building trust and giving employees an informed choice are indicators of ‘soft’ model HRM (Beer et al. 1985), which CIT did not display.

**Permanent Employment**
CIT used individual contracts for teaching staff before 1990, which is not an indicator of a trend to ‘hard’ model HRM. However, there was an increase in individual contracts for non-teachers since 1998 and this is an indicator of ‘hard’ model HRM (Storey 1992b). The 2000 Certified Agreement also allowed for AWAs for non-teaching staff.
CIT wanted to introduce them to correct a mismatch between the working hours of teachers and non-teachers.

CIT offered permanent employment and there was no involuntary redundancy. However, the Certified Agreement of 2000 introduced a performance review system, which might lead to the dismissal of poor performers.

The purchaser-provider model was introduced in 1997. New accounting techniques such as the purchaser-provider model assisted in decision-making regarding costs (Cappelli, 1995). Because of the introduction of the model, CIT lost business to other providers and had to downsize, but there were adequate numbers of volunteers for redundancy because of the attractive redundancy payments and superannuation advantages.

CIT’s demand shifted from Engineering to Information Technology, but retraining existing employees in new skills rather than hiring in new employees that have the skills was very difficult for CIT. Cappelli (1995) found that this action is ‘hard’ model HRM.

Commitment
CIT had a few HR policies that fit the definition of mutuality (Walton 1985a). Examples were working from home and subsidised education.

Rewards
There were no financial rewards for CIT employees apart from senior executives.
Walton (1985) proposed that the receipt of variable rewards is linked to commitment.

Training and Development
Professional teachers received the most training, as Smith (1998) found, but managers received no training in the 1990s, unlike the findings of Storey, Mabey and Thomson (1997). CIT provided enough training for personnel to do their jobs, contrary to the findings of Truss et al. (1997) but, because of the inadequacy of individual plans for employees, CIT did not send a message that it wants to develop its employees (Storey 1992a).
The level of training expenditure in CIT was also very low at 1.38% of the annual budget and the percentage had remained unchanged during the 1990s.

**Informed Choice**
CIT wanted to keep employees informed and top-down communication had improved throughout the 1990s as a result of better systems. Employees demanded to be kept informed, which CIT thought happened because of the culture of teachers.

Informed choice is an element of ‘soft’ model HRM (Beer et al. 1985). However it is unclear whether CIT management provided information voluntarily, or because it was pressed into it by its employees. CIT’s communication was ineffective as a method to provide informed choice, because it was not two-way.

**Participation and Trust**
Storey (1992a) stated that the decentralisation of HR management to line managers was an attribute of ‘hard’ model HRM. This was to occur in CIT in August 2000.

**Core-periphery strategy**
Employees in CIT worked harder in 2000 than they did in 1997, but did not fear for future job losses. Zeffane & Mayo (1995b) described both elements occurring simultaneously in their findings. Zeffane & Mayo (1995b) suggested that one solution to this dilemma is to have a stable core and flexible ring of employees. This was exactly what CIT had for at least a decade, but it did not solve the dilemma of overwork if the employment costs of additional, temporary employees could not be afforded within a competitive cost environment.

**Unions**
CIT management attempted to change employment practices from 1997, but the unions resisted. The ACT government agreed to pay increases in the 2000 Certified Agreement, which weakened management’s position. In addition, some managers were union members, which sometimes weakened CIT’s position to change policies, but at other times strengthened CIT. An example of this was the breach of the psychological contract (Cappelli 1995) where contract employees who had performed well were released instead of permanent employees who had performed badly. As a result, performance
management and disciplinary procedures in the 2000 Certified Agreement were strengthened. All CIT managers believed in and supported this initiative, whether union members or not.

12. CONCLUSION

Environment
From 1990 to 1994, CIT's environment was stable. It entered a competitive environment in 1994, when a purchaser-provider model was introduced. By 1997, CIT had lost business to private providers and political interference increased. CIT was compelled to charge benchmark rates for its services despite the fact it did not have the economy of scope and scale that providers who met the benchmarks had.

In 2000, CIT faced a future where information technology might have been either a significant threat or an opportunity, depending on whether large international companies entered the Australian market or not.

HR Policy
CIT's HR policies were those of the ACT government and remained as 'soft' model HRM since 1990, because they were generic to all ACT government operations. However, the introduction of Best Practice Notes allowed CIT a degree of flexibility in tailoring policies to its strategy from 2000.

Although CIT operated 'soft' model HRM in 2000 there is some evidence that it is in transition to 'hard' model. There was an increase in individual contracts and an exposure to competition where none existed previously, both of which are indicators of the 'hard' model, but because CIT was constrained to a common set of Public Service policies, it could not exactly match its HR policies to its business strategy. If it could have done, it would have used the matching business to HR strategy model (Sisson & Storey 2000), and would have acted as a 'defender' (Miles & Snow 1984), with some 'prospector' (Miles & Snow 1984) activities for new business to compensate for revenue loss to private providers.

There was evidence that CIT would be more likely to fully transition to 'hard' model in the years following 2000 because their strategic planning ability was more mature and
the Executive had the ability to tailor the Public Service HR policies. Management also questioned the cost of some HR policies, which prevented CIT from competing with private providers. CIT would also have liked to separate itself from the Public Service by having its own Award and its own HR policies.

Value of Strategic Plan
From 1990 to 1996, the strategic plan was nothing more than a document. It became more meaningful for CIT in 1996 and was generated in management retreats, which were established in the same year. In 2000, the plan became important to all of CIT management and was communicated to employees.

Actions
There were no significant actions until 1997 when management contracts were introduced. Downsizing became necessary because of a reduction in revenue lost to private business and reduced funding owing to benchmarked pricing. Class sizes increased to reduce costs and attempts to change HR policies through the Certified Agreement process were resisted by unions.

In 2000, the Certified Agreement was ratified with funding provided by the ACT government, which removed competitive pressure on CIT until 2004.

The change in the Environment, HR policy, Value of strategic plans and Actions described in this conclusion as CIT adjusted its HRM approach from a universal ‘soft’ model to a likelihood of introducing contingent ‘hard’ model is summarised in Figure 6.2.
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<tr>
<td>HR POLICY</td>
<td>Weak 'soft' model. ACT government policies.</td>
<td>No change.</td>
<td>No change.</td>
<td>Disciplinary procedure reinforced. AWAs can be used for non-teachers. Best practice notes facilitate 'hard' model.</td>
</tr>
<tr>
<td>ACTIONS</td>
<td>Nil significant.</td>
<td>Nil significant.</td>
<td>More contracts introduced. Downsizing. Transition to 'hard' model about to start. Class sizes increased. Attempts to change HR policies resisted by unions.</td>
<td>Decentralisation of HR management devolved to line managers. Funding for the Certified Agreement provided by the government reduces the pressures on CIT.</td>
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Figure 6.2 SUMMARY TABLE
CHAPTER 7

CASE STUDY. THE QUEENSLAND STATE GOVERNMENT DEPARTMENT OF COMMUNICATION AND INFORMATION, LOCAL GOVERNMENT AND PLANNING.

The investigator agreed with management to insert the following disclaimer:

_The employees of the Department that were interviewed have given their own views. These views do not necessarily represent the views of the Department or the Queensland Government._

1. INTRODUCTION

Ownership and Control

This Queensland State government Department was under the control of the Minister for Communication and Information and Minister for Local Government and Planning, Regional and Rural Communities, and the Department’s Director General.

History of the Business

In 1992, the Department had the responsibility for Housing, Local Government and Planning. On 26 February 1996, Housing was transferred to Public Works. On 1 July 1998, the State government changed with an election and the Department took over Communication and Information together with the Regional Communities Program. In December 1999, Sport and Recreation had also been added.

Business Activities

The Department employed approximately 1,000 people, in eight service areas. These areas were Communication and Information, Local Government, Planning, Building Codes Queensland, Office of Rural Communities, Regional Communities, CITEC and Corporate and Executive Services.

Communication and Information Services promoted development of the technology infrastructure and facilities to assist Queenslanders to participate in information technology. The service involved planning the delivery of information technology and telecommunications (IT&T) services and facilities across the State and fostering the expansion of the products and services of the IT&T industry. The Department was also responsible for the management of archival material and provided Government information technology infrastructure and services.
The aim of Local Government Services was to develop a Local government system to enable councils to deliver services efficiently to meet the needs of their communities. The main activities included: continuing with the establishment and implementation of a modern legislative framework; integrating Government policies which affect Local governments; encouraging growth in performance improvements; and providing funding and subsidies to Local governments and Aboriginal and Torres Strait Islander communities for infrastructure and services.

Regional and Urban Planning Services maintained a contemporary legislative and regulatory framework within which planning and development was conducted. Planning strategies were prepared and supported, and a range of information was provided to users of the planning system.

Building Codes Queensland developed and promoted best practice development codes, and managed both the legislative frameworks for building work and on-site development standards. Key stakeholders were also provided with training and education programs.

Regional Communities assisted Government to provide services and products for Queensland’s regional communities. The Department provided processes to enable people who live in regional communities to participate in Government decision-making concerning their region. Ministerial Forums were held quarterly in the major regions to identify issues that the Government needed to address, which the Department facilitated by ensuring that the issues raised receive attention from the appropriate agency.

The Office of Rural Communities coordinated the delivery of information and services to people in the rural and remote parts of the State through the Queensland Government Agent Program. The Department also had a project, advocacy and policy role aimed at improving the social and economic development opportunities in country areas.

CITEC was an IT services provider with its headquarters in Brisbane and offices in Sydney, Canberra and Melbourne. It employed more than 500 staff and had annual revenue in excess of $100 million. It was the largest IT services provider in Queensland.
and provided its services on a commercial and competitive basis to government, statutory authorities, corporations and the private sector.

The Executive Management Group

The Executive comprised the Director General and the nine General Managers as shown in Figure 7.1. There were also two observers at Executive Meetings: the Manager Corporate Planning and Human Resources, who reported to the GM of Corporate, and the Manager Executive Services, who reported to the GM Planning Services. The Executive met fortnightly.

There were also Executive Committees. The Finance Committee met monthly and comprised the Executive and the Manager Finance. The Information Management Committee met quarterly and comprised the Executive and the Manager Information Support Systems. The Audit Committee met quarterly and comprised the Executive and representatives of the Queensland Audit Office.
Figure 7.1 Organisation structure.

Sources of Revenue
The Department received $230 million in revenue from the Queensland State government in the financial year 1998-1999.

2. THE STRATEGIC PLANNING PROCESS

History of Planning
In 1999, the Department took its senior management team to an annual retreat from the work area to consider the corporate plan. The Executive went on retreats twice each year, once for corporate planning and once for performance review and budget management. Retreats had been a part of the planning process since 1995.
Planning sessions were organised by the Corporate Planning Manager. They comprised a series of discussions, over a period of two or three days, about the Department's future direction and what management needed to do to arrive at that future. They also considered the actions that were needed to achieve the Government's priority outcomes against what the Department was contracted to do. They tested the Department's present vision and values, and compared them to those identified five years previously. If there was a need to restate the vision and values, that was done, and an action plan formulated to achieve the vision and model the values. A risk analysis was also performed.

Priorities were agreed for the next year, and how the Department would achieve them in consideration of its current workforce and infrastructure. For example, discussions might have taken into account stakeholder needs, employee reward and recognition, culture, skills, attraction and retention, management development, flexible work practices, and telecommuting. Such consideration would give rise to the creation or modification of HR policies.

Finally, all of those issues were considered as a whole, with several iterations modelled in order to meet the budget.

Strategic planning grew in importance for the Department because of the need for financial planning and reporting in accordance with an audit requirement that was introduced in the late 1980s. The Department also stated that there was a growing importance in the business world at large for more meaningful strategic planning than there probably was in 1990 and the Department employed managers who were conversant with strategic planning. The Director General in 2000, who had been in the job since 1996, placed a lot of importance on planning and the planning process as a tool for getting people to think about the Department's role, its responsibilities, and direction. The previous Director General also saw the need for corporate planning, but it was possibly used with a different emphasis, concentrating on the quality of service delivery.

The Operating Environment

The Department changed from a program management focus to a strategic and budgeting process in July 1999. This new focus was called 'Managing For Outcomes'.
(MFO), an initiative introduced by the State government and similar to a purchaser-provider model. Prior to MFO, program management was very much based on areas run by general managers who had a separate budget. They had to achieve their program objectives and the Department was allocated a budget for individual programs. However, under MFO the Department was appropriated a lump sum to deliver a range of outputs. Each one of those outputs was costed and had associated performance indicators, which had to be reported on quarterly. Some required outputs spanned several of the service areas. For example, one such output was called ‘Policy Advice’ and each service area had to contribute.

Before MFO, the service areas had to perform business planning for their programs, and they were not as interested in the corporate plan. MFO, on the other hand, was much more of a corporate activity, because it described the needed output and lower order plans from each contributing area. In that context, the Department was compelled to place greater emphasis on the corporate plan and strategic planning as an integration tool.

A manager emphasised that if a Government department had not clearly grasped what outputs it could produce, what the priorities of government were, and how the required outputs contributed to these priorities, it would make it hard for a department to get any funds through the 2000 budget process. It could no longer be assumed that it would be business as usual against the government’s overall objectives, with the normal annual budget, adjusted for inflation. Funds were derived in a much more negotiated way.

The Department’s outputs in 2000 were policy advice; statutory and regulatory services to government, business, industry and the community; access to government, information and services; regional and strategic planning services; administration of Local government grants and subsidies; government communication and information service delivery; and information technology through CITEC.

Prior to MFO, the Department had numerous problems with its operating budget. For example, when the Department had Housing, it was funded by rentals, rather than through consolidated revenue and the adequacy of the budget was not an issue. Between 1996 and 1998, the Department became funded by consolidated revenue allocated by the
State government and the adequacy of the budget became a major issue, because the government had set a cost-reduction target of 10%. From 1998, the Department was given CITEC, the Information Technology division and its associated revenue. This transfer eased the pressures to manage within the budget.

Commonwealth government actions also had an effect. They funded urban planning but did not from 1999 and, because some members of the State government did not support the Department’s planning outcomes, budget negotiations were made more difficult. These members of the State government felt that the Planning arm of the Department slowed development with its outputs of plans and regulations, rather than assisted growth.

A manager remarked:

There has always been an emphasis on value for money and efficiency both by the government and by the Department as a whole. The Department uses public funds and is accountable, so management believes it is incumbent on them to use funds as efficiently as possible to achieve the maximum benefit for the taxpayer. Furthermore, any government will try to maximise what it can do with its budget. They will list in a priority order what their needs are, negotiate with the departments, and get as much for their money as they can. They are obviously reluctant to increase taxes to finance larger budgets, so they might also want to set a target reduction in costs. Treasury performs an analysis and comments on those areas where costs could be reduced.

The Department had better systems to manage costs in 2000 than it did in the mid-1990s. ‘Managing for Outcomes’ was one. Managers also received better information and this was largely owing to information technology. Management information was not perfect, but it was improving.

**Human Resource Strategy**

The HR Manager had a dual role for both corporate planning and HR. This was a deliberate decision to merge HR and corporate planning management in the Department, and such dual roles were said by the Department to be widespread in the Queensland State government Departments. The Department explained that the reason for such a dual role is that the rhetoric of ‘human resources are our most valued asset’ was not translated into reality. Therefore, it was considered very important to have a greater link between the direction-giving area and the people who had to implement the policies.
HR policies did not specifically originate in corporate planning. The Department was a part of the Public Service, which had issued HR policies with the expectation that the Department would implement them. The office of Public Service was the driver of HR policy in any State government Department. They issued a general guideline and each Department wrote its own policy. There might have been minimal flexibility for agencies to do very much with them, but within whatever flexibility there was, the Department tried to link them to the strategic plan from 1996. Before 1996, it was unlikely that matching could have occurred, because the planning process was immature.

Commitment Building
In 1994, the previous Director General had a strategy to build commitment to continuous improvement for client service and he set up a process to try to do that with work groups, known as Performance Improvement Committees (PICs), which focussed on building better services. The Director General and the General Managers also extensively used communication to build commitment. Electronic mail was sent to staff inviting them to apply to be members of PICs and employees considered the mail to be highly motivational. One such PIC designed a framework for strategic planning, whilst others looked at expenses, such as the car fleet. Management thought that PICs were the beginning of people in the Department understanding the importance of planning and how to become more efficient by saving costs. The Department also sought to ensure employees would build up the skills to do tasks correctly the first time and not have to repeat them until correct. Part of the commitment came from a change in government, which took the Department from a large, moderately rich one to quite a small one that needed to conserve costs. A manager observed:

If it had failed to demonstrate that it could become very focussed on its new set of problems and that it fulfilled its role well, it would not have grown to the department it is today.

Because the Department was larger, it was much more complex, and there was a change in government from Coalition to Labor. The employee commitment that the Department was trying to build in 1999 to solve the problems that these changes introduced used similar methods to the past, listing issues and considering them in regard to remaining a relevant department to the government.
Core-Periphery Strategy and the Use of Temporary Employees

Such a strategy evolved in an ad hoc way in the Department to achieve numerical flexibility, but was not deliberate. In 2000, the Department planned to introduce a deliberate strategy to employ permanent staff to meet core business and a periphery of temporary, or contract employees to allow more flexibility. The worth of the strategy was recommended to various parts of the Department and the Department planned to implement it in as participative way as possible. The Department was certainly more flexible with temporary employment in 2000 than it was in the mid-1990s.

In the mid-1990s, there were a higher number of temporaries than there was in 2000, because personnel were promoted by seniority rather than merit selection and these personnel did not have the skills for the job, necessitating the hire of temporary employees until they had attained the skills. In addition—and strangely, in view of legislation—women were not permitted to have permanent jobs. Finally, several change projects needed to be implemented and there were insufficient employees to do that.

The Department might have always needed some temporary employees. Firstly, because the Planning Services Group was funded for the number of projects that they were assigned and the workload varied according to the type and number of projects. Planning Services pursued additional projects to retain their temporary staff, but preferred a five-year funding rather than an annual one to ensure employee attraction and retention problems were overcome. Secondly, the acquisition process for a temporary employee was much quicker than for a permanent one, although the Public Service Board Review Team scheduled examination of the acquisition process in 2000 to address this issue.

Employees did not agree with increasing the use of temporary employees, because they had indicated in staff surveys that they wanted job security. They were also dissatisfied with the large number of people who acted in positions, without receiving promotion, although they acknowledged that employees were seconded to other areas of the Public Sector, and someone had to act in their position until they came back. Consequently, it was difficult to promote a person into the position when another employee already owned it.
3. HUMAN RESOURCE POLICIES

The process for matching HR policies to the organisation strategy occurred at the annual corporate planning retreat. Priorities were agreed and how those priorities could be achieved taking into account the workforce and infrastructure. At the same time, reward and recognition, culture, skills, attraction and retention, management development, flexible work practices, and telecommuting, for example, were then considered, with the appropriate changes to HR policies. The advantage of a joint HR and Planning Manager also came into play, because the manager was part of the planning team. Therefore, that manager immediately proceeded to implement policy changes.

Some managers believed that changes to policies as a result of planning were very limited because the policies were for the Public Service as a whole. The policies were seen as inflexible and the bureaucratic process to get a special ruling on a deviation from policy was inefficient and stifled easy solutions.

A manager commented:

HR policies have not changed due to random crises. The Department believes that it is the change in Queensland's State government from a complacent Coalition, which was in power for 32 years, to a marginally elected Labor Government, which is driving cultural change in the Public Service.

4. HR PRACTICES AND CHANGES OVER TIME

Permanent Employment

Tenure for permanent staff in the Department was still an accepted part of normal employment, although temporary employees did not have this security. Employees expected permanency as part of the conditions of employment in the Public Service and some pursued the attainment of tenure vigorously. Employees did not fear they would lose their jobs in the future.

The Department offered employment security in 2000 not because of any commitment-building strategy, but because it was the policy of the Labor Queensland State government to increase employment.
This was not always the case. After Housing was lost in February 1996, there was a budget cut of 10% by the Coalition State government and, because the major cost item was salary, the only alternative was to identify redundancies. Volunteers were called for and the number who came forward exceeded management’s requirement, thus avoiding any involuntary retirements. A manager remarked, ‘It is possible that a similar cut in 2000 would not result in as many volunteers.’

Termination pay was based on two weeks per year of service, up to a maximum of 52 weeks. A bonus of $6,500, or eight weeks of salary, whichever was the greater, was offered if the employee left within two weeks of the position being identified as surplus. Many employees felt that poor performers were more successful in their request for redundancy and better performers were deliberately retained.

Managers viewed permanent employment only as a classification. They thought that employees needed to accept that remaining permanently employed was linked to employees maintaining their value to the Department. A manager commented:

Employees might have a permanent job with an organisation, but if that organisation’s activities are no longer relevant to the Government and Community, the Department knows from experience that permanent people can be made redundant. Whereas people whose skills are highly sought after will always be employed. The skills that employees needed to deliver something in the past might need to be slightly changed to deliver something else in the future. Therefore, employees must transition to a modified skill set. As part of its job, the Department’s senior managers have to ensure employees have already acquired new skills when it is time to deliver new outcomes. They believe they cannot dismiss all of those people with an old skill set and employ new people with a new skill set. Management has to inform employees what the future will be, what the Department’s skill deficit is, and encourage people to take up the necessary training.

In the past, employees would not have been so willing to adjust to a new skill set. People in the public sector expected a job for life. However, government funds were delivered in a different way in 2000 than in the past and employees could no longer be complacent. Furthermore, information technology had changed rapidly and employees had to have computer literacy.

Managers considered resignations in the Department to be low. The Department believed its employee turnover very low, because it was one of the best public sector
organisations in Queensland for which to work. However, it was unlikely that long-term employees would be willing to sacrifice an attractive redundancy pay by resigning.

There was a relatively higher turnover with younger employees than older ones. The Department believed the younger employees moved on to enhance their careers, whereas older employees did not usually resign, they wanted to finish their career. Such employees began with the Public Service straight from school and stayed for life. Whereas, in 2000, many new recruits entered from Universities and might move on to further their careers.

Information Technology employees also had a relatively high turnover compared to the rest of the Department, which believed these employees moved on to pick up new skills in new areas from different employers. In government specific areas where there was no private sector equivalent, there was a very low turnover.

Retraining Employees in New Skills
When budget control was not so much of an issue in the early 1990s, the Department could buy skills in. The imperative to retain employees in accordance with Government policy and retrain them in new skills was not the same as it was in 2000. However, since the Queensland Labor Government had been in office, employees were retrained and not retrenched when their old positions were surplus. Effort was put into placing them. The Department attempted to place them at their substantive level and the placement of people whose positions were redundant was considered as a priority. The Office of the Public Service required vacancies to be advertised in the Government Gazette. If employees had the skills for a vacancy, there would have to be a very good argument not to give them the job and training would be provided to a reasonable level. The exception to this was when people had not been receptive to constructive criticism about changing their skill base for the future. In this case, the Department endeavoured to place them in jobs in other departments where their existing skills might have been used.

Informed Choice
The Department was structured such that the main components of it were relatively small. This small scale allowed for intensive communication both ways if needed.
When a change was envisioned, the Director General briefed management first, and then employees later, on the plans for the following year. Monthly newsletters were also produced. The Corporate Plan, together with some high-level action plans, and Executive Meeting Minutes were available on the Department’s intranet. A triennial staff survey became an annual survey in 2000.

In addition, there was the expectation that teams met fortnightly to discuss the issues surrounding change and feedback was provided to management as a result of the meetings. Not all employees were members of teams, however.

There was no consultation with the unions, except with the Enterprise Development Unit, which comprised staff representatives and unions, who developed the Certified Agreement in 1996.

Employees believed that there was a high level of consultation with them personally and that communication had greatly improved from 1990, although the majority of the communication appeared to flow only down. The Executive might have considered some complex issues over long periods, but often failed to issue progress reports to staff. Bottom-up communication was also constrained by a lack of a process for employees to follow. A manager remarked:

The Director General and all of the managers have made it clear that they are available to discuss issues, but there is an employee value and an implied policy of their own construction, that suggests they follow the hierarchy in the Department. This constraint may not facilitate true communication upwards, although employees do not hesitate to jump hierarchical levels if they feel the need for urgency is justified.

Financial information was not shared. Senior managers monitored the budget and discussed the favourable and unfavourable variances with project managers. Divisional managers received copies of the actual financial performance against the budget estimate, which they could pass on to employees if they so desired. A manager observed, ‘Most of the non-managerial employees appear to have little interest in the Department’s financial performance.’
Participation and Trust

The Department’s Internet site stated:

We are committed to developing an accountable workplace culture, which encourages staff participation in planning and decision making, through team-based activities, leadership and training. (Queensland Department of Communication and Information, Local Government and Planning. Updated 23 September 1999.)

One Department manager commented, ‘We look after our staff as part of our values.’ Employees agreed, although HR policies had not been specifically developed for that purpose.

At the beginning of 2000, the Department was assigned a further 250 employees for Sport and Recreation, whose employees had dissimilar HR policies for flexible working to those in force with the Department. Rather than simply mandate that the new employees go onto the Department’s current rules, the Executive decided which of the two policies available would provide the best mutual solution.

Management saw itself as having good-natured and good-hearted people at the top, who were flexible with their treatment of staff. They encouraged flexibility in interpreting HR policies and if prescriptive policies were generated instead, inflexibility would result. This flexibility did leave a problem for some, who preferred to refuse employee’s requests for their own reasons. But rather than give those reasons, they relied on the excuse that the rules did not allow it, rather than lose their popularity with their staff.

Management trusted employees. Most managed by exception and let employees get on with the task. In certain areas, managers did not require employees to fill out formal time sheets. The calculation of working the necessary hours was totally devolved to employees.

The triennial staff survey of 1995 reported that some employees did not trust management. The lack of trust was based on not being able to participate in decision-making, but this was not the case in 2000, particularly as the PICs had allowed for considerable participation in decision-making. PICs created HR policies for telecommuting, costing for outcomes, financial management, and made recommendations for flexitime policy.
HR Policies provided safety measures describing how an employee could and could not be treated, guaranteeing certainty. A grievance could be raised if the policies were breached. Financial and HR delegations also extended trust to employees.

In areas of the Department where professional personnel were used, management said that these personnel were totally committed to the goals of the Department, despite opportunities for more lucrative employment existing in other sectors. A manager claimed, 'Part of this commitment is because the Department leads the field in Australia in our profession and we are introducing exciting changes.'

**Mutual Benefits to the Firm and the Employee**

The Department arranged for discounted gym membership fees, permitted flex time, awarded special leave, and allowed some working from home in special circumstances. Company cars were only provided to senior executives.

Salary sacrifice was formerly available only to senior executives, but was available to all employees as a result of the 2000 Certified Agreement. Management was considering what this might mean in terms of policy and impact in 2000.

**5. WORK TEAMS**

The Department had autonomous work teams with team leaders. The teams continued with the job if a member of the team was sick and did not come to work. They were self-disciplinary, but might, very rarely, complain to the General Manager about a team member’s performance. There was a process for ‘diminished performance’, where a performance plan was set, closer supervision was implemented, and extra training or counselling might be provided.

Line managers managed by exception. The teams were professionally qualified, knew the requirements on how to complete a task, and had the freedom to deliver. If they had a problem, they let managers know so that they could act.
6. INDIVIDUAL CONTRACTS

In the Department in 1999, new senior executive service (SES) appointments were on individual contracts, but old SES appointments had tenure. In time and owing to attrition, all SES employees will be on individual contracts.

Furthermore, the Information Technology group, CITEC, had difficulty attracting people at public servant salaries. As a result, individual contracts at rates similar to the private sector were used. Section 69/70 of the Public Service Act, where public servants could be awarded contracts on a case-by-case basis, allowed for that. CITEC had about five contracts approved and wanted more, but in 2000 they had not been approved. There were no other employees on individual contracts.

The Department had not considered Australian Workplace Agreements and did not see their relevance in 2000.

7. CONTINUOUS IMPROVEMENT

Continuous improvement in the Department used Performance Improvement Committees (PICs). The idea of these was originally put forward by employees in a staff survey in 1995. PICs were formed to address a funding shortfall. The 1996 Certified Agreement awarded employees a salary increase of 3% per annum over four years, but the State Treasury would only fund the first three years. The Department would have to finance the fourth with budget savings. The PICs were set up to look at non-salary costs, policies and procedures, and to identify savings that could be made. The action was successful, with savings made in several areas, such as the number of vehicles in the fleet and the rolling up of periodic allowances into normal salary. Thus, jobs were not threatened. The Department tended to rely on retirements and resignations to harvest efficiency improvements.

A manager remarked:

The Department does not consider the replacement of labour by capital equipment as a threat to employment. This is because the major task of the Department is to provide policy advice and capital is used to enhance production, not replace it. If a choice had to be made between capital investment and labour, the investment would probably be delayed in order to preserve core skills.
8. PERFORMANCE APPRAISAL
Employee performance was assessed through a system known as Performance Planning and Review (PP and R). The system was Department-wide and had been in use since the early 1990s, although the amount of forms to complete was reduced over time. An employee completed the forms setting out the performance to be achieved and the training and development to reach that performance. The supervisor then negotiated the employee plan and the goals were thus set. At the completion of the year, performance against the plan was reviewed and further training and development needs to address a shortfall in performance might have been identified.

The PP and R was a device, which could supplement approval for annual increments for employees who rose through the years to a maximum on a remuneration scale. It could also be used to lead to counselling and disciplinary action, but management stated that it has not been used for either.

There were no financial reward systems available to the Department from the Queensland Public Service. Without them, there was an employee view that the PP and R process was not effective and was somewhat boring. Nevertheless, the process had to be completed although it had no value. Employees also said that their manager sometimes had never got around to the task of setting a plan.

Employees would have welcomed the PP and R being linked to a reward system, but also believed counselling, disciplinary procedures and, perhaps, job loss, should be reinforced at the same time.

9. TRAINING AND DEVELOPMENT
A manager commented:
When funding is tight, training and development is likely to be cut by the Department. For example, when Housing was lost in 1996, the first cost cuts were in training.

About 7.5% of the total annual budget was spent on training in 2000, although that included the training of Local government personnel on legislation changes. The provision of training was business driven in the first instance. Training followed a hierarchy of needs, with basic skills to do the job, such as basic education, writing
ministerial briefs, and word processing. Higher level training for development and self-esteem followed. The more funds that were available, the more that training was balanced for business and employee needs.

Employees believed that basic training provided was very generous and that they had the skills needed to do their jobs. There was a training calendar on the intranet and electronic mail was sent on a regular basis to alert employees to new courses. Employees preferred to see follow-up on the effectiveness of the training to ensure that employees and the Department were getting value for money, but this was not done.

Before 1996, when the Department had more funds, many different types of degrees were approved at both the post-graduate and undergraduate level, but not from 1999. Employees were only eligible for undergraduate degrees that had a direct link to the business. The fees were subsidised and study leave of up to five hours paid leave per week could have been approved. The Public Service Management course could also have been approved on the same basis.

Employees, particularly professionals, were unhappy that the Department did not contribute to further education beyond a first degree, although management was actively considering whether it could be more flexible in that regard. Employees believed that this restriction was not common in other State government departments. They also cited the Department's value statements about building excellence and that being restricted to one degree did not accord with this value. Professionals were also unhappy with the financial limits placed on attending international conferences, because they believed they must acquire the latest knowledge from outside Australia. An employee remarked, 'Professionals do read journals and research the Internet, but such media lags the release of new developments.'

On-the-job training was provided by a mentor, secondment, or by exchanges of staff. The Department seconded, or exchanged employees into Local government, other state agencies, and overseas authorities, which was thought to make the work more varied to aid in staff retention. There was also a mutual benefit to the Department and its clients, because employees became aware of the difficulties of both parties and often established an informal information network to solve problems.
Employees were not provided with training and development for a career they might want to pursue in another organisation, should their employment with the Department cease.

10. UNIONS

The Department’s employees were predominantly clerical and the principal union for them was the State Public Service Federation of Queensland.

A manager remarked:

The Department does not see the union as militant and even though representatives are consistently asked to attend meetings, they rarely do. It is not apparent that the unions are really looking after employees’ interests by becoming involved in the Department’s affairs, but they may be concentrating on the whole sector, rather than individual organisations.

The dates of the Certified Agreements were 1993-1996, late 1996-1999, and early 2000-2003. The Department had a bigger role in negotiating the second agreement, but the third was negotiated on behalf of the whole sector by unions, the Office of the Public Service and the Department of Employment, Training and Industrial Relations. The salary increases will be fully funded and the conditions contained in the agreement indicate that there will be more emphasis on training, and improving skills in information technology.

The Department was composed of public servants, which operate under generic awards. In the 1996-1999 Certified Agreement, the Department talked to staff about a process of achieving some efficiencies and greater effectiveness around some key capacity building areas. One of those was better planning and processes throughout the Department, which led to a planning standard that linked corporate planning to business unit planning and to personal performance plans. The agreement also led to performance improvement committees.

The Department did not believe Certified Agreements were the vehicle to achieve some of the HR outcomes it might want. It could use them to some extent, but felt that remuneration issues in the public sector were not a major factor for consideration,
although maintaining some reasonable parity with what the type of work was worth in the market was important. The Department managers found that a better indicator of performance and commitment than remuneration was in assisting people to understand that they are doing a job that has a particular outcome, which is linked to what the government is directing its public funds towards.

11. ANALYSIS AND DISCUSSION

The Extent of the 'Soft' Model in 1990

Strategic planning began in earnest in 1996 and the Department stated that HR policies were matched to the business strategy from that year. As matching did not take place before then, it can be concluded that the 'hard' model was not in use. The Department exhibited nine of Pfeffer's (1994) sixteen indicators of the 'soft' model in 1990.

Employment was guaranteed in the Department. The Public Service was considered a lifetime career and job loss would only result for severe misconduct. Therefore, one might reasonably assume that Department employees were selected for employment, because they would be committed to providing a public service and that they would be receptive to development over their working lives. In addition, in consideration of the amount of investment in training and development and the consequential importance of retaining public servants, 'lifetime' wages were high. For example, the employer contribution to superannuation was 15%.

Information was consistently shared over the entire 1990 decade, but the Department had no policies of symbolic egalitarianism, wage compression, performance pay or employee ownership. Team based work, however, occurred between 1990 and 2000, but cross-training was not provided.

Employees participated fully in change programs and in union negotiation and internal promotion was a constant.

The Department claimed that it had always had a strong vision, although a long term perspective was not introduced until 1996. There was no evidence to show that the Department measured progress in 1990.
Environment

With the exception of the information technology group, CITEC, the Department did not provide the type of services, which could easily be purchased from the private sector. CITEC provided services, which were available on the open market and these services could be compared against competition to drive efficiency and effectiveness. There might also be opportunities for the formation of a corporate entity, leading to the sale of it by the Government, but there was no evidence that any of these options were under consideration.

Whilst there was little possibility of the private sector providing legislation, standards, policy and planning for the Government, one would expect the Government to concentrate on reducing the cost of these services. This occurred in 1996 with a 10% cost reduction target by the previous Coalition government, but in 2000, the Labor government had set no targets and had fully-funded pay increases in the 2000 Certified Agreement. The Labor government also had a policy of job growth and it appeared very unlikely that the number of employees in the Department would be reduced for some time in the future.

Strategic Planning

Strategic Planning grew in importance for the Department from the mid-1990s, with ‘Managing for Outcomes’ a major driver of change. HR policies and staffing issues were discussed and the presence of the HR Manager at the planning sessions indicated the importance the Department placed on its human resources.

Human Resource Strategy

There was evidence in the Department of the existence of ‘soft’ model HR policies, which promoted mutuality (Walton 1985a). These were discounted gym fees, flexible working hours, special leave, telecommuting and, most recently, salary sacrifice. Such policies were not created by the Department, but were sourced from the Public Service Board and were common across the public sector.

There was also evidence that some HR policies equalised power, by guaranteeing the employee was treated in a particular way, with a grievance procedure to protect them. Policies built trust by allowing for financial, personnel and HR delegations.
Participation was also allowed for when employees worked in Performance Improvement Committees and the Department created this participation opportunity itself rather than the Public Service Board. Employees also made an informed choice, by reading published information on the Department’s intranet site, and this was another policy of communication created by the Department. Beer et al. (1985) identified all of these indicators of ‘soft’ model HRM.

The Department also considered its human resources as valued assets (Guest 1987) combining the position of HR Management and Corporate Strategy in one to achieve this aim. Simultaneously, the Department was quite specific in its strategy of matching HR policies to the Department’s strategy. This is clearly ‘hard’ model HRM (Boxall 1992).

Permanent Employment
Storey (1992b) wrote that an indicator of ‘hard’ model HRM is a move to individual contracts. Senior Executives were transitioning to contracts, and CITEC had difficulty operating without them, but the Department saw little value in moving other employees to contracts, even though Australian Workplace Agreement legislation provided a vehicle for this.

Permanent employment is not in itself an indicator of ‘soft’ model HRM (Legge 1995, Walton 1985b). However, in the Department’s case there were no involuntary retirements and not likely to be any in the early 2000s. Even if a new government compelled the Department to reduce costs, this might be achieved by a combination of voluntary retirements and attrition owing to resignations, aged retirements, or sickness, for example.

Nor did the Department release employees with old skills, when new technology required them to have a new skill set as suggested by Capelli (1995). The Department forecasted its new requirement and provided all of the training that employees needed.

Commitment
Unlike Capelli’s opposite findings in 1995, an employee stated, ‘I believe that management has a kind heart and is looking after our interests.’ This treatment may be
reflected in a very low resignation rate. Cappelli (1995) put forward the idea that employees did not resign because they had nowhere else to go, and this might have been the case for some of the employees in the Department who specialised in jobs that only government provides, or because of the high unemployment rate. Low resignations might also be linked to the attractive redundancy payment. Few would resign if they could see the prospect of a large sum of money in the near future, although redundancy was not available in the 2000 Certified Agreement. Furthermore, there were some employees who could have gained a better-paid job in other agencies, but they stayed because, in their view, this Department was possibly the best and most exciting to work for in the State government sector.

Rewards
Walton (1985) thought that variable rewards might sustain commitment, but there were no variable rewards for employees other than very senior executives. Marchington et al. (1994) and Appelbaum & Batt (1994) did not believe employees thought this important in the surveys they performed. Department employees would have liked to link their performance to a bonus. They believed that the performance planning and review system they had in place was not as effective as it would have been if a bonus were available.

They would not have liked to sacrifice part of their fixed pay to achieve a bonus. Appelbaum & Batt (1994) also found this the case in their investigation.

Training and Development
The Department placed a priority on ensuring that basic skills were provided and base level employees confirmed that it was relatively easy to go on training courses.

The Department had generous study leave and financial reimbursement for those who elected to go to University, but adopted ‘hard’ model policy in this regard, restricting personnel to a first degree, and one which was of use to the Department as a whole. In this regard, ‘mutuality’ was limited. The linkage of the strategic plan and performance planning and review confirmed that ‘hard’ model HRM was also in use.
Department managers supported further education, but there were some in the early 1990s who did not. Those managers had little education themselves. Storey (1992a) surmised that this might be the case in some instances.

Informed Choice
As Storey (1992a) found, the Department considered communication with employees to be very important. Employees believed that management performed well in this regard, although they were mildly critical of upward communication. Truss et al. (1997) found that upward communication was absent in 88% of cases.

There was some evidence that communication, which occurred in 1995 and 1996, ensured commitment by employees to the Performance Improvement Committees, but there was no other evidence that commitment was enhanced by other communication. This was in accordance with the findings of Marchington et al. (1994) where only a minority of employees felt that communication had any effect on their commitment.

Participation and Trust
The Department would have liked its first line managers (FLMs) to act as facilitators and mentors, rather than practitioners and directors, and help employees develop the ability to manage themselves. Walton (1985b) recommended this for the commitment model, but the Department still had a number of different styles.

Core-periphery strategy
Continuous improvement did not threaten job security, as Locke, Kochan & Piore (1995) believed it would, simply because such improvement concentrated on non-salary costs and were relatively minor. However, the Department was actively introducing a stable core and flexible ring to its workforce (Zeffane & Mayo 1995b). This would further reinforce permanent employment for the stable core.

Unions
The department did not have any problems with unions. This was probably because jobs, pay and conditions had not been threatened.
12. CONCLUSION

Environment

From 1990, the Department operated in a stable environment until it lost Housing in 1995, which resulted in imperatives to reduce costs. Funding remained tight until 1998, when the Department expanded by taking on CITEC and its associated revenue.

In 1999, the Queensland State government changed to a Labor Government and Managing for Outcomes (MFO) was introduced. MFO was a type of purchaser-provider model.

The environment for the Department remained stable in 2000 and will remain stable, because the Labor Party retained government in a State election in February 2001.

HR Policy

The origin of HR policies was the Queensland Public Service and, as such, was ‘soft’ model ‘HRM’ in 1990, because the policies provided a single strategy to manage many different types of business. In 1996, a financial crisis caused the revision of some HR policies and the adoption of a type of ‘defender’ strategy (Miles & Snow 1984) and the pursuit of operational efficiency, albeit limited with the few options available to it in mandated elements of HR policies. For example, one of the policies of the Queensland Labor Government was to increase employment. Consequently, redundancies have not been permitted since 1999.

The model the Department used was matching business and HR strategy (Sisson & Storey 2000). From 1999, staffing issues were linked to HR strategy, although the Department had to use minimum guideline Public Service Policies, which limited its ability to completely match its HR policies to business strategy, even though management retreats focused on the changes needed.

Value of Strategic Plan

Between 1990 and 1996, the strategic plan had little importance until a new CEO was employed in 1996, who placed more emphasis on the value of planning and introduced management retreats from the workplace to consider the corporate plan. Until 1996, planning concentrated on financial budgets with a focus on service quality and there was
only a loose link between operational plans and the corporate plan. When MFO was introduced in 1999, the integration of operational plans to the corporate plan became an absolute necessity.

Actions
Between 1990 and 1995, there were no significant actions. In 1996, some downsizing occurred and training costs and tertiary study assistance were reduced. In the same year, management contracts were introduced and the Department began to use Certified Agreements to drive costs down. 'Hard' model HRM emerged in a limited manner.

In 2000, the Department lost control of the Certified Agreement as a tool to implement its strategy, because the State government negotiated with unions sector-wide. The action signalled a partial return to "soft" model HRM. Anecdotal evidence provided by television and radio stations in Brisbane indicated there was no universal-partnership with unions, because there was a degree of acrimony between public sector unions and the Labor Premier in 2000.

The change in the Environment, HR policy, Value of strategic plans and Actions described in this conclusion as the Department adjusted its HRM approach from a universal "soft" model to a limited contingent "hard" model and then a partial return to a "soft" model is summarised in Figure 7.2.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>1990-95</th>
<th>1996</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR POLICY</td>
<td>‘Soft’ model. HR Policies by Public Service.</td>
<td>Predominantly ‘soft’ model. Changes to some policies and emergence of ‘hard’ model by linking to staffing issues.</td>
<td>Predominantly ‘soft’ model, although staffing issues are linked to planning. Linked performance of employees to business outcomes and ensuring employees have the skills to deliver outcomes.</td>
</tr>
<tr>
<td>VALUE OF STRATEGIC PLAN</td>
<td>Low. Probably only a procedural document.</td>
<td>Medium. New CEO places more emphasis on planning. Linkage of operations plans still loose. Management retreats introduced.</td>
<td>High. MFO means that all operations plans must be linked to corporate plan.</td>
</tr>
<tr>
<td>ACTIONS</td>
<td>Nil significant.</td>
<td>Permanent employment slightly threatened. No involuntary retirements. Cuts in training. Changes in tertiary study assistance. Company begins to use Certified Agreements to drive costs down. Contracts introduced.</td>
<td>Permanent employment threat removed. Training not limited if a company imperative to transition to new skills. Company does not negotiate Certified Agreement, which is done by another government department.</td>
</tr>
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**Figure 7.2 SUMMARY TABLE**
CHAPTER 8
CROSS-CASE ANALYSIS

1. 'SOFT' MODEL HR POLICIES

At the beginning of the 1990s, the four organisations used HR policies constructed by Public Service Departments. AMSA began its operations using the Commonwealth government Public Service Board HR policies. CIT and the Department used policies provided by the State and Territories Public Service Boards. The Council used policies derived from City Ordinances, State and Commonwealth Public Service Boards and the expectations of Society, expressed by Council leaders. These HR policies were 'soft' model, because they were, according to Sisson & Storey (2000), universally appropriate. None of the four organisations consciously adopted the 'soft' model of HRM. However, if an organisation uses a 'one best way approach', rather than matches its policies to a 'hard' model, then the type of model used will be categorised as a 'soft' model - the 'closed' view of Mabey & Salaman (1995).

In the case of the various Public Service Boards, HR managers constructed HR policies as a 'one best way approach'. The Public Service Boards did not consciously adopt 'soft' model HRM, but, because their view was closed and because they did not match their HR policies to the nature of the business, the business strategy or the stage in the product life cycle, then their HR strategy is categorised as the 'soft' model.

This does not mean that Public Service Boards adopted every aspect of the 'soft' model. 'Soft' and 'hard' models of HRM might be viewed as lying on a continuum. At one end of the scale, all sixteen of Pfeffer's (1994) 'soft' model HR practices are used. At the other end of the scale, only the 'hard' HR practices of Kochan & Barocci (1985), Fombrun, Tichy & Devanna (1984) and Dowling & Schuler (1990) are in use. In addition, one cannot assume that any organisation lies only at one of the ends of the scale. Indeed, Storey (1987) found none that did. Instead, organisations lay at all points on the continuum. Therefore, in the centre of the scale, there might be a mixture of 'soft' and 'hard' model policies.

It is possible that an investigation into HR practices is most likely to show organisations as lying on points approximating to very soft, soft, mixed, hard and very hard, for
example. In the case of Public Service Boards, they might have adopted some policies for sector-wide strategic reasons and some policies for sector-wide 'best approach' reasons, but the theme of the thesis is that more HR policies would be matched to individual business strategic needs as time passed and competition was introduced. These changes are expected to be uncovered in the analysis, which seeks to establish the extent of the 'soft' model used by each organisation and how it might have altered during the 1990-decade. The results are presented in Figure 8.1.

Following this presentation, the analysis considers competition factors in terms of an internal and external business environment. The business environment includes political, economic, sociological and technological factors. What are these for each organisation? Are there common factors? If there are, the section 'An emphasis on strategic planning' answers the questions: did the organisations formulate an appropriate competitive business strategy and how did this affect the 'soft' model? Did it change to a 'hard' model? Which 'hard' model and why? The results are presented in Figures 8.2, 8.3, 8.4 and 8.5. A summary of such changes is shown in Figure 8.6 and explained in 'Transition of HR Policies' and the industrial relations aspects of such changes are discussed in 'Implementing Changes in HR Policies'.

The analysis of the extent of the 'soft' model of each organisation is performed using Pfeffer's (1994) list, which the Literature Review concluded was a comprehensive guide. The findings of each element of the list are as follows:

1. Providing employment security

AMSA

When AMSA was formed in 1991, the employees had Public Service tenure. However, for the rest of the 1990s, AMSA reduced its employment numbers by both voluntary and involuntary retirement.

Council

Council provided employment security until the introduction of a purchaser-provider model in 1997, which provided costing information that employee numbers were too high. Downsizing occurred. However, secure employment is guaranteed in the 1999 Certified Agreement.
CIT
CIT guaranteed employment until employee numbers were reduced in 1997 to meet competitive pricing required in the purchaser-provider model introduced in the same year. All of the redundancies were through voluntary retirements, although employees thought that some of the volunteers would have been otherwise involuntarily retired. CIT failed to negotiate a Certified Agreement in 1999, because unions insisted on guaranteed employment. In 2000, the ACT government took control of the negotiation of the Certified Agreement and employment guarantees were agreed.

The Department
The Department provided employment security in 1990, but a reduction in staff numbers occurred in order to compensate for a reduction in the allocated budget and a loss of rental revenue in 1996. In the late 1990s and beyond, the Queensland State government did not permit redundancies, because it had a policy of employment growth.

Conclusion
Employment guarantees are no longer provided by government organisations if there is an excess of employees beyond the organisation's need, unless stipulated by the government.

Employees in the Public Service expect permanent employment and the condition is a job attraction criterion. The majority of cases view employment as an ongoing job that depends on performance, rather than permanent employment. Walton (1985b) suggested that management need only acknowledge a higher priority under the commitment approach to permanent employment by taking more responsibility where outplacement is unavoidable. However, only Council views its training and development of employees in light of their employability elsewhere as described in the universal-partnership model (Sisson & Storey 2000). Locke, Kochan & Piore (1995) found that permanent employment is a pre-requisite for continuous improvement if enterprises wanted employees to suggest improvements. For example, if improvement led to job loss, employees would not cooperate. In the cases studied, the constraint was overcome because there have been volunteers for voluntary retirement, who have been enthusiastic to demonstrate that they are not needed, as in CIT, or permanent employment has been protected as much as possible, as in Council.
2. Recruiting selectivity

AMSA

AMSA was formed in 1991 with the transfer of public servants, who were recruited by the Commonwealth Public Service Board for the ability to be trained and become committed to Public Service. AMSA employs professionals who must receive postgraduate training and who are already committed to maritime safety. AMSA does not select other employees on the basis that they are able to be further trained and have the appropriate attitude to become committed.

Council

Council management stated that a commitment strategy had been adopted since 1994. However, new managers were recruited primarily for their specialist expertise and not their ability to become committed.

CIT

CIT teachers are committed to providing learning to those that want it rather than committed to cost reduction and profit. CIT management were also committed to the same concept, but from 1997, wanted to reduce costs and make a profit. CIT teachers are not committed to this goal.

The Department

The Department had a commitment-building strategy before 1994 and recruited employees for their ability to be committed to Public Service. In 2000, the Department recruited employees in IT in any way it could, including special contracts. The specialisation in IT was qualification enough.

Conclusion

Government organisations do not selectively recruit personnel for their ability to be trained and their positive attitude to commitment. Government organisations recruit for the skills, knowledge and experience required to do the job.

All of the organisations recruited selectively in 1990 to ensure that future employees would be committed to Public Service, although there was no evidence that the case enterprises made any serious attempt to win commitment over the 1990s. Cappelli (1995) observed that only 2% of managers believed that employee commitment to the organisation was a key to their success.
3. High wages

AMSA

AMSA’s pay, level of superannuation and conditions of employment were high in 1990, but fell for the rest of the 1990s. In 1996, AMSA introduced its own Award to ensure that its professionals received market-rate salaries and conditions.

Council

Employees remarked that their pay, superannuation and Award conditions have been consistently good.

CIT

CIT wages and conditions are attractive to teachers who have left industry and are embarking on a second career. However, it is not the level of wage that is attractive, but the compulsory time on campus of only thirty hours per week and a generous ten weeks per annum of recreation leave. These conditions have been unchanged since 1990. In 2000, CIT had increasing difficulty attracting IT expertise, which suggested wages were not high enough.

The Department

Similarly, the Department had not been able to attract IT employees with its Award pay in the late 1990s, because it was too low.

Conclusion

Government organisations no longer offer high wages, but use labour market rates. The majority of organisations changed from offering good wages and conditions in the early 1990s to lower market wages and poorer conditions over the decade. For example, all case enterprises paid superannuation of approximately 15%, 6% above private sector employees, but some were considering if that level of superannuation should apply to new employees. Some of the organisations had to use special arrangements to offer better wages and conditions comparable to the market that were not available under their Awards, by using common law contracts.

4. Emphasis on training and development

AMSA

AMSA paid for all types of education in 1990 and offered Associate Diploma training to trades people in 1997, but restricted education to business needs rather than employee desires in 2000. AMSA ensured that employees had the skills to do their job and no
more. There was no formal development process for employees. In the late 1990s, AMSA was cynical about retraining surplus employees into other jobs.

**Council**

Employees observed that the opportunities for training have always been good. However, in 1994, the unions were not satisfied that Council delivered sufficient training and requested it adopt a rigorous process. The process remained in place until 1996. Council retrained employees whose positions were surplus to requirements. It reimbursed 50% of fees for external education, subsidised degree courses, but did not subsidise post-graduate degrees. Council adopted the notion of 'employability', providing training for careers external to Council.

**CIT**

TAFE teachers require industry experience and it is, therefore, unlikely that they can be retrained for another specialty when their jobs become surplus. CIT provided training to keep its teachers up-to-date with new methods; there were professional development programs for two weeks annually; and, because CIT is a training provider, it must provide good training to its teachers to ensure they provide credible teaching services.

**The Department**

The Department lost a source of revenue in 1996 and had to reduce its costs, which it did by restricting the approval of training to business needs. Post-graduate training was no longer supported, which was a cause of annoyance to some Department professionals. Before 1996, all employee training requests were approved. In the late 1990s, Council retrained employees whose jobs were surplus to requirements, because the State government no longer permitted redundancy.

**Conclusion**

Government organisations no longer provide the training employees desire, but provide the skills to do the job and fund education if the education is in the interests of the business. Training expenditure is likely to be reduced if the organisation has a budget problem.

Although each organisation had an emphasis on training and development, the majority had strict definitions of what would be approved. Organisations would approve any under-graduate or any post-graduate course in the early 1990s, but only specified under-graduate courses would be approved in 2000. Cappelli (1995) suggested it would be cheaper to re-hire than retrain, whereas the case enterprises suggest it may not be
possible to retrain, but they would prefer to do so if it was relatively uncomplicated and possible, rather than immediately reject the option owing to cost. Retraining, of course, is linked to permanent employment.

5. Information sharing

AMSA
From 1990 to 1995, communication was poor, but AMSA intensified communication after 1996, because employees became distracted from their work, worrying about their future and AMSA viewed that as an occupational safety risk. AMSA also achieved quality certification in the mid-1990s, a condition of which is that review meetings are held between employees and their immediate managers.

Council
Many of the Council businesses also had quality certification. Council has provided full information to employees since 1990. No information was withheld from employees and each of them received a copy of the corporate plan. Council also published information on its intranet and the CEO answered electronic mail questions from employees. In addition, Council published newsletters and held regular meetings.

CIT
CIT employees believed that information was freely given and nothing was withheld. More information became available with the introduction of information technology and CIT’s intranet in 1995. CIT produced newsletters and held regular meetings.

The Department
The Department produced newsletters, supplied information on its intranet and conducted a survey of employee attitudes annually. Fortnightly meetings were held at Branch level and the Director-General held face-to-face meetings with employees concerning any change program proposal. Employees considered that communication had improved throughout the 1990s.

Conclusion
Communication in government organisations has improved since 1990. IT is largely responsible for the improvement, although quality system review meetings have also contributed.

Marchington et al. (1994) thought that such communication could elicit commitment if it was possible for organisations to succeed in adverse conditions and the technique was
certainly used in the Council businesses. The majority of employees in areas that were under a competitive threat were very aware of what needed to be done to meet the competition. Beer et al. (1985) also suggested that providing employees with an informed choice would build commitment.

6. Symbolic egalitarianism
AMSA, Council, CIT and the Department
All of the organisations operated a managerial hierarchy and had never attempted to introduce symbolic egalitarianism.

7. Wage compression across levels
AMSA, Council, CIT and the Department
None of the organisations compressed wages across levels.

8. Performance pay and skill pay
AMSA
AMSA contract managers have had a performance bonus tied to performance appraisal since 1995. All other AMSA employees received a performance bonus from 2000. Multi-skilled teams also received travel allowances and overtime when they were working away from their depots.

Council
Council managers have received a performance bonus since the mid-1990s and the remainder of employees received a bonus described in the 1999 Certified Agreement.

CIT
Performance pay was only available to eleven contract managers.

The Department
Although employees would welcome performance pay, the Department did not provide it.

Conclusion
Government organisations introduced performance pay during the 1990s. Walton (1985a) thought that commitment could be sustained with variable rewards and a similar view was held by Beer et al. (1985), Wood (1995), Wood & de Menezes (1998) and Sisson & Storey (2000).
9. Employee ownership

AMSA, Council, CIT and the Department

Share ownership was not possible in any of the organisations, because they were government agencies.

10. Team-based work and job re-design

AMSA

Semi-autonomous work teams existed in AMSA at the beginning of the 1990s, but had reduced every year, because of the retirement of ships and their crews. The remaining maintenance work teams might leave AMSA in 2001 if they lose a market test for the internal services they provide.

Council

Semi-autonomous teams existed in Council for the whole of the 1990s and continued into 2000.

CIT

CIT did not have any semi-autonomous work teams.

The Department

The Department used semi-autonomous teams in the generation of standards and also in planning and had done so for the whole of the 1990s.

Conclusion

Government organisations have retained semi-autonomous team working.

Team-based work ensures the full use of a worker’s skills and abilities (Wood 1995) to ensure job satisfaction (Wood & de Menezes 1998). However, there was no evidence that this was a goal for any of the organisations, where team-based work was simply an acknowledged way of dividing tasks to achieve a work package.

11. Cross-training and cross-utilisation

AMSA

AMSA multi-skilled its maintenance teams, but electronics technicians resigned, because they did not want to be multi-skilled. Furthermore, AMSA management thought that multi-skilling might result in de-skilling.
Council
Council had multi-skilled its semi-autonomous work teams in all of the businesses that need teams, for the whole of the 1990s.

CIT
CIT did not cross-train.

The Department
The Department had no need to cross-train, because its semi-autonomous team members were all professionally qualified to the same level.

Conclusion
Some government organisations multi-skill their work teams.

In the majority of cases, cross-training reduced because of budget constraints and because some organisations believed that cross-training actually resulted in de-skilling, leaving a shortage of specialists. The goal of cross-training is to achieve flexibility (Wood 1995; Wood & de Menezes 1998). Sisson (1990) proposed that ‘soft’ model HRM was associated with the goal of flexibility. The concept of flexible employees is linked to catering to an organisation’s need at a point in time when it needs to react quickly to changes in the business environment. However, the organisations investigated used cross-training to minimise costs associated with demarcation inefficiencies, not to provide flexibility.

12. Participation and empowerment

AMSA
AMSA allowed for participation through union consultation in the Certified Agreement-making process. However, from 2000, all employees were either on a common law contract or an AWA, precluding the need for a Certified Agreement.

Council
Participation had consistently occurred in Council through union consultation in the 1990s. In 1997, Council guaranteed employment to volunteers who worked on business improvement projects.

CIT
CIT teachers expected to be consulted regarding any change program and they fully participated in change. In 1997, the teachers came up with a cost saving of increased
class sizes to solve CIT's budget shortfall. Participation also occurred in union consultation.

The Department
Union consultation occurred in the early 1990s and employees participated in continuous improvement in 1996. However, union consultation had dramatically declined in 2000, with the Department having a low level of involvement in agreement making. Department managers believed that the unions might have concentrated on consultation at a sector level with the State government, rather than with individual agencies.

Conclusion
Government organisations are decreasing the amount of consultation with unions.

13. Promotion from within
AMSA
Until the mid-1990s, AMSA promoted from within, whereas at the end of the 1990s it advertised externally for managers.

Council
Council began employing external managers in 1995, but otherwise promoted from within between 1990 and 2000.

CIT
From 1990, CIT has promoted internally, with the exception of the CEO-director. All of the managers and supervisors within CIT were once CIT teachers and all of the senior teachers were once junior teachers within CIT. Of all the case studies, CIT had the most consistent record of internal promotion.

The Department
Until 1995, the Department consistently promoted from within, particularly within the Senior Executive Service. However, from 1995, senior executives were employed on contracts and positions were advertised externally.

Conclusion
Government organisations are reducing the amount of internal promotion and advertise management positions externally. Managers tend to be employed under a common law contract.
Each organisation promoted internal applicants at all levels initially, but the majority changed to employing external applicants at higher levels over the decade. That they did so is probably linked to importing skills that are more commercial. Wood (1995) and Wood & de Menezes (1998) proposed career ladders. When ambitious employees are unable to see opportunities for promotion within their organisations, they will seek work in another organisation. The organisations investigated did not consciously consider this factor and promotion from within seemed to be a legacy of the Public Service. In some cases, unions would protest if existing employees were not given the opportunity to apply for promotion and, consequently, jobs advertised externally would be advertised internally as well. Although not specifically admitted to by any of the organisations, it was hinted that promotion from within enabled downsizing. If a vacancy existed at a higher level, an employee promoted to that level would not necessarily be replaced with another employee, thus achieving a saving.

14. Have a long-term perspective

AMSA
AMSA pursued operational efficiency for the whole of the 1990s, disposing of assets, reducing employee numbers, and re-defining work specifications to reduce maintenance. It also introduced new satellite navigation technology.

Council
Council formulated a long-term plan from 1994, but it was not until the introduction of the purchaser-provider model in 1997 that meeting competition became part of the long-term goal.

CIT
CIT had a good grasp of its education profile throughout the 1990s, but did not consider capital plans, the efficient use of assets, and how many campuses they needed until the late 1990s.

The Department
There was no long-term perspective before 1995, planning merely involved the annual program. A new CEO increased the focus on planning for the long-term in 1996.

Conclusion
Government organisations are increasingly providing a long-term perspective, which is coupled with an improvement in strategic planning.
Organisations with a long-term perspective do not immediately react to short-term adverse changes in the business environment and this protects employees' jobs somewhat. For example, organisations would not necessarily react by downsizing because of a low product demand in a recession and then subsequently re-hire when product or services demand increased.

15. Measure progress

AMSA, Council, CIT and the Department
With the exception of budget measurement and the computer monitoring of maintenance work hours by AMSA, none of the organisations had measured progress to reach long-term goals.

16. Have a vision of what they want to be

AMSA
AMSA had consistently had a clear vision relating to maritime safety and the efficient and effective provision of its services since the introduction of meaningful strategy in 1997. The vision was not shared by AMSA’s employees, because they believed there was too much focus on cost, rather than safety.

Council
Council did not have a robust vision in 1990, but it became clearer with the first corporate plan in 1994.

CIT
CIT did not have a vision derived in ‘classical’ terms from the environment and strategic planning until 1996. In 2000, the strategy and vision was very clear. CIT had a vision of competitiveness and profit-making, but it was not shared by employees, who had a vision of providing a community service, which might cover costs. In the early 1990s, both management and employees had this same vision.

The Department
The Department had refined its vision annually since 1996. However, both management and employees had always shared the vision that they are accountable for public spending.

Conclusion
Government organisations are improving the clarity of their vision, but employees do not always share it.
In general, a shared vision existed in the early part of the decade, but as downsizing and competition policy came to the fore, employees no longer shared the vision. The majority of employees in all of the cases had difficulty changing their culture from a monopolistic and Public Service provider to a commercial entity threatened by competition. Ogbonna & Whipp (1999) wrote that 'soft' model HRM emphasised a strong organisational culture as a means of implementing the firm's vision.

Summary table
The list of sixteen 'soft' model practices have been tabulated over the 1990s for each organisation in Figure 8.1 and summed as a number to provide a relative indicator of whether the amount of 'soft' model policies changed over the 1990s. AMSA started with nine policies in 1991, but this decreased to four in 2000. Council started with nine policies in 1990 and increased to ten in 2000. However, Council agreed to employment guarantees in its 1999 Certified Agreement. Had it not done so, then the number of 'soft' model indicators might have remained constant. Furthermore, had the unions failed in requesting a more rigorous training process, Council's number of indicators might have actually decreased. CIT started with seven and reduced this number to six. However, its 2000 Certified Agreement was not negotiated by CIT itself, but by the ACT government, and permanent employment was re-introduced. Had the Territory government not acted thus, then CIT might have had a total of five. The Department started with nine and has reduced this number to six, but the State government did not allow redundancy and the total might have fallen to five had this not occurred.

Conclusion
The number of 'soft' model HR policies that government organisations used in 1990 is, in the majority of cases, less than the number they used in 2000.
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<th>AMSA</th>
<th>Council</th>
<th>CIT</th>
<th>Department</th>
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<tr>
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<td><strong>CIT</strong></td>
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<td>1990</td>
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<td>Permanent employment</td>
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<td>-</td>
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<td>Recruitment selectivity</td>
<td>x</td>
<td>-</td>
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<td>High wages</td>
<td>x</td>
<td>-</td>
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<td>Emphasis on T &amp; D</td>
<td>x</td>
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<tr>
<td>Information sharing</td>
<td>-</td>
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<td>x</td>
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<tr>
<td>Symbolic egalitarianism</td>
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<td>Wage compression</td>
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<td>Performance/skill pay</td>
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<td>Employee ownership</td>
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<td>Team-based work</td>
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<td>Cross-training</td>
<td>x</td>
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<tr>
<td>Participation/empowerment</td>
<td>x</td>
<td>x</td>
<td>-</td>
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<tr>
<td>Promotion from within</td>
<td>x</td>
<td>x</td>
<td>-</td>
</tr>
<tr>
<td>Long-term perspective</td>
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<td>x</td>
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<td>Measure progress</td>
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<td>Vision/strong culture</td>
<td>-</td>
<td>x</td>
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<td><strong>TOTAL</strong></td>
<td>9</td>
<td>7</td>
<td>4</td>
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Figure 8.1 UNIVERSAL ‘soft’ HRM MODEL based on Pfeffer’s (1994) best practice list.

‘x’ = found in organisation; ‘-’ = not found in organisation.
2. FACTORS RESPONSIBLE FOR THE TRANSITION

The four organisations changed their HR policies because a number of factors exerted influence on the management team. These factors can be found within two areas: the internal and external business environment; and an emphasis on strategic planning.

The internal and external business environment

The business environment for the four government organisations became increasingly turbulent in the 1990s. AMSA was created in 1991 and its personnel were transferred from a government department. Competition policy affected Council and CIT. The Department lost a major source of funding when its Housing Group was transferred.

All of these organisations had experienced pressure before, whenever a political party changed, or whenever a current political party sought to reduce the budget in overall terms, or to reduce it in some areas to finance others. However, many of them operated on last year's budget plus the consumer price index for the current year's budget. National wage case decisions, which gave every employee a pay rise, also gave every organisation an excuse to raise prices and avoid downsizing and restructuring.

In theory, the 'soft' model is appropriate for any organisation under all circumstances (Sisson & Storey 2000). Therefore, 'soft' model HR policies must allow for downturns in the business cycle whilst still maintaining the concept of permanent employment. Public Service policies facilitated reductions in their annual budget by downsizing using mobility provisions. If a government agency had its funding reduced, another agency would have its funding increased as the politicians re-distributed the total government revenue into priority areas. Thus, an employee of an agency that needed to downsize would transfer to another agency that needed more personnel. Permanent employment was preserved.

Locke et al. (1995) thought that employees would lose their jobs if the real revenue growth of a firm did not exceed productivity growth. For the Public Sector as a whole, it is rare for economic growth to become negative and, when it does, the government and Reserve Bank act quickly to reverse the situation. Therefore, negative growth for the economy as a whole is likely to be only temporary. Thus, 'soft' model HRM and a
The difference in the 1980s and early 1990s was the emergence of the ideas of economic rationalism, when debates raged globally about the function of government, user-pay principles, and exposure of government enterprises to competition. The focus shifted from macroeconomic management (eg the Public Service as a whole) to microeconomic management (eg individual government agencies).

The business environment for any company might also be described under political, economic, sociological and technological factors (Viljoen 1991). An analysis of these factors for the four organisations is as follows:

**Political factors**

**AMSA**

AMSA is a Commonwealth government organisation within the portfolio of the Minister of Transport. The type of political pressure varies with the individual minister and with the government party in power. For the most part, AMSA has successfully avoided criticism by politicians and the Maritime Industry by focusing on economic efficiency, becoming competitive, and introducing new technology. AMSA is also required to have HR policies that politicians desire and, in the 1990s, these policies were in the areas of occupational health and safety, equal employment opportunities, harassment and discrimination.

AMSA employees were in the Public Service in 1990. They expected a lifetime career, but were concerned in 2000 that they would not be able to keep their jobs. Employees believed that AMSA should not reduce employee numbers because maritime safety standards would decline. Employees are represented by powerful unions, such as the CPSU and the MEWU, who might lobby government or the media about safety concerns as a result of cost cutting.

**Council**

Council is a Local government organisation that reports to the Lord Mayor of Brisbane and the Civic Cabinet, whose re-election depends in part on the quality of the services Council provides. Consequently, service quality is of high priority. Some areas of
service delivery are areas of sensitivity to the public. An example is public transport.
Industrial action might result in a public backlash if Council has not done everything
reasonable to avoid it.

HR issues appear on the agenda of the Civic Cabinet. The Cabinet also requires some
HR policies be introduced. For example, in the 1990s a policy to allow for paid absence
to perform community service was required. However, if management can predict what
the Cabinet would want, it can avoid criticism by pre-empting requests. Council will
need some flexibility in changing HR policies to match the changes that might occur in
the political party or individual in power.

CIT

CIT reports to the Minister of Education of the ACT government. CIT employees are
tied to the Public Service Award and the pay and conditions are better than those that
private providers have. CIT is prevented changing the Award conditions, because the
ACT government agreed the latest Certified Agreement with the unions. The unions are
powerful, hostile to downsizing and want to keep the Award conditions.

Department

The Department is part of the Queensland State government and reports to the Minister
of Communication and Information and the Minister for Local Government and
Planning. The government in power can stipulate HR policies. For example, in the late
1990s, the State government stipulated that there was to be no reduction in employment.
The government also defines what the Department is to deliver against an annual
budget.

Conclusion

A change in political parties or the individual to whom the agency reports, can prevent a
change in HR policies or stipulate the HR policies to be used. In addition, stakeholders,
such as members of the public, customers, media, employees and unions, can cause
political unrest by criticising the quality of service delivery.

Economic factors

AMSA

The Maritime Industry paid more than it should for AMSA's services in the 1990s,
because AMSA had not adopted user-pay principles and the recreational boating
industry did not pay for AMSA services. The Maritime Industry does not like the high costs of deep audit, which are necessary to ensure safety unless another method is found.

AMSA might have maximised productivity and a Certified Agreement might achieve no more efficiency. The Certified Agreement covers all employees, but AMSA needs to have separate conditions and pay for individuals. New industrial regulations introduced in the 1990s allow for individual agreements.

AMSA needs to expand its revenue to cover the costs of the core group of professionals. Council
The Cabinet requires that Council businesses are less than 10% more expensive than the competition and that revenue streams be diversified to maintain an AA+ credit rating.

There are too many Awards, which in the 1990s gave rise to demarcation and criticism by the Lord Mayor. Award pay and conditions are good, but at times they are below the market. A 1990 example is in IT skills, where pay and conditions were too low to attract recruits.

CIT
CIT has to carry the cost of too many campuses for the small population of the ACT, but the government has instructed CIT to lease space to private providers at its campuses. Public tenders are called for CIT’s services, which it sometimes loses, because competition from private providers is high.

CIT has to provide courses at set rates, which do not make profits. The Office of Adult Education also demands engineering courses be provided for which there is low demand. Engineering teachers are older than IT teachers and CIT could offer tenure to the latter if the engineering teachers left. Their leaving could be facilitated by attractive early retirement packages. IT is changing so rapidly that course reviews are more frequent and the workload is increasing, but class sizes are also increasing and quality is declining.

Department
Funding is received from three areas: revenue raised by the IT provider, CITEC; grants from the Commonwealth government and funding from the State government. CITEC
must be competitive to retain its revenue and both the State and Commonwealth governments can reduce funding to the Department at any time.

Employees are employed under the Public Service Award, which, together with a Certified Agreement, was negotiated in the late 1990s by unions with the State government and not the Department. The Award offers little flexibility and is not competitive at times. For example, in the late 1990s, the Award did not offer pay and conditions that attracted IT recruits. However, the amount of funding that the Department receives depends on governments and politicians that change.

**Conclusion**
Organisations need to be competitive and to expand or retain their revenue. Flexibility is required in HR policies that allow for fluctuations in revenue and for changes in pay and conditions in the labour market.

**Sociological factors**

**AMSA**
The historical linkages of AMSA to the Public Service are difficult to break. Employees want to preserve Public Service conditions and they had low morale in the 1990s worrying about their futures. They also spend more time away from their families and are aging. New professional recruits are difficult to attract, because pay and conditions do not meet the labour market requirements, but the pay and conditions of non-professional employees exceed the labour market conditions. Professionals, such as marine surveyors, are an essential element of a safety system.

**Council**
Employees are concerned that their jobs are insecure, particularly if a Coalition or Liberal government comes to power. If employees lose their jobs, there might be criticism from ratepayers unless the Council has done everything reasonable to compensate the employees.

**CIT**
Teachers want to continue to provide a community service and do not want to act commercially. Demand for courses has shifted from engineering to IT. Teachers are overworked and this situation cannot continue indefinitely.
Department
Employees do not like the employment of temporaries, who they consider a threat to job security, but the Department sometimes has to employ temporaries to meet a variable funding from government. Professional employees do not like the Department's refusal to approve post-graduate education.

Conclusion
Administration employees want to preserve the high pay and good conditions they have in the Public Service, but professionals require changes that meet labour market rates and conditions.

Technological factors

AMSA
Satellite navigation is available. Other types of navigational aids might be available to facilitate a user-pay system. Manned lighthouses can also be replaced with unmanned structures and new construction methods might allow for reduced maintenance costs. Savings achieved must be passed on to the Maritime Industry, but the cost of retaining the core group of professionals will remain the same.

Council
New technology that improves productivity can be used, because the spare workload capacity that results will be needed to cope with the growth in the population of Brisbane. An increase in Council services has occurred along with population growth, which can be funded from the increased amount of rates that will be received.

CIT
Private providers use the latest software and CIT cannot compete without it. Canberra's new fibre-optic cables into every home might be an opportunity for training to be provided on-line to homes.

Department
New technology enhances the service quality of employees, but does not replace them.

Conclusion
The introduction of new technology does not, generally, affect permanent employment and provides opportunities for the organisations to expand.

An emphasis on strategic planning
The Act that created AMSA required it to produce an annual corporate plan. Prior to
1997, AMSA's plan was a series of platitudes that employees at all levels did not regard seriously. Council did not produce a plan until 1994. Before that year it was a budget document linked to programs of works. CIT had produced a corporate plan to satisfy the ACT government requirement since the late 1980s, but until 1996, the plan did not link with any plans that might have existed within faculties. The Department was required to produce a corporate plan in the late 1980s but its plan became more important with the arrival of a new Director-General in 1996.

In all cases, at the beginning of the 1990s, a corporate plan was a generalised document that provided some description of the organisation's activities and values, but was more focussed on financial planning than strategy. As time progressed, the corporate plan became a valuable tool for implementing strategy, which was linked to the operational plans of business groups within the organisations and communicated to employees. In the case of AMSA, Council and the Department, all plans were available on their intranets. In the case of CIT, few employees were aware of the plans, but CIT was determined that they would be in the future.

There were a number of factors, which might have contributed to strategic planning becoming important, but there were no distinct patterns. For example, each organisation had a new CEO in the 1990s, three of whom regarded strategic planning as an important tool. The Council also attributed the increased focus on strategy to the education of managers into the area of strategic planning, which, intuitively, is likely to be correct. CIT managers were passionate that they needed to create a vision, perform gap analysis, link capital programs to the vision and plan how to eliminate the gap between CIT's current and envisioned state. Department managers, although less passionate, used the same process.

Every organisation had also introduced strategy workshops at a retreat from the workplace. For AMSA, this began in 1997, for Council in 1994, CIT in 1996 and the Department in 1995. It is interesting to note that the introduction of retreats for three of the cases occurred within one year of a significant event. AMSA introduced retreats one year after media criticism of the CAA caused the Commonwealth government to revoke AMSA's dividend-producing, government business enterprise status and make it a regulatory authority. The first year of retreats for CIT occurred after the introduction of a
purchaser-provider model by the ACT government and a loss of revenue occurred. The Department lost its major source of Housing Department revenue in the year that retreats began. Thus, it can be concluded that management were impelled to meet together to generate a strategy to survive a threatening, unfavourable event.

Strategic planning always involved the Executive Management Group. AMSA had an executive whose role was strategy and the Council an executive whose role was strategy and HR. CIT had a manager, whose role included strategy and HR and who was invited to the retreats and who might, one day, be elevated to the Executive. The Department had a manager whose role included strategy and HR and who was invited to retreats. Thus, a common theme was a manager responsible for HR and a possible theme was that strategy and HR might be embodied in a senior management position.

Strategic management can absorb much of a manager's time. Workshops must be arranged and an environmental analysis must be prepared for use by the planning team. The corporate plan must be written, edited and published and coordination of divisional plans against a template is required to ensure coherent action plans. Plans must be submitted to Boards and Ministers of Departments with covering letters and the approved plans distributed to employees. Following this, key performance indicators must be monitored.

Therefore, if organisations are convinced that they need to be serious about formal strategic planning, it is no surprise that there is a manager fully allocated to the planning area, but no clear reasons for combining HR and strategic planning. Perhaps the positions are combined because the devolution of HR to line managers has given HR managers spare capacity to take on more work. Perhaps it is because there is a notion that the plan depends on human resources to implement it and motivating them is an HR task. Alternatively, HR managers probably receive more management training than other specialist managers and are more likely to know the principles of strategic planning.

However, whatever the reason, the presence of a dedicated manager is a factor that influences the examination of policies simply because somebody has the job as a specific task. The combination of the two fields may also magnify the influence on HR by strategy, because of the exposure of the single manager to the business environment.
analysis produced for the planning process.

Apart from the Executive, other branch-level managers were involved in AMSA’s, Council’s and CIT’s strategic workshops and some selected managers were invited to the Department’s workshops. Therefore, another common theme was to involve the entire senior management team in strategic planning and this involvement did not stop with attendance at a planning meeting. The performance of all employees was tied to the delivery of the key strategic goals that were derived from the meeting.

In AMSA, contract managers had their performance linked to a bonus, which had been extended to all employees from 2000. Similarly, contract managers in Council might receive a large performance bonus equivalent to 20% of salary and all employees might receive a smaller bonus, which was linked to key performance indicators. CIT paid its senior managers according to performance, but only the CEO of the Department had a reward based on performance.

Thus, all top managers and the majority of senior managers had their performance linked to the corporate plan and to a performance-based reward. All employees had their performance linked to the plan and, occasionally to a reward.

Corporate plans contained an element, which was linked to government goals and an element, which was derived according to ‘classical’ business planning processes. This process is based on mission, vision, environmental scan, a ‘SWOT’ analysis, gap analysis, objectives and action plans. Government goals tended to be defined by the CEO of each organisation who had received them in Board meetings either directly from the Government or indirectly as implied goals of government. Such goals became primary objectives or particular strategies and, because the government approved the plan, the organisation ensured it included the essential political requirements.

Therefore, government organisations do not have complete freedom to plan their strategies, because there is a much stronger political oversight than there is in private industry. For government enterprises and agencies, it is not true to say that their strategy ignores politics, as Kamoche (1994), Purcell & Ahlstand (1994) and Truss & Gratton (1994) suggested. It is true, however, to say that each of the case study organisations had
been confronted with and had attempted to manage strategically the three environmental risks that Child (1987) described: a change in demand, the threat of competition, or the price is too high.

3. ‘HARD’ MODEL HR POLICIES

In ‘classical’ strategic planning, the firm performs an environmental scan. The environmental scan for the four organisations described in Section 1 of this chapter suggested four key priority areas. These were:

1. Service quality.
2. Be competitive to retain revenue.
3. Expand revenue.
4. Have flexible HR policies to allow for changes in politics, a change in the powerful person that the organisation reports to, and fluctuations in pay and conditions in the labour market.

With the exception of Council, the organisations reduced the number of ‘soft’ model policies in the 1990s, which implies that they changed their HR strategy. How they changed, might be demonstrated by using ‘hard’ model generic HR strategies.

Service Quality

‘Soft’ model HRM is suitable for a quality strategy, because: ‘The search for excellence, quality and continuous improvement are dominant goals’ (Sisson & Storey 2000, shown in Figure 2.1 in the Literature Review.)

Dowling & Schuler (1990) provided a table for quality goals (shown in Figure 2.4 in the Literature Review) and it describes a ‘hard’ model matching business and HR strategy based on a ‘differentiation’ strategy (Porter 1980). An analysis has been performed and is shown in Figure 8.2. The results are as follows:

High participation is judged by employee participation through union consultation. In AMSA, CIT and the Department, consultation declined.

Explicit job analysis: No data were collected.

Some external sources are evaluated by the recruitment of new skills. For AMSA, Council and the Department this recruitment increased.
Narrow career paths are based on the inability of employees to be laterally mobile and this ceased in AMSA as ‘mobility’ provisions expired.

Mostly results criteria depends on whether the organisation expects employees to perform, which in all instances occurred using a performance appraisal system and/or disciplinary action.

Some employment security was removed from AMSA owing to asset disposal and the Council owing to the closure of businesses.

Some incentives depended on the presence of a performance bonus.

Egalitarian pay. None of the organisations introduced ‘egalitarian pay’.

Extensive training was reduced in AMSA and the Department, but increased with the introduction of ‘employability’ in the Council.

Cooperative IR was evaluated by a change in attitude towards union consultation. AMSA marginalised the unions, whereas consultation for CIT and the Department occurred at the government level and did not involve them.

Summary
Council changed its policies from the ‘soft’ model to a ‘hard’ model quality strategy, AMSA maintained its quality strategy, but CIT and the Department did not.

Cost reduction
Similarly, a cost reduction strategy analysis is presented in Figure 8.3.

Summary
The Council did not change its HR policies to match a ‘hard’ model cost reduction strategy, but AMSA, CIT and the Department did.

Expand revenue
Fombrun, Tichy & Devanna (1984) provided a ‘hard’ model generic strategy known as the strategy and structure model (Figure 2.3 in the Literature Review). All four organisations possessed a ‘strategy of diversification of product lines through internal growth and acquisition’ and all the organisations had a structure, which was ‘multi-divisional’ in accordance with the suggestions of Fombrun, Tichy & Devanna. The remaining criteria describe HR policies in terms of selection, appraisal, rewards and development. A transition table appears in Figure 8.4.
The analysis is as follows:

**Selection**: all of the organisations used systematic criteria to select specialists and generalists throughout the 1990s.

**Appraisal**: appraisal systems were introduced by every organisation in the 1990s.

**Rewards**: only AMSA and Council introduced bonuses.

**Development**: CIT personnel were not developed cross functionally, and cross divisionally at any time during the 1990s. AMSA, Council and the Department developed for these goals at the beginning of the decade, because the mobility of senior executive service officers and employees was a Public Service HR policy. However, at the end of the decade, AMSA, Council and the Department had replaced SES officers with contract managers, employed for their existing skills.

**Summary**

AMSA, Council and CIT changed their HR strategy to a 'hard' strategy and structure model, which is an appropriate strategy for growth, but the Department had not changed its strategy.

**'Hard' model business life-cycle strategy**

The business life-cycle model of strategy proposed by Kochan & Barocci (1985) is shown in Figure 2.2 in the Literature Review. All of the businesses are in the mature phase of their life-cycle and a summary of HR strategies by the organisation is presented in Figure 8.5.

The analysis is as follows:

**Recruitment and selection**. The model suggests that sufficient employee turnover should be encouraged to avoid redundancies. None of the organisations acted in this manner during the 1990s.

**Compensation and benefits are to be controlled**. Only AMSA introduced a new Award and individual agreements in the 1990s.

**Employee training and development: match flexibility and skills of an aging workforce**. AMSA demonstrated loyalty to its senior employees and made them managers. Council retrained older employees into other areas. CIT and the Department did not change their strategy.
Labour/employee relations: control labour costs, maintain labour peace and improve productivity. Only AMSA changed their strategy. It controlled costs and marginalised the union by using individual agreements with employees.

Summary

AMSA and Council implemented more HR policies related to the 'mature' phase of a business life-cycle in the 1990s, but CIT and the Department did not.
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Figure 8.2  "Hard" model generic HR policies for quality goals
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Figure 8.3  ‘Hard’ model strategy for cost reduction goals
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Figure 8.4  ‘Hard’ model strategy and structure HRM
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Figure 8.5  ‘Hard’ model business life-cycle HRM: mature phase
### Transition from the 'soft' model to the 'hard' model

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**Figure 8.6** Transition from the 'soft' model to the 'hard' model
4. TRANSITION OF HR POLICIES

Figure 8.6 summarises the changes each organisation made to its HR policies between 1990 and 2000.

**AMSA**

AMSA decreased the number of 'soft' model policies it used but retained a 'hard' model strategy for quality at the same level. It increased the number of 'hard' model policies it used for cost reduction and increased its focus on the mature phase of business. It also increased the number of HR policies aimed at growth.

AMSA's HR strategy was to change from 'soft' model HRM to a 'hard' model, which maintained quality, reduced costs and grew the business.

**Council**

Council increased its 'soft' model policies, but it also increased its 'hard' model policies for quality. Both models include similar initiatives. (See Figure 2.1 in the Literature Review.) Council did not change those HR policies, which would achieve cost reduction, but increased its focus on growth at the mature phase of business.

Council's HR strategy was to change from 'soft' model HRM to a 'hard' model, which increased quality, maintained costs, and grew the business.

**CIT**

CIT decreased its 'soft' model policies and decreased its 'hard' model policies for quality. It increased its focus on cost reductions and growth, but had no policies for the mature phase of business.

CIT's HR strategy was to change from 'soft' model HRM to a 'hard' model, which reduced quality, reduced costs and grew the business.

**Department**

The Department decreased its 'soft' model HR policies and also decreased 'hard' model policies for quality. It increased its focus on cost reduction, but did not change its strategy for growth or implement policies for a mature phase of business.

The Department's HR strategy was to change from 'soft' model HRM to a 'hard' model which reduced quality, reduced costs, but did not seek growth.

There are other models of strategy that are not included in the 'hard' models. These are the resource-based view of the firm and the use of a core-periphery strategy.

**Resource-based view of the firm**

None of the organisations demonstrated that they had a resource-based view of the firm.
(Barney 1991; Dyer & Kochan 1995; Boxall 1996) in strategy formulation, even though there were unique sets of resources in AMSA in ship survey, several businesses in the Council, CIT in trade training and the Department in infrastructure planning. Instead, organisations were more likely to have used their unique resources as a 'strength' within the strategic planning 'SWOT' analysis and as a guide to 'prospecting' (Miles & Snow 1984) opportunities for growth.

Core-periphery strategy
Core-periphery strategies (Atkinson 1984) are evident in AMSA, Council, CIT and the Department. A common reason for a core-periphery strategy is to allow numerical flexibility in employment.

Another reason for a core-periphery strategy is to allow for the 'soft' model to be applied to a core group of employees, whilst applying the 'hard' model to the periphery, as suggested by Kamoche (1996) and Purcell (1999). The Department used special contracts for CITEC personnel and AMSA provided post-graduate education for ship surveyors. However, AMSA and the Department did not adopt 'soft' model HR policies for a core group to gain competitive advantage (Delery 1998; Sisson & Storey 2000). Their actions were only based on ensuring that they had the necessary qualified personnel to deliver services.

5. IMPLEMENTING CHANGES IN HR POLICIES
The terms and conditions of employment at an enterprise are contained in an Award. If an organisation wants to reduce the conditions in an Award, it will present its case in the Australian Industrial Relations Commission and the associated union will oppose the change.

An individual enterprise Award and pay scale was the aim of the majority of cases. AMSA achieved one in 1995, Council wanted to reduce the number of its Awards in 2000 and CIT was working on a single Award and pay scale in 1999 and 2000, which was sacrificed when its government made a sector-wide agreement in 2000. One issue that the organisations had with their Awards was related to the attraction of new employees in areas where there were labour market shortages, because the Awards did not allow for enough pay. In most cases, to offer higher pay, the organisations used
special contracts with more attractive conditions than were contained in the respective Awards.

A Certified Agreement replaces the Award, unless it specifically states that the Award condition applies. Organisations use the Certified Agreement-making process to change Award conditions in exchange for pay increases, with the goal that the enterprise and the employees are better off.

Certified Agreements have been not only used to change HR policies for the organisation's benefit, unions bargain at the negotiating table as well. For example, in Council's 1999 Certified Agreement the union asked for involuntary retirements to be suspended for the life of the agreement and Council agreed. It is possible that Council was able to achieve a lower percentage increase on base pay in exchange for guaranteed employment. For Council, operating costs reduced and it cost nothing to agree to maintain staff numbers because the workload would remain unchanged, owing to population growth, during the agreement period.

Organisations can substitute the Award by entering into AWAs. An AWA is an agreement between an individual employee and the employer, which concerns the conditions of employment and wages. AWAs may be agreed collectively, but individuals must sign them, and both employers and employees can appoint a bargaining agent to act on their behalf (Commonwealth Department of Workplace Relations and Small Business. January 1998).

In addition to Awards, there are statutes described in the Literature Review that apply to employment. Organisations cannot change HR policies without complying with the statutes or bargaining with employees or unions.

The substitution of National Wage Decisions with an enterprise bargain has focussed management on financing pay increases with corresponding cost reductions and each organisation viewed Certified Agreements as a valuable tool for changing work practices and the conditions of employment. However, the case study organisations had different opinions about the worth of AWAs. AMSA are committed to them and CIT believes they could be useful, but Council and the Department have no interest in them.
6. CONCLUSION

The answer to the sub-question:

'What internal forces shape the formulation of the firm's HR policies?' is:

1. Purchaser-provider models that enable market testing and the possible loss of business to competition.
2. An organisation structure that facilitates separation of commercial business from regulatory business.
3. Senior managers on employment contracts with jobs and bonus at risk if they do not perform.
4. An increasing acknowledgment that strategic planning is important, managers with education in strategic planning, and the emphasis placed on envisioning and gap analysis by CEOs.
5. The linkage of operational plans to the corporate plan.
6. A new CEO.
7. The organisation's strategy. For example, quality, cost reduction or growth.
8. A manager responsible for strategy, usually on the Executive, who, in the majority of cases, has a dual responsibility for strategy and HR.
9. Employees.

The answer to the sub-question:

'What external forces shape the formulation of the firm's HR policies?' is:

1. Political issues that are invasive, affect funding and which demand more attention to social needs.
2. Competition on price and/or in quality.
3. The labour market.
4. New technology, particularly IT.
5. A significant change in the business environment.
6. The Australian Industrial Relations Commission.
7. Powerful stakeholders.
8. Unions.
The answer to the research question:

‘Do firms change their HRM approach from one that is initially humanistic to one that is later strategic?’

is:

‘Yes’.

The investigation found that the suggestion that Sisson & Storey’s (2000) claim that ‘soft’ model HRM is universally appropriate for an organisation in all circumstances, is flawed. The case study organisations changed their approach from a ‘soft’ model to a ‘hard’ model because their business environment changed from one of isolation to one where operational efficiency was necessary to achieve a competitive price or to meet a budget reduction. The ‘soft’ model they used was not universally appropriate.

However, the organisations did not completely change their ‘soft’ model policies to ‘hard’ model policies matched to their business strategy. The organisations were found to be in a transition state. They used HR policies which might be described as ‘soft’ model, used HR policies which might be described as ‘hard’ model, and did not seek ‘internal fit’ (Hendry & Pettigrew 1986; Baird & Meshoulam 1988). None of the ‘hard’ models perfectly described the behaviour of the organisations. Furthermore, their strategy was not fixed, it varied according to an internal and external business environment and was reviewed at least annually. The review might have necessitated a change to another type of generic ‘hard’ model strategy, where, once more, the organisation would be in transition.

The organisations did not use a generic ‘hard’ model strategy as a template for HR policies following their business plan sessions. Instead, they listed those policies which were a barrier to achieving quality goals, a reduction in costs or an increase in revenue, for example, and then sought to change them. Other HR policies were left untouched, either because the policies were already appropriate, complied with legislation and were too expensive to replace in a Certified Agreement negotiation, or because stakeholders would not allow a change.
7. IMPLICATIONS FOR THEORY

The Literature describes two models of HRM - the 'soft' and the 'hard' model. The 'soft' model is claimed to be universally appropriate (Sisson & Storey 2000). This means that any organisation which adopts the 'soft' model will achieve success through employees who have become committed to the organisation as a result of the sixteen HR policies described by Pfeffer (1994). The 'soft' model is firmly grounded in the high commitment management principles espoused by Walton (1985b) and it is a closed view (Mabey & Salaman (1995) with no connection to the environment. 'One HR strategy is appropriate' (Peters & Waterman cited in Mabey & Salaman 1995). However, the findings of this thesis indicate that the 'soft' model is not universally appropriate. A firm which uses the 'soft' model will introduce a 'hard' model if its internal or external environment changes. That it does so, suggests that the 'soft' model may fail.

The 'soft' model relies on policies which build employee commitment, but it may fail because some of the policies it requires are expensive: permanent employment, high wages, an emphasis on training and development and performance pay, for example. Although cost leadership (Porter 1980) might not be the goal of a company which uses 'soft' model, price will nevertheless be a competitive factor. In spite of employee commitment to sales growth, a high price might lead to a loss of sales and a resultant surplus of employees: a surplus which the company will not be able to reduce, because of employment guarantees. Thus, profitability will decline and stakeholders will pressure the organisation's management to reduce costs and the 'soft' model will be modified.

The case study investigations revealed that the provision of employment guarantees declined if the revenue of the firm was contingent on competitive bidding. The only exception to this was Council. It had introduced 'employability', which was suggested by Herriot & Manning (1997) and Sisson & Storey (2000) as the new psychological contract replacing job security. The investigation also confirmed that a core-periphery strategy (Atkinson 1984; Zeffane & Mayo 1995) was in use to enable numerical flexibility when revenue varied.

Of course, the majority of work that the case study organisations performed was not based on sales, but on a government monopoly where 'sales' were guaranteed. However,
the findings of the investigation were that even government departments were pressured to reduce their costs and that this pressure resulted in a change to some of the 'soft' model policies.

In conclusion, where the cost of the 'soft' model becomes an issue for an organisation, employment security will not be offered to the peripheral core. In some cases, employability will replace employment guarantees.

Extensive training is a recommended policy both for innovation and quality goals in the 'hard' matching business and HR strategy models of Dowling & Schuler (1990). In the maturity phase of the business life-cycle model of Kochan & Barocci (1985), employee turnover should be encouraged. 'Employability' training provided in innovation and quality goals will facilitate employee turnover in the maturity phase, because employees have been provided with the skills that will assist them to find jobs with other organisations. Arthur (1994) found that the 'soft' model would result in a lower turnover than a cost reduction 'hard' model, but higher turnover is, of course, the planned outcome at the maturity phase, as already discussed.

There are other points of potential failure of the 'soft' model. The dominant goals of the 'soft' model are the search for excellence, quality and continuous improvement (Sisson & Storey 2000). However, the 'hard' matching business and HR strategy model also has a set of HR policies for innovation, quality and cost reduction goals. Since one disadvantage of the 'soft' model is that it is closed to the business environment, it could become redundant, because it can be replaced by a 'hard' model, which is open to the environment and which has similar goals of quality or innovation.

Similarly, Monks (1998) observed that the 'soft' model can separate workers from their unions and for some organisations, this effect might be attractive. Purcell (1999) observed that because the 'soft' model provided mutual gains to the employer and the employees, neither unions nor market regulation would be necessary. However, in Australia in the twenty-first century, the labour market is regulated and, even though an organisation might be using the 'soft' model, regulation will remain in place. Unions can be marginalised if individual agreements are made with employees and the agreements can be constructed to match business strategy. Therefore, a 'soft' model
used to achieve the marginalisation of unions can be replaced with the more flexible 'hard' models.

Other 'soft' model policies might not motivate senior managers and professionals. For example, wage compression will reduce the difference in pay between the highest person on the career ladder and the lowest person, with the result that either the highest paid person is underpaid or the lowest person is overpaid. If the highest person is underpaid, then the high wage conditions of the 'soft' model are not met. Therefore, the lowest person will be overpaid, resulting in a cost failure to meet the cost base of the competition. Similarly, professionals may ask themselves if the years of education and training have been worthwhile for them, if an unskilled employee earns almost the same salary. The question might lead to a lack of interest by employees in training and development and this aspect of the 'soft' model will not be achieved.

Wood (1996b) found that higher commitment would result if a reward for performance were paid as a permanent increase to wages rather than a bonus. However, as the business passes through phases of its life-cycle, wages should reduce (Kochan & Barocci 1985). If performance is paid as a permanent increase in the early phases of the life-cycle, then it will be difficult to reduce pay in the later stages. In addition, if, as is generally the case, employees receive a pay increase to compensate for inflation, the increase paid for performance is also increased, although performance might have declined. For example:

Year 1: pay + 3% performance increase.
Year 2: (pay + 3% performance increase) + 4% inflation increase.

The performance pay has increased by 4% of 3% and, over time, the wages become higher than a market rate which has not included performance pay. Consequently, a bonus should be used in the 'hard' models.

Since there are a number of points of potential failure of the 'soft' model, it is possible that HR managers will identify the policies contained in the Pfeffer (1994) list and make some choices. For example, they might decide that wage compression is not possible to achieve. Therefore, it is possible that there is a range of 'soft' models. For example, a 'very soft' model would exhibit high compliance with Pfeffer (1994), whereas a 'relatively soft' model would exhibit a minimal compliance with Pfeffer. Storey (1987)
found a range similar to this description.

According to the literature, if an organisation does not use the 'soft' model, then it will use one of three 'hard' model options. These are the strategy and structure model suggested by Fombrun, Tichy & Devanna (1984), the business life cycle model proposed by Kochan & Barocci (1985) or any of the matching business and HR strategy models described by Dowling & Schuler (1990).

Storey (1987 and 1989) described 'hard' model HRM as a dispassionate method of managing people. Guest (1999) proposed that employees are viewed as objects in the 'hard' model and treated as commodities. The statements might be true in the decline phase of the business life-cycle model (Kochan & Barocci 1985) or in the adoption of a cost reduction strategy proposed by Dowling & Schuler (1990) to match business and HR strategy. However, in Australia two factors generally prevent organisations from treating employees so poorly. These are the Australian Industrial Relations Commission and the Awards ratified by it, and the employees themselves. If an organisation has entered the start-up phase of the business life-cycle model (Kochan & Barocci 1985) and attracted needed talent by exceeding the labour market rates, those conditions of employment cannot be changed if an employee is disadvantaged by the change. In addition, employees treated poorly are more likely to unionise to prevent change, as Hodgetts, Luthans & Slocum (1999) suggested. Adversarial industrial relations might result, which, as Katz, Kochan & Weber (1985) and Cooke (1992) observed, could be expensive, perhaps a greater cost than the original benefit in changing the HR policy. Furthermore, in general, employees in the case study investigations agreed with Cappelli's (1995) findings that employees in the 1990s believed management no longer looked after their interests, which suggests that employees will not hesitate to challenge in the industrial courts management actions they consider inappropriate.

These findings suggest a suite of HR policies. For example, a cost reduction strategy provides for little employment security and limited training. Therefore, an organisation that changed from the 'soft' model to this 'hard' model would have to abandon employment security and reduce its training, which would take time to negotiate with employees and their representatives. Thus, 'hard' model firms will appear to be using inappropriate 'soft' model policies because they are in transition. Furthermore, if the
internal or external environment changes again, then firms might change from one 'hard' model option to another. For example, they might change from a 'soft' model to a 'hard' cost reduction model, only to find that the quality of their goods and services have declined to the point where they are no longer competitive and be compelled to introduce a 'hard' model aimed at improving quality.

Therefore, firms might always be in a transitional state. They might have moved from a 'soft' model to one type of 'hard' model and, before that change was completed, move to another type of 'hard' model. This type of activity would support the observation of Locke, Kochran & Piore (1995), who found that firms engaged in 'soft' and 'hard' models simultaneously.

As previously mentioned, an organisation might have industrial relations problems changing from the 'soft' model to a 'hard' model and it is unlikely that any organisation can match every one of its HR policies to its strategy. For example, if a firm wanted to change the vacation leave policies contained in its Award, it must firstly comply with workplace legislation at the very least. Secondly, in changing its policies, it would use a consultation process to approve the change and the unions, or a majority of employees, might not agree to the change. Thirdly, as found in the case studies, powerful individuals instruct management to adopt specific policies, which might not match a business strategy at all. Therefore, there is likely to be a range of fit of the 'hard' model in use by an organisation to the 'hard' model choices specified in the literature. This might be viewed as ranging from very 'hard' to 'hard', or, as expressed for the 'soft' model, a high or low compliance to a 'hard' model strategy.

Thus, the whole scale of HR policies sets might be positioned between very soft, soft, neither, hard and very hard models of HRM, for example. 'Neither' being a set of 'soft' model policies, which the organisation has been forced to retain, and a set of 'hard' model policies, which the organisation has tried to match to its strategy.

Given this conclusion, because the possible combinations of variables for each firm are so large, it is unlikely that there is a common 'matching' approach leading to every firm arriving at the same HR strategy as Purcell (1999) suggested. More likely, is a set of HR policies where an investigator could categorise each policy as 'soft' model (a single, best
way approach) or as a 'hard' model (matched to a strategic need).

If the reality of HR strategy is that HR policies and practices may not be able to be perfectly matched to the strategic objectives of the organisation, nor be coherent between each other, nor matched between themselves. Then, these goals of 'external and internal fit', proposed by Hendry & Pettigrew (1986), Baird & Meshoulam (1988) and Mabey, Salaman & Storey (1998), will not be achieved.

Consequently, it is unreasonable to assume that any firm will be able to comply fully with the suite of policies recommended both for the 'soft' and the 'hard' models, because the various stakeholders in an enterprise will prevent it. Unions will not readily permit changes in conditions of employment without compensation, or may not permit any adjustment at all. If a change is made in one organisation, then the precedent of change might cause all organisations in a sector to seek the same change, requiring considerable union resources in negotiation. In addition, managers have different styles: some could be said to be more 'humanistic' than others and their preferences for certain 'soft' types of HR policies will distort the models. Similarly, management is monitored by shareholders and shareholders demand an appropriate level of financial returns. If an enterprise cannot provide that level, then management must change its methods or management itself will be replaced.

The question also arises if either the 'soft' model or the 'hard' models genuinely describe the HR methods employed in firms. This investigation has found that HR policies change over time in response to the business environment. It has not found any organisation that has particularly favoured one model over another. Instead, it has found that HR policies which might be described as the best practice of the time have adjusted to another best practice. For example, in the 1980s, the expectation of employees was to have a particular set of working conditions and they would seek employment with those conditions. The 'soft' model was the strategic need of a firm at that time and an organisation that did not offer the appropriate conditions would not be able to attract employees and would have to adjust its 'model'. In the 1990s, organisations faced more competition or budget constraints. To survive, they adjusted their conditions of employment to meet cost-focussed or competition criteria and have become more vigilant of their business environment. Consequently, one may deduce that the use of the
'soft' and 'hard' models is synonymous with the 1980 decade and the 1990 decade. In the 1980s, organisations needed to be 'softer', but in the 1990s, organisations had to be 'harder'.

Perhaps this cycle will be repeated when the 'baby boomers' retire from the workforce in the 2010 decade and there are fewer employees available on the market. There might be a change from a 'harder' HR policy to a 'softer' one in order to attract recruits.

In conclusion, the question arises if there really is a 'soft' model of HRM. Perhaps there is only an additional 'hard' model, which might be classed as a commitment model, linked to a business environment, where employees are difficult to attract and retain.

8. IMPLICATIONS FOR PRACTICE

Unions or employees will agree to changes in employment conditions to facilitate a change from the 'soft' model to a 'hard' model if the incentive to change is large enough. Such incentives are typically related to the size of the pay increase offered, or to increases in other areas, such as annual leave or superannuation. Consequently, whether the firm implements a desired change in HR policy is dependent on a cost-benefit analysis. The additional cost might mean a firm is no longer competitive in the short-term, but it can become competitive in the long-term if the current employees agree to lesser conditions of pay and employment for future employees. In time, the firm will achieve its aims.

A firm in the start-up phase of business can avoid the industrial problems in changing from the 'soft' model to the 'hard' model by adopting a philosophy that is based on an analysis using the headings of the sixteen HR practices described by Pfeffer (1994) in the Literature Review. Alternatively, a firm, which is currently using the 'soft' model, can use the approach to decide the content of Certified Agreements. As discussed previously, a Certified Agreement is an important tool for changing HR policy and maintaining industrial peace.

Pfeffer's (1994) list is discussed as follows:

1. Providing employment security

Employment security is provided within the 'soft' model and some employment security
was proposed by Dowling & Schuler (1990) for innovation or quality goals, but not for a cost reduction goal. Therefore, a firm should not provide employment security unless it is tied to a benefit in a Certified Agreement which, of course, expires at a set date. It is possible to negotiate a smaller pay increase during the negotiations in exchange for employment security and might cost the firm nothing. However, such security might be very attractive for employees.

An alternative to employment security is employability (Herriot & Manning 1997; Sisson & Storey 2000). If employees are prepared for a future outside the firm, then employees would not be as threatened if job loss occurs. Naturally, employability comes at the increased cost of training and development.

2. Recruiting selectivity
Selecting employees for their ability to be trained and their attitude to be committed to the organisation is a requirement for the ‘soft’ model. It is not required for the ‘hard’ models. The strategy and structure model of Fombrun, Tichy & Devanna (1984) and the business life-cycle model of Kochan & Barocci (1985) suggested that selection techniques should be based on skills, but were not described for innovation, quality or cost reduction goals for the matching business and HR strategy as described by Dowling & Schuler (1990). Where the skills are described, flexibility is required to adjust from a high quality set to a lower quality. Therefore, binding agreements describing selection and recruitment should not be made unless at a lower quality set which can be adjusted as a management prerogative.

3. High wages
Once high wages are specified in an Award, it will be difficult for the firm to reduce them for cost reduction goals. Wages should be specified at the minimum rates in the Award and over-Award payments negotiated in Certified Agreements for a finite period of time in exchange for the ‘process and results’ criteria for innovation, quality or cost reduction goals, as described by Dowling & Schuler (1990). The business life-cycle model also requires a reduction from high wages to a tight control on costs as a product begins it start up, passes through maturity and enters decline (Kochan & Barocci 1985).
4. Emphasis on training and development
Extensive training is required for innovation and quality goals, but not for cost reduction
goals (Dowling & Schuler 1990). The extent of training provided in Certified
Agreements should be the minimum possible to allow the firm to increase the level to
match business strategy and then reduce it again if the need arises.

5. Information sharing
Information sharing is not defined in the ‘hard’ models and this thesis leaves it to the
firm itself to decide its policy. However, Sisson & Storey (2000) observed that a lack of
understanding is a prime source of inefficiency.

6. Symbolic egalitarianism
Similarly, the ‘hard’ models do not suggest symbolic egalitarianism. However, this is
indirectly linked to wage compression, described below.

7. Wage compression
Egalitarian pay is proposed for innovation and quality goals (Dowling & Schuler 1990).
It needs to be changed to hierarchical pay for cost reduction goals. Egalitarian pay can
be facilitated with over-Award payments as described in 3. High wages, previously.

8. Performance pay and skill pay
Incentives are higher for innovation goals than for quality goals, and higher for quality
goals than for cost reduction goals (Dowling & Schuler 1990). Consequently, reward
systems need to be flexible within each successive Certified Agreement and only for the
period of the agreement. Rewards also vary with the strategy and structure model of
Fombrun, Tichy & Devanna (1984). If performance pay is given, then it is better paid as
a one off bonus rather than a permanent increase in pay, which has the cumulative
effects described in the Implications for Theory.

9. Employee ownership
Employee ownership is not specified by Fombrun, Tichy & Devanna (1984), Kochan &
Barocci (1985), or Dowling & Schuler (1990). Since it is tied to ‘hard’ model incentives
in 8. Performance pay and skill pay, it should be avoided as a separate initiative.
10. **Team-based work and job re-design**

Similarly, team based work and job re-design are not specified by Fombrun, Tichy & Devanna (1984), Kochan & Barocci (1985), or Dowling & Schuler (1990). It should be constructed based on organisation needs.

11. **Cross-training and cross-utilisation**

Cross-training and cross-utilisation is described by Fombrun, Tichy & Devanna (1984) in their strategy and structure model and by Kochan & Barocci (1985) in the mature phase of the business life-cycle. It should be linked to training and development.

12. **Participation and empowerment**

This is not specified by Fombrun, Tichy & Devanna (1984), Kochan & Barocci (1985), or Dowling & Schuler (1990). Participation might include the type of consultation the firm has with unions, which ranges between cooperative and traditional industrial relations. The latter is appropriate to a cost reduction strategy and the former to an innovation or quality strategy (Dowling & Schuler 1990).

13. **Promotion from within**

Career ladders are described by Kochan & Barocci (1985) and Dowling & Schuler (1990), and range from broad to narrow. Consequently, only narrow career paths should be agreed except when 11. Cross-training and cross-utilisation proposals are contained in the Certified Agreement.

14. **Have a long-term perspective**

Although not described by Fombrun, Tichy & Devanna (1984), Kochan & Barocci (1985), or Dowling & Schuler (1990) in any of the 'hard' models, a firm which has no long-term perspective may react to changes in the environment without considering the implications of its actions. For example, if sales declined and the firm disposed of its key human resources or other assets in order to reduce its costs, it might be difficult for it to recover if its sales increased.

15. **Measure progress**

This initiative is also not described by Fombrun, Tichy & Devanna (1984), Kochan & Barocci (1985), or Dowling & Schuler (1990) in any of the 'hard' models. If a firm has
no goals or objectives, then it is impossible for HR policy to be linked to the business strategy. Therefore, it must have a business strategy for the 'hard' models to be used. Given such a strategy, it must measure its progress towards reaching its goals. If it does not, then it firstly does not know when it has reached its goals or, secondly, and more importantly, does not know how effective its actions are. If the actions are ineffective, the firm needs to know so that it can vary them.

16. Have a vision of what they want to be

Finally, a vision is not described by Fombrun, Tichy & Devanna (1984), Kochan & Barocci (1985), or Dowling & Schuler (1990) in any of the 'hard' models. However, as discussed in '14. Have a long-term perspective' and '15. Measure progress', a firm without a vision will not be able to react in a sensible manner when the environment changes. The three initiatives 14, 15 and 16 are a pre-requisite for strategic planning and the gap analysis which defines what type of 'hard' model should be used.


Miles, M.B. & Huberman, A.M. 1994, *Qualitative data analysis: An expanded sourcebook*. Sage: USA.


## APPENDIX 1
### DATA COLLECTION DISCUSSION AREAS

#### Sharing of business data
- Marketing.
- Corporate plans.
- Financial position.

<table>
<thead>
<tr>
<th>Line managers</th>
<th>110</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilitators or directors?</td>
<td>111</td>
</tr>
<tr>
<td>Mentors or practitioners?</td>
<td>112</td>
</tr>
<tr>
<td>Help workers develop the ability to manage themselves?</td>
<td>113</td>
</tr>
<tr>
<td>Has personnel management devolved to them?</td>
<td>114</td>
</tr>
<tr>
<td>Is theory X or Y in vogue with FLMs?</td>
<td>115</td>
</tr>
<tr>
<td>Are FLMs introducing new methods?</td>
<td>116</td>
</tr>
<tr>
<td>Do FLMs support training and development?</td>
<td>117</td>
</tr>
<tr>
<td>Has HR management been decentralised?</td>
<td>118</td>
</tr>
<tr>
<td>Trust employees.</td>
<td>119</td>
</tr>
</tbody>
</table>

#### Autonomous or semi-autonomous work teams
- Receive lucrative rewards. | 120
- Peer pressure for individual team members to perform. | 121
- Self-disciplinary. | 122
- Are multi-skilled and have more secure employment because they are. | 123

#### Mutuality
- Gym membership. | 130
- Subsidised education. | 131
- Study leave. | 132
- Flex time. | 133
- Working from home. | 134
- Special or family leave. | 135
- Salary sacrifice | 136
- Other | 137

#### Industrial Relations
- Participation in change programs. | 140
- Consultation regarding change. | 141
- Principal unions involved in change. | 142
- Management trusts unions. | 143
- Union as bargaining agents on AWAs. | 144
- Union-management partnership because of environmental problems. | 145
- Management or union driving employment practices? | 146
Employees
Trust management. HR policies assist.
Are committed.
Want rewards.
Want more rewards and less fixed pay.
Have a voice in decision-making.
Fear for future job loss.
Work harder since downsizing.

Description of the business
History.
Ownership and Control.
Activities.
Sources of revenue.

The firm's strategy
History of strategic planning.
Process of planning and use of retreats.
Who comprises the planning team?
Is the HR manager on the planning team?
Collective bargaining, presence and attitude to.
Cost cutting.
Better systems help focus on costs
Commitment building. If so, why and how? Single strategy or linked to plan?
Does the firm want to train/develop employees? If so, why?
Capital replacement for labour.
Core-periphery strategy.
Increased use of part-time, temporaries, casuals, special contracts.
Major challenges and goals.
Environmental factors considered.
External or internal factors causing pressure to change.
Government pressures to change.
Current HR Strategy.
Past HR Strategy.

HR policies
Origins.
Are HR policies linked to corporate plan?
Was there a time when HR policies were not linked to the plan?
Was there a single HR strategy?
Is there a link between HR initiatives and profit?
What taken into account internally and externally to shape HR policies?
Have they changed over time?
Was a 'soft' model in use until some crisis?
Who decided on the 'soft' model?
Do HR policies equalise power and build trust?
Management looks after its employees.
Problems with HR policies.
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Commonwealth, State and Territory Public Services and some Local government agencies have many common working conditions, which are cited in the case studies.

**Redeployment**
All of the organisations researched had a policy of ‘redeployment’. When Public Service employees are given permanent employment, the position they hold may be cancelled owing to changes in the organisation. Such employees are sometimes known as ‘potentially surplus’ and, when given this status, are accorded priority over other employees in filling vacancies. They are not restricted to the department in which they currently work. Redeployment is the term used for re-assigning surplus employees to another job, typically at the same geographic location. Should they not be able to find or fill another vacancy with their current employer, they are eligible for redundancy benefits or to fill vacancies in other government departments under ‘mobility provisions’. If they elect mobility, employees must leave after a specific, unsuccessful waiting time, but they sacrifice the redundancy benefit they would have received. The specific time usually lies between the range six and thirteen months.

For personnel who have worked for the government for only a short time, mobility may be a better option than redundancy because the termination payments are based on length of service and employees sacrifice very little money.

**Fringe benefits and salary sacrifice**
All of the organisations researched offered ‘salary sacrifice’ to some or all of their employees. Employers will pay for employees’ various expenses by deducting a fixed amount agreed with the employee, from equal regular weekly, fortnightly, or monthly salary payments which grosses up to an annual budget. The employer then pays the employees’ bills as they fall due.

Before the 1st April 1986, employers could provide fringe benefits, such as cars, medical insurance, and bill payment to employees, without either party paying tax. For the employer, the only cost of the fringe benefit was the cash amount. For the employee to
receive the same cash amount in salary, that amount would have had to increase by the employee’s marginal tax rate. After 1986, employers had to pay 46% tax on fringe benefits, but this still left a tax advantage for some employees of about 1.7%.

Another advantage of receiving a fringe benefit to the employee was to limit the amount declared on an employee’s group certificate for earnings received and income tax paid. This was because some social security benefits are restricted to earnings below a certain amount and the total earnings of salary and fringe benefits were not declared, thus allowing some employees to be eligible for other benefits. Medicare Levy and Medicare Levy Surcharge could also be avoided, as could the Superannuation Tax Surcharge, which is paid by employees on superannuation savings when they earn above a certain sum. Hiding total earnings can also reduce the amount of maintenance paid by divorcees to their spouses and children.

All of these loopholes were closed when group certificates showed the grossed-up taxable value of fringe benefits exceeding $1000 on June 30th 2000 together with salary received and tax paid. There are still some advantages to receiving fringe benefits, such as fleet discounts for cars and the purchasing power of a company leading to lower prices for goods and services. For salary sacrificed by the employee to pay bills, the advantages would be to ensure cash flow and the smoothing of expenses over salary payments to suit an individual’s annual budget.

For the financial year beginning July 1st 2000, FBT will be taxed at the marginal rate of 48.5%. Employees’ earning less than $60,000 per annum and on a lower tax rate will pay more tax than they otherwise would have done, had they received the cash instead of the benefit.

Flexible working hours
Flexible working hours, flex time or flexitime is a common arrangement with Public Service employees. The policy allows employees to arrange start and stop times to suit themselves within the constraints of core hours in the day, which must be worked. ‘Flex time’ allows some accrual of extra hours to take a day off. The advantage to management is that employees would work extra hours to meet a particular deadline.
without the need for overtime pay. The benefit to employees is that they have freedom of choice of working hours and the ability to take a day off. Usually, the Award sets hours for which no overtime is applicable, for example, from 0630 to 2000 hours. Outside those hours, overtime rates must be paid.

Telecommuting and working from home
The policy allows employees to work from home, sometimes using on-line Information Technology to complete their work, where the employer provides and pays for the computer and the communication line. The advantage to the employer is a reduction in accommodation costs and to the employee a reduction in travel costs and travelling time.

Special or family leave
These leave types permit employees additional paid leave from work to attend funerals, or to look after a sick spouse or child, for example. Special leave is in addition to sick leave and recreation leave. The advantage to employers is to demonstrate to the employee that they understand that family problems are a reality and, thus, win employee loyalty and commitment. Employees, of course, get extra leave.

Gym membership
Organisations sometimes pay for gym membership for their employees. The advantage to the firm is that their employees are healthier, have more energy, and are likely to be more productive. The advantage to employees is to save the cost of paying the membership fees.

Permanent employment
Permanent employment is a classification that equates to job tenure. Permanent employees have access to redeployment and mobility provisions. However, the academic literature does not refer to permanent employment but to secure employment. In this thesis, the term permanent employment has been used in preference to secure employment to avoid differences in interpretation by participants.

Many Public Service employees aspire to permanent employment because it is difficult for management to end the employment without protracted union consultation and a
long notice period. Unions usually vigorously oppose any cancellation of a permanent position.

**Filling vacancies and career ladders**

Senior executive positions are usually advertised both within and external to the organisation. For Award employees, union agreements with management mandate internal advertising first of all and if the vacancy cannot be filled internally, external advertising and appointment is acceptable.

In the case of a requirement to reduce the number of employees in a group, who are employed under the same job description, all employees in the group are made potentially surplus. The position is advertised and the employees apply for the job. The selection process rates employees in order of merit and the employees with the least merit become surplus.

**Employee performance assessment and rewards**

There are many differences between the Commonwealth, State and Local government Public Service. Most, but not all, senior executives and middle managers are formally assessed and may either receive a performance increment to their pay, or a bonus.

Very few Award employees receive a performance increment or a bonus, although many of them have their performance assessed.

Some Award employees can receive an incremental increase within a grade. For example, an Administration Officer Grade Two starts on the lowest pay and receives an incremental increase each year for four years until reaching a maximum pay for that grade. In theory, the increment is not paid unless the employee reaches a particular performance level, although in practice the increment is usually automatic.

**Job swap**

In some Public Service organisations, the notion of a ‘job swap’ is used. When employees are made surplus, they can advertise for a job swap, where another employee with the same job description can elect to take redundancy instead. The former employee then replaces the latter.
**ABBREVIATIONS USED**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACT</td>
<td>Australian Capital Territory</td>
</tr>
<tr>
<td>AMSA</td>
<td>Australian Maritime Safety Authority</td>
</tr>
<tr>
<td>AWA</td>
<td>Australian Workplace Agreement</td>
</tr>
<tr>
<td>CAA</td>
<td>Civil Aviation Authority</td>
</tr>
<tr>
<td>CASA</td>
<td>Civil Aviation Safety Authority</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CIT</td>
<td>Canberra Institute of Technology</td>
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<tr>
<td>EBA</td>
<td>Enterprise Bargaining Agreement</td>
</tr>
<tr>
<td>EMO</td>
<td>Engineering and Maintenance Operations</td>
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<tr>
<td>FBT</td>
<td>Fringe Benefits Tax</td>
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<td>FLM</td>
<td>First Line Manager</td>
</tr>
<tr>
<td>GBE</td>
<td>Government Business Enterprise</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GM</td>
<td>General Manager</td>
</tr>
<tr>
<td>HECS</td>
<td>Higher Education Contribution Scheme</td>
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<tr>
<td>HR</td>
<td>Human Resources</td>
</tr>
<tr>
<td>HRM</td>
<td>Human Resource Management</td>
</tr>
<tr>
<td>IT</td>
<td>Industrial Relations</td>
</tr>
<tr>
<td>IT &amp; T</td>
<td>Information Technology and Telecommunications</td>
</tr>
<tr>
<td>MFO</td>
<td>Managing for Outcomes</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PIC</td>
<td>Performance Improvement Committee</td>
</tr>
<tr>
<td>PP &amp; R</td>
<td>Performance Planning and Review</td>
</tr>
<tr>
<td>SES</td>
<td>Senior Executive Service</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strengths, Weaknesses, Opportunities, Threats</td>
</tr>
<tr>
<td>VET</td>
<td>Vocational and Educational Training</td>
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