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An elusive quest: Effective communications and employee engagement in Australia

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1 Introduction

Effective management-employee communications have long been identified as a key but elusive element in achieving positive employment relations. When effective systems and practices of communication are in place, employees generally feel more engaged in their work and committed to the success of their employing organisation. When communications are poorly handled between management and the workforce, or break down completely, morale will decline and disruptive behaviour or conflict is likely to emerge. Yet there is evidence which suggests that many employers neglect or ignore the importance of maintaining and improving communication with their workforce.

Communications do not occur in a vacuum. Where effective communication practices exist, they are usually part of a broader system of employment relations which pays attention to the needs of employees and the importance of employee engagement. Communication is best when it is a two-way process. At the very least, this ensures that employees are more engaged and managers are better informed about the views of employees when making decisions. Communications can be undertaken directly between management and the workforce as well as through representative bodies such as unions or works councils. These methods are not mutually exclusive and can be usefully combined where appropriate.

Communication processes have become more complex as the nature and structure of the workforce has changed. An increasing proportion of the workforce is employed on a contingent basis and many employees no longer have full time or continuing employment contracts. Hence, communications have become an increasingly nuanced activity within organisations involving a diverse workforce who are on a wide variety of employment arrangements.

2 Linking communication with employee involvement and participation

Communication between management and employees can be viewed within the context of employee involvement and participation in their employing organisation. As shown in Figure 1, Marchington & Wilkinson (1995) have depicted employee involvement and participation in terms of its degree, form and range of subject matters. The degree of involvement and participation depends on the extent to which employees are able to influence decisions about various aspects of management: whether they are informed of changes, consulted or actually make decisions. Simply providing information to employees is depicted as a narrow and shallow form of participation whereas introducing communication and consultation raises participation to a higher level.
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Figure 1: Employee involvement and participation

Although Marchington & Wilkinson characterise information sharing as a rather weak form of participation, it can provide the foundation for an effective system of communication and consultation. Indeed, as noted by Wilkinson & Dundon (2010), organisations are using an increasingly sophisticated array of communication methods to convey to employees the reasons for business decisions, so that they will be more committed to actions taken by the organisation. However, they warn that communication may be ineffective if the line managers who are responsible for disseminating corporate messages lack the necessary training to ensure that they have the required communication skills.

It is not only the management who are in need of more effective communication skills but also the workforce. Studies of employee involvement and participation schemes indicate that if employees and their representative bodies, such as unions, are to play a key role in facilitating change, they require not only to be better informed through communication but also to be provided with the opportunities to exercise greater influence in decisions which affect their work. Research undertaken by Bryson et al. (2013) in the UK indicates that employees are more likely to trust managers and their policies if there is support and involvement of an independent union.

There are significant differences between countries in terms of the legal requirements for organisations to communicate with their workers and to provide them with opportunities to influence decision making. In the European Union, for example, there are specific provisions about the rights of employees and unions to be informed and consulted about certain workplace issues. By contrast, Anglo-Saxon countries with a common law tradition place less emphasis on statutory provisions and tend to leave it to the discretion of employers as to how much they will share information and consult with their employees (Lansbury & Wailes 2008).

3 Communication through direct and indirect forms of participation

A distinction can be made between direct and indirect forms of employee participation, which has implications for the way in which management-employee communications are conducted (Marchington & Suter 2013). Indirect forms of participation typically occur where employees are represented by their co-workers or union representatives in formal bodies, such as joint consultative
committees or works councils. Direct forms of participation occur when employees are personally involved in activities within the enterprise, such as problem solving teams. The latter is more informal than the former and has become more prevalent in organisations in the English speaking countries, particularly in North America, during the past two decades (Freeman, Boxall & Haynes 2007).

One of the most well-known examples of indirect forms of participation is the German ‘dual’ system of employee representation where unions negotiate wages at the industry or sectoral level while work councils deal with non wage matters involving working conditions at the workplace or enterprise level. Under the German system of co-determination, employers are obliged to provide employees and their unions with a range of information concerning the enterprise and to consult with them on various workplace matters (Gumbrell-McCormack & Hyman 2010).

In recent decades, there has been a growing interest in direct forms of participation, particularly among employers. Boxall et al. (2007: 215) note that:

> Quality circles and other forms of group problem solving have become commonplace in the Anglo-American world. These management driven forms of involvement are designed to serve employer goals of improved productivity and flexibility. However, our data suggests that they increasingly meet the desire of workers to be involved in the things that relate most directly to them.

Employers stress the importance of direct communications with employees as a means of increasing their understanding and commitment to the organisation’s goals. In order for initiatives such as quality circles, total quality management and Six Sigma to be effective, management has to communicate more information to employees and provide more opportunities for involvement in decision-making. Although this does not challenge managerial prerogatives or authority to introduce changes, employees who gain more information about strategic decisions may question the directions taken by management particularly if such information reveals deficiencies in the organisation.

Direct and indirect forms of participation can co-exist and complement each other. While the institutional framework of employment relations will determine to a large degree what choices are available to employers in how they wish to involve their workforce in decision making, there is a high level of discretion available to the parties in most market economies. Hence, while there are requirements for organisations above a certain size in Germany to adhere to the law on co-determination, and to establish works councils where employees request them, the use of direct forms of participation is widespread. As noted by Wilkinson & Dundon (2010: 172), how employers choose between different strategies in relation to employee involvement is not always clear or rational:

> A simple model of managerial choice may not be so straightforward in reality. It is possible that regulatory rules and laws mean employers do things for the good of employees that they would otherwise neglect. Choice may also be constrained by management styles, worker or union actions, as well as the firm’s cultural and historic legacies.

### 4 Employee engagement and high performance work systems

The term ‘employee engagement’ has become increasingly popular in management and policy fields. In the UK, the Blair Labour government commissioned the MacLeod Report (the Report) to inquire how business performance and innovation could be improved in British industry. The Report focused on employee engagement, which it defined as:

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1 Six Sigma is a set of techniques for improving quality and minimising variability in manufacturing and business processes (Pyzdek & Keller 2009).
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[A] workplace approach designed to ensure that employees are committed to their organisation’s goals and values, motivated to contribute to their organisation’s success and are able, at the same time, to enhance their own sense of well being’ (MacLeod and Clarke 2009: 9).

The Report amassed a great deal of evidence which showed that employee engagement brought substantial competitive advantages and return on investment to those organisations which practised it. A key ingredient was ‘an effective and empowered employee voice (whereby) employees’ views are sought out, they are listened to and see that their opinions count and make a difference’ (McLeod and Clarke 2009: 75)

An employee’s involvement with and commitment to work is a key factor in employee retention. Employee engagement has become a focal point for organisations seeking to retain high value employees such as knowledge workers whose services are in high demand and who are difficult to replace. Among the key enablers or drivers of employee engagement which were identified by McLeod and Clarke (2009: 74–117) were: effective internal employee communications, regular feedback and dialogue with superiors, clarity of job expectations, the quality of working relationships with others and opportunities for career advancement.

A prominent British academic, David Guest (2013), has questioned whether employee engagement will turn out to be ‘just another passing management fad’. Guest raises concerns about the lack of evidence to demonstrate a clear link between employee engagement and improved organisational performance as well as the absence of a coherent set of practices to enhance employee engagement. However, Guest argues that if work engagement enhances employees well being, then it could generate a benevolent spiral that results in improved organisational performance.

A related concept, which has been prevalent in the organisational literature for at least a decade, is high performance work systems or high involvement work systems. These terms are generally applied interchangeably to organisations in which there is greater flexibility, cooperation between employees and management and employee involvement in decision making (Procter 2008). Interest in these types of work systems emerged with the success of Japanese companies in the manufacturing industry which utilised techniques such as quality circles, just-in-time inventories and flexible, team-based production. A key element of these work systems was communication between management and employees in order to increase employee involvement in task-related decision making and the upgrading of employees skills in order to undertake these responsibilities.

An emphasis on high performance and high involvement work systems emerged with the advent of advanced technology which required more sophisticated skills among the workforce and greater autonomy in decision making. Although these systems originated in the manufacturing sector, they spread to the service sector as workers in all industries needed to exercise higher levels of skill and judgement and to be more innovative. Professional service firms, banks, hospitals, educational institutions are all requiring more engaged and skilled personnel than previously. Effective systems of communication are critical for such organisations to function.

Applebaum et al. (2000) compared traditional production systems in a variety of industries with flexible high performance production systems involving teams, training and incentive pay systems. In all three industries encompassed by their research project, the plants utilising high employee involvement practices achieved superior performance. Furthermore, workers in the high involvement plants exhibited more engagement and positive attitudes, including: trust, organisational commitment and intrinsic enjoyment with their work. This supports evidence for the argument that employee engagement and high performance work systems are closely inter-related and are underpinned by effective systems of communication.
Yet despite the evidence that employee engagement, through communication and involvement, pays dividends for employers, high performance work systems remain unutilised by many organisations. In the US, according to Kochan (2006: 16):

Research has demonstrated that those companies that invest in their human resources and become knowledge-based organisations can reap a return through higher levels of productivity, service quality and profitability.

Kochan cites the example of the giant health services company, Kaiser Permanente. The company, which has instituted a forum for top executives to meet periodically with union leaders to tackle budget crises together, find cost savings and productivity improvements without layoffs which management could not have achieved on their own (Kochan et al. 2009).

5 Employee communication, involvement and engagement in Australia.

It is difficult to assess the degree to which these practices currently exist in Australian enterprises. Data from the second Australian Workplace Industrial Relations Survey (AWIRS)\(^2\) in 1995 revealed that just under half of Australia's workplaces reported some form of direct participation, such as team-building and total quality management. When managers were asked whether they had consulted staff about important changes that affected their workplaces during the previous year, only 29 per cent responded positively and only 18 per cent said that employees had a significant input into decision-making (Morehead et al. 1997: 244).

Governments generally provide a framework for the conduct of employment relations through a combination of legislative provisions as well as labour market institutions. They may also support certain employment relations practices that promote effective employment relations. Issues such as management-employee communications and employee participation or engagement tend to be seen as subsidiary activities rather than ones which require legislation or direct involvement by government. However, Bray (2013: 6) and Macneil, Haworth & Rasmussen (2011: 2813) indicate that government can use either 'soft' or 'hard' forms of legislation to promote employment practices, such as improved workplace cooperation between management and employees. ‘Hard regulation’ may be illustrated by the use of the law to establish employee rights (such as access to certain information) or to compel employers to ‘variously inform, discuss, consult or bargain with employees and/or their independent representative organisations’. By contrast, ‘soft regulation’ usually involves non-binding initiatives to support cooperative behaviour through the provision of grants or financial incentives, provision of training and advice and other forms of encouragement.

Neither Labor nor Conservative governments in Australia have sought to use legislation to require employers to communicate or consult with employees. However, successive Labor governments have supported greater cooperation between employers and unions through consultation at the enterprise level and the promotion of ‘best practice’ initiatives by the industrial parties. The Hawke Labor government used its Accord with the trade union movement to encourage various forms of employee involvement and participation but stopped short of legislating on this issue. The Howard Coalition government used legislation through ‘Work Choices’ to curtail the activities of unions but promoted the concept of the new ‘enterprise worker’ and encouraged employers to engage in a ‘continuous process of cooperation and commitment to implementing change’ (Howard 2005: 80). The recent Gillard Labor government argued that it was building a ‘productive new workplace relations system based on

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\(^2\) Though in some respects, not a direct successor to the two AWIRS studies, the Fair Work Commission is currently undertaking the Australian Workplace Relations Study (AWRS) which contains questions about employee engagement. More information about AWRS is available at the Commission’s website: [http://www.fwc.gov.au/index.cfm?pagename=adminstudy](http://www.fwc.gov.au/index.cfm?pagename=adminstudy)
promoting consultation and cooperation at the enterprise level’ but did not introduce any comprehensive programs to achieve these objectives (Gillard 2009).

Employer groups have not supported legislative approaches to foster employee involvement or engagement but in 2007 the Australian Mines and Minerals Association (AMMA) issued a guide for employers in the resources industry entitled ‘Workplace Improvement Through Employee Engagement’ (AMMA 2007). In this document, AMMA contended that ‘if conditions of trust and employee engagement can be established, rapid improvement in performance can occur’ (AMMA 2007: 12).

6 Innovative practices in employee communication and engagement in Australian enterprises

There are some examples of cooperative relationships between employers, employees and their unions within Australia where effective employee communications and engagement can be found. Two such cases are an Australian-owned machine tool manufacturer and a German owned multinational lighting company, both of which have achieved long standing success with their products.

ANCA is a privately-owned Australian company which has designed and manufactured precision, computer-controlled industrial machines for almost 40 years in Victoria and exports almost all of its products overseas, principally to Asia, North America and Europe. ANCA has more than 850 employees, 75 per cent of whom are employed in Australia. Most of ANCA’s employees are tradespeople, technicians and engineers, although it also employs customer service and sales staff overseas. ANCA invests at least 10 per cent of its annual sales in research and development.

Most of the tradespeople are members of the AMWU which negotiates the enterprise bargaining agreement on their behalf. Both management and union delegates at ANCA emphasize the role that communication and employee engagement plays in the company’s success. According to the senior AMWU delegate, Noel Mitchell, who has been with the company for over 20 years ‘lots of ideas from the floor filter back up to the engineers, designs can be redeveloped, then tested again with savings made. Our emphasis is to evolve a design to get the right outcome’ (AMWU 2013: 4).

While the main location of ANCA’S operations is in Australia, it has recently completed a new technology centre in Germany. According to the Managing Director, Grant Anderson ‘hierarchical or top-down styles (cannot be applied) in the world today…. Lean manufacturing means team-based organisations working together for an outcome’ (AMWU 2013: 4). One of the joint founders and owners of ANCA, Pat Boland, also emphasizes that for the company to succeed in overseas markets, it must be regarded as equal to or better than the local manufacturers, especially in highly sophisticated markets such as the US and Germany.

Hella Australia is a privately owned German company which is among the top 59 automotive parts suppliers in the world. Hella has operated in Australia for over 60 years and produced high end lighting products not only for the automotive sector but also for the mining and maritime industries. The decline and closure of automotive assembly plants in Australia will provide a major problem for Hella but it has established a Centre of Excellence in lighting for the mining industry and hopes to diversify it production in the future and expand its exports to Asia.

Hella employs over 350 people in its Australian operations, mainly in Melbourne. The global financial crisis was a catalyst for the management and workforce to collaborate on creating a more diversified business in Australia. Most of its production employees belong to one of two main unions. According to Ian Davis, a union delegate ‘we have an excellent forum to raise issues with management every
three weeks. It is an open and transparent (process) and we share the same goals to keep this company competitive’ (AMWU 2013:4).

The Chief Executive, Olavi Rantella, from Finland, regularly meets with groups of 30 employees at a time each quarter to discuss performance and profitability information. According to the General Manager, Markus Spindler, ‘our aim is to involve our wider workforce from a very early stage of development through design and development so that we can get feedback’ (AMWU 2013: 4).

These two companies provide examples of how medium sized manufacturing operations in Australia can achieve international levels of excellence with the cooperation and involvement of their workforce, by means of effective communication and engagement. It is significant that in both cases, the union representing the workforce have been a key ingredient in the success of the enterprise.

7 Integrating employee communication and engagement within enterprise bargaining

Under the Fair Work Act (sections 186 and 205), parties are required to include consultation and dispute resolution clauses in enterprise bargaining agreements. All modern awards contain consultation provisions in relation to the introduction of major changes in the workplace. The Fair Work Act requires that consultation provisions (either the model clause or a customised one) are included in all enterprise bargaining agreements. In 2013, section 145A was introduced through the Fair Work Amendment Act, and provides that modern awards must also include terms requiring employees to consult with their employees about a change to their roster or ordinary hours of work. There are also various other consultation and employee engagement requirements imposed by the Fair Work Act, whether or not an award or enterprise bargaining agreement applies, as in relation to requests for flexible work arrangements. There are also statutory requirements imposed by State and Federal legislation in relation to occupational health and safety.

An example of how communication and related issues may be integrated within an enterprise bargaining agreement is provided by an enterprise agreement in 2012 covering employees in the Australian Institute of Family Studies. In the preamble to the agreement, the employer notes that it is ‘committed to establishing and maintaining means of communicating and consulting with its employees and, where they choose, their representatives on matters that may or will affect them in the workplace’.

The enterprise bargaining agreement spells out what kind of information must be communicated to the employees and their representatives by the management. The employer agrees to provide:

[A]ll relevant information in a timely manner about proposed changes that may or will impact on employees and/or their employment, keep employees informed of progress and the possible impact on employees of changes to organisational structure, technology, the composition, operation, size or location of the workforce, or required workplace capabilities.

The agreement also spells out what is meant by ‘significant effects of major changes’ and obliges the Director of the organisation to inform and consult with employees where changes are likely to result in the following effects:

- Termination of employment.
- Major changes in the composition, operation or size of the workforce or in the skills required.
- The elimination or diminution of job opportunities, promotion opportunities or job tenure.
- Significant alteration in hours of work.
• The need to retrain workers.
• The need to reallocate employees to another workplace.
• The major restructuring of jobs.

The agreement also requires the establishment of a Workplace Relations Committee to be chaired by the Director or a delegate and comprising representatives nominated or elected by employees (three positions), the union (one position) and the Director (three representatives). The Committee has primary responsibility for monitoring the implementation of the agreement and must meet at least quarterly. Management is required to provide relevant information and explanation and to consult with the committee.

A major employer association in the private sector is the Australian Mines and Metals Association (AMMA). Although AMMA is on the record as advocating direct engagement between employers and their employees, in 2007, AMMA issued a joint report with the Australian government’s Workplace Authority, entitled ‘Workplace Improvement Through Employee Engagement’ which noted that ‘improved business interests can also be created by promoting the mutual interests of union members and the company’ and added that ‘a business model (can be) based on union and management cooperation (which) recognises a role for the union in communication, consultation, dispute resolution and in the design of key people systems’ (AMMA 2007: 17).

However, if enterprise bargaining agreements are to promote genuine communication and employee involvement they need to ensure that employee engagement and participation is integrated into normal operational activities within organisations. Management needs to involve all levels of employees, including union delegates, in the discussion and implementation of changes in order to gain their full cooperation and engagement. Communication is often regarded as part of the public relations function of an enterprise rather than an integral part of employment relations and effective organisational management.

8 Strategies for effective communications and employee engagement

The imperative for improving communications strategies within organisations often occurs during an economic downturn or crisis when pressure builds on top management to arrest the decline in profits and prevent an exodus of highly valued employees to other employers.

A number of strategies have been found to be effective in improving communications in order to maintain or create better employment relations, as follows:

• Undertake an audit of communications within the organisation:
  This can enable an organisation to ascertain which practices are working and those that are not. A variety of methods can be useful, including interviews or surveys of employees, focus groups and workplace observation. On the basis of these findings, the organisation can reassess its strategies, activities and programs

• Create a well-designed and confidential system for employees to convey their concerns and suggestions to management:
  What kind of system is best suited to an organisation depends on its internal culture and previous history with different approaches. Examples include face to face and group meetings, employee surveys, blogs and social media. The main purpose is to provide employees with an authentic means by which they can express their opinions and feel that their voice is being heard.

• Establish guidelines for an effective employee suggestion program:
Suggestion schemes which merely become outlets for complaints are rarely effective. Guidelines are necessary to indicate which topics are open for suggestions. Typically these will include issues such as methods for improving productivity, processes and cost savings. It should be clear how suggestions will be evaluated, actions taken and rewards allocated, if this is applicable.

- Provide opportunities for employees to interact with the leadership team:

It has been demonstrated that when employees have the opportunity to meet and raise issues directly with organisational leaders, they will be more engaged and committed to the organisation and work harder to achieve organisational goals. Direct communication between the leadership and employees of an organisation contributes strongly to positive employment relations.

9 Conclusions

The types of communication, employee involvement and participation practised in Australian enterprises need to be broadened and deepened. While there appears to be little current enthusiasm by governments, employers or even trade unions to legislate for formal systems of information and consultation between management and employees, there have been recent changes to the Fair Work Act (s.145A) which formalises employer-employee consultation. The British approach, under the Blair Labour government, to promote greater partnership between employees, unions and management has not gained widespread support in Australia (Mitchell & O'Donnell 2007; Townsend et al. 2013), yet there are some innovative approaches to employee engagement. But if these are to be more than isolated examples, they need to be diffused to a broader range of organisations.

This paper has reviewed the evidence from a number of countries that improving management-employee communications and providing greater opportunities for employee participation and engagement of the workforce will create more productive workplaces and facilitate positive employment relations. Yet this remains an elusive quest. Where there are high levels of communication and participation, positive outcomes are reflected in strong employee engagement and high staff retention rates. Enterprise bargaining agreements which integrate employee communication, consultation and engagement facilitate cooperative employment relations. Strategies exist for developing effective communication between management and employees. Both ‘hard’ and ‘soft’ regulatory approaches can be used to facilitate greater information sharing, communication and employee participation, but greater diffusion of successful examples are needed to encourage progress in this field.
References


