

Working Paper

**Broadening the Horizons of HRM:
Lessons for Australia from Experience of the United States***

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This paper provides commentary on MIT Workplace Center working paper #WPC00013 by Thomas A. Kochan, **Restoring Trust in the Human Resource Management Profession. This paper also appeared in the **Asia Pacific Journal of Human Resources**. 2004. 42: 132-146.*

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Challenges Facing the Human Resource Profession in the U.S.

The paper by Thomas Kochan (#WPC00013) highlights a number of significant challenges facing the Human Resource (HR) profession in the United States. This may come as a surprise to some who look to the US as an exemplar of best practice in HR. However, Kochan highlights the discrepancies which exist between the ‘best’ and ‘worst’ practices in many US-based corporations and the high levels of dissatisfaction that many Americans feel with their employers. In 2003, he notes, the authoritative Conference Board national surveys revealed that fewer than half of the respondents were satisfied with their jobs and less than 40 per cent were satisfied with their wages, health insurance, or pensions. Corporate scandals in the US in recent years have eroded the faith which many American workers may have hitherto placed in big business. This has accompanied a breakdown in the implicit social contract whereby employees believed that loyalty and hard work would be rewarded with long-term employment and financial security. Instead, many American workers have experienced not only the loss of their jobs but also their pension savings and other entitlements as companies have collapsed under the weight of malpractice by senior executives. Governments in the US have been reluctant to intervene or assist those who are displaced and financially crippled by corporate failures.

While Kochan does not hold HR executives responsible for all the problems which have beset corporate America, he argues that many have acted as ‘perfect agents’ for chief executives and ignored the excesses of management, such as inflated executive compensation packages, and the failure of corporations to act in a socially responsible manner. This, in turn, has led to a loss of legitimacy by the HR function and a crisis of trust among workers in HR practitioners as being either willing or able to safeguard their interests. This is despite the fact that HR has been portrayed by some US corporations as replacing the unions as advocates for employees’ welfare. Kochan argues that unless the HR profession is able to redefine its role and create a new identity, it will fail to achieve legitimacy either within or outside the corporation. Kochan advocates that the next generation of HR practitioners need to become more externally focused and build new alliances beyond the corporation (e.g. with community groups), become more transparent or honest in the way that they deliver and communicate HR policies, and develop more sustainable HR practices. Kochan cites as a major challenge for HR as ‘the dual agenda’ of achieving a greater balance between work and non-work activities. The HR profession can play a productive role if it helps to build knowledge-based work systems which will allow all people to utilise their skills at work and not just the elite ‘knowledge workers’ to flourish. HR practitioners also need to broaden their own skills base by collaborating with educators and becoming involved in curriculum development.

The Australian HR Profession

The issues raised by Kochan are highly relevant to Australia. Like the US, Australia has experienced a buoyant economy over the past decade or so in which strong economic growth has been accompanied by relatively low inflation, stable levels of unemployment and low levels of industrial disputation. This has been a rather benign environment in which the HR profession has flourished. A new generation of HR practitioners have proclaimed that they are engaged in more 'strategic' areas of management than the rather low level, routine functions performed by their predecessors in 'personnel administration'. The 'new HR' eschews interest in industrial relations or engaging in negotiations with unions on the grounds that the level of unionisation has fallen to less than 25 per cent of the workforce and the unions have become quiescent. Yet researchers point to a number of emerging problems in the workplace which many HR practitioners have chosen to ignore, particularly those concerning greater equity between employees and their employers.

Today's Australian Worker

Australians who are in full-time jobs are generally working longer and more intensively than previously, and many have less secure jobs than in the past. Much of the growth in employment over the past decade has been in jobs which are casual and part-time or for a limited duration. Australia currently has one of the highest proportion of 'a-typical' or non-full time employees in its labour force in the industrialised world. A more decentralised regulatory system of work and employment relations has removed many of the safeguards and protections for workers which existed under the previous system of awards and collective agreements (ACIRRT, 1999; Zappala, 2002). There is also evidence that people are working harder and more intensively. The Australian Workplace Industrial Relations Survey (AWIRS) in the mid 1990s revealed that approximately half of the workforce reported increases over the past 12 months in work effort, the pace of work and stress levels (Morehead et al., 1997). Extended working hours have been shown to have health and safety risks for individuals (Dawson et al., 2001) as well as negative effects on family relationships, children and communities (Pocock, 2001). Long hours lead to fatigue, stress and undermine social relationships, particularly when they are irregular, unpredictable and workers are poorly paid. Workers' compensation data in NSW show that stress claims were the fastest growing and largest single cause of occupational disease during the 1990s, particularly among white-collar workers (Watson et al., 2003: 97).

These issues, however, have not been high on the list of HR management agendas, which have tended to focus more internally on finding a better 'fit' between the behaviour of the

workforce and the organisation's business objectives. Yet the evidence in Australia suggests that HR managers are perceived by workers as 'often lacking the knowledge, skills, influence and credibility ... to implement a more strategic HRM program' (Kane et al., 1999: 511).

The Changing Nature of the “Social Contract at Work”

Another issue, which strikes a chord in Australia, is the changing nature of the 'social contract at work', which Kochan defines as 'the mutual expectations and obligations that employers, employees and society at large has for work and employment relationships ... it is a set of norms that holds us all accountable for adding value at work and providing work that is a productive, meaningful life experience (Kochan, 1999).

If an implicit social contract provides the essential ingredient of trust and sense of mutual obligation between employers and employees in the workplace, then it needs to be 'reinvented' and HR should play an important role.

Although the old social contract may

no longer be viable, given the nature of the modern economy and workforce, Kochan is critical of HR professionals as having 'lost any credibility as stewards of the social contract because [they have] lost their ability to seriously challenge or offer an independent perspective on the policies and practices of the firm'. This criticism equally applies to HR professionals in Australia. Three pillars on which a 'new social contract' could be established include work and family policies, investment in human capital through skills development and providing adequate retirement programs. These all require cooperation between government, employers and unions, and a broad range of interest groups need to be involved in order to find long-term solutions (see Lansbury, 2004). HR professionals need more outward-looking perspectives in order to make a valuable contribution to policy development in these areas.

Integrating Work and Family Needs

The need to achieve a better balance or integration between work and family needs and responsibilities is highlighted by Kochan as one of the key issues facing policy makers and HR professionals in the US. While many firms in the US claim to be implementing family-friendly policies in the workplace, entrenched organisational practices make this difficult to achieve. The HR profession in the US has opposed legislative reforms to introduce paid maternity leave, so that the US and Australia continue to share the ignominy of being the only two industrialised countries which lack paid family leave policy. In Australia, the issue of work and family has been a casualty of the shift towards enterprise bargaining without the safeguards provided by the previous award-based system (MacDermott, 1998). A number of award-based employment arrangements have been eroded by leave being 'traded-off' by workers for monetary inducements

offered by employers in enterprise agreements. These include maternity and paternity leave, leave for family purposes as well as annual leave and sick leave. The Howard government has been reluctant to intervene in order to preserve workers' rights in these matters, insisting that entitlements like paid maternity leave be resolved at the organisational level through bargaining or managerial discretion rather than through legislative fiat. The result is that Australian women (and their families) suffer one of the most limited rights to paid maternity leave among the OECD countries (Baird, 1999; 2003).

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Paid maternity leave is one area where Australian human resource managers could directly impact on organisational policy, and in some cases they have. For example at Holden Ltd and The Australian Catholic University innovative and pace-setting paid maternity leave company policies have been introduced. Unfortunately, however, these organisations remain the exception rather than the rule, and still almost 60 per cent of Australian workplaces do not provide paid maternity leave for female employees. On the whole, it is the union movement that has tended to take the lead on work and family and to push these issues in the political and public arenas. Paid maternity leave, however, is only one aspect of the broader and more complex work and family dilemma that confronts contemporary organisational life. Kochan points out that in US organisations there is a growing need to reconcile efficiency, production and performance objectives with employee needs to balance work and personal life. This is also a real tension in Australia, and while current research indicates that family-friendly, diversity and work-life policies are reasonably widespread, the adoption of these policies is hindered by traditional, gendered work processes, organisational norms and structures (Gray and Tudball 2003; de Cieri *et al* 2002). Rapoport *et al* (2002) and Bailyn and Fletcher (2003) argue that a 'dual agenda' approach to change is required to address these tensions; tensions which have their roots in the traditional separation between the economic and social spheres of life, where the corporation and men dominated the economic sphere and family and women dominated the social sphere (Watson *et al* 2002). Yet in Australia, as in the United States, major demographic, educational and social shifts have resulted in significant increases in female participation rates and decreases in male participation rates, meaning that the traditional separation between home and work can no longer be sustained. The increasing feminization of the human resource profession in Australia is one illustration of these changes. For example, in 2003 female membership of the Australian Human Resources Institute (AHRI) stood at 62 per cent, but in 1980 females represented just 20 per cent of AHRI's predecessor, the Institute of Personnel Management. Given HR's place in

organisations and this new gender profile, it is hoped that HR managers would be in a position to recognize and act on the tensions between home and work.

Safeguarding Human Capital

The importance of building a 'knowledge economy' and translating this rhetoric into tangible benefits for the economy and society is cited by Kochan as a defining task for contemporary and future HR professionals. However, in the US, knowledge work is at risk of being outsourced to independent contractors or sent off-shore to lower cost economies. According to Kochan, it is one of HR's responsibilities to ensure that human capital is safeguarded as a critical resource and strategic asset to organisations. Similar trends are evident in Australia where the entitlements of citizens to education and training have been undermined by successive governments which appear to have abandoned previous commitments to active labour market training programs. With privatisation, outsourcing and the rationalising of services, governments no longer provide the number of skilled trades apprenticeships which were previously regarded as a 'public good' and made an important contribution to building Australia's base of human capital. Private sector employers have long been reluctant to contribute to the cost of training and regarded it as something which should be provided by government. Kochan notes a similar trend in the US where 'individual firms will under-invest in training if their competitors are not contributing to their fair share of the workforce development process', but he argues that 'it falls on the shoulders of HR to ensure that those most concerned about labour as a cost do not drown out investments and organisational policies most needed to ensure the asset side of labour is fully developed and utilised'.

Human resource professionals in Australia have been generally quiescent in regard to public policy issues concerning training and skills development at a national level preferring to leave these matters to interest groups and to focus on the enterprise level. Yet industry representatives regularly complain about skill shortages – especially in critical areas of the economy such as building and construction, mining and manufacturing. Although the Federal government has expanded shorter traineeships under the title 'new apprenticeships' independent researchers have been critical of the quality of work and training provided by these schemes (Cully & Curtin, 2001). Furthermore, the 'reforms' in skill formation have been accompanied by stagnant financial contributions by employers (Hall et al., 2002; Cully & Richardson, 2002). While there has been an increase in the proportion of the workforce gaining access to some form of minimal training, the actual hours of training has declined as short-term traineeships replace traditional apprenticeships which extended over a period of years and included both on-the-job and class room training. The main form of training currently reported by employers is

‘unstructured’ which includes ‘showing or explaining how to perform a task on-the-job as the need arises’ or ‘acquiring knowledge/skills relevant to performing a job through group discussion’ (Watson et al., 2003: 157-8).

Despite decades of criticism and calls for

fundamental reform of skills development in Australia, the system continues to produce sub-standard qualifications which are ‘tickets to nowhere’ (Gilmour & Lansbury, 1978). Australia is simply not keeping up with the level and quality of training provided by most other advanced industrialised economies for their citizens (see Lansbury & Pickersgill, 2002). By remaining largely silent on these important national issues, HR professionals have lost credibility and influence in the debate about training and skills development at the national level.

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The Aging Australian Population

Unlike the US, where pensions have been largely regarded as the responsibility of individual workers or their union to negotiate with the employer, Australians have traditionally looked to government to provide adequate retirement incomes. One of the major initiatives by the previous Hawke and Keating Labor governments and the ACTU, through the Accords, was to boost retirement incomes through the superannuation guarantee contribution. In a series of national wage cases throughout the 1980s until the mid 1990s, unions agreed to forego wage increases in exchange for greater superannuation payments by employers. This was partly to redress the inadequacy of the aged pension which provides an income of only 25 per cent of average weekly earnings and is received at the full rate by less than half of people aged 65 years and over. Although superannuation coverage has been greatly extended as a result of the initiatives by labor and the union movement; only 71 per cent of women and 78 per cent of men had superannuation accounts in 2000, and many of these were for small and inadequate amounts. Many groups fare poorly in terms of superannuation: the unemployed, those in casual jobs and low income earners. Many women have very little superannuation as a result of taking career breaks to raise families and being in predominantly casual or part-time employment (Jefferson & Preston, 2003). The Australian Bankers Association have noted that ‘there is a significant gap between the aspirations [and expectations] of Australians for their standard of living in retirement and what the present system will actually deliver. Australians will achieve lower outcomes than in comparable OECD countries’ (evidence to Senate Select Committee on Superannuation, 2002: 15). The voice of HR professionals have also been absent from the superannuation debate both at the national and industry level, where representatives of finance and insurance bodies have been

the main participants, together with trade unions and community organisations who have sought to advance the interests of workers and their families.

One of the crucial issues facing the Australian community is the ‘greying’ of the population. This has major human resource implications yet has received little attention from the HR profession. The Australian Treasury’s *Intergenerational Report 2002* warned of a ‘blowout in demographic spending’ by an ageing society both in terms of aged pensions and increased health spending (Dowrick & McDonald, 2002). The Howard government has responded by urging Australians to work beyond the current average retirement age and introduced the pension bonus system in 1998 to encourage people to continue in paid work and defer receipt of the aged pension. The government also rejected recommendations of the Senate Inquiry in 2000 that the superannuation guarantee contribution by employers be raised from 9 to 15 per cent. Yet this is another indicator that many of the assumptions which people had about work and retirement are no longer valid and that the expectation of economic security in old age provided by either the employer or the government will not apply in the future. For the HR professional, this means that the workforce of the future is likely to be older and that jobs will need to be redesigned to adapt to the capacities of an ageing population. These are issues in which the HR profession has yet to become seriously engaged.

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Conclusion

In conclusion, Kochan argued that in the US the HR profession must redefine its values and identity, either through evolution or a new generation of practitioners, if it is to meet the substantive challenges facing organisations and society. It must be accountable for building an employment system which will be judged as fair and equitable by all the stakeholders involved. This message is highly relevant for HR professionals in Australia. In a report on economic development in Asia, the World Bank described the requirement to create a ‘virtuous circle’ comprising an external orientation, economic stability and commitment to the development of human resources (Birdsall & Sabot, 1995). While Australia has been fortunate to achieve economic stability in recent times, it has not paid sufficient attention to the development of human capital and a skilled, education nation. Australia faces a choice between two broad paths to achieve international competitiveness: either a high skill/high value-added/high wage economy or a low

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skill/low value-added and low wage approach. Clearly the only acceptable option is the former. But this will require a combination of policies by both government and business. If the government facilitates investment in skills and education, new industries, research and development, then the economy will have the social and intellectual infrastructure needed to attract investment by business. HR professionals have an important role to play not only at the enterprise level in stimulating and guiding interest in these areas but it also in generating debate at the industry and national levels.

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Other Publications from the MIT Workplace Center

Workforce Issues in the Greater Boston Health Care Industry: Implications for Work and Family,
Mona Harrington, Ann Bookman, Lotte Bailyn, and Thomas A. Kochan (#WPC0001)

Enhancing Patient Care Through Enhancing Employee Voice: Reflections on the Scanlon Plan at Boston's Beth Israel Medical Center,
Mitchell T. Rabkin, MD and Laura Avakian (#WPC0002)

An Employment Policy Agenda for Working Families,
Thomas A. Kochan (#WPC0003)

Work Redesign: Theory, Practice, and Possibility,
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Restoring Trust in the Human Resource Management Profession
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Broadening the Horizons of HRM: Lessons for Australia from Experience of the United States
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(#WPC0014 [This paper provides commentary on MIT Workplace Center Working Paper #WPC00013 by Thomas A. Kochan, *Restoring Trust in the Human Resource Mgmt. Profession.*])

Work-Family Council Initiative Working Paper Series – The State of Working Families in Massachusetts
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Teaching Cases

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