

HAWKESBURY CITY COUNCIL

BUSINESS PAPER

SPECIAL MEETING - 19TH AUGUST, 1992

TOWN CLERK/GENERAL MANAGER'S REPORT

SPECIAL MEETING - 19TH AUGUST, 1992

Mayor and Aldermen,

1. ORGANISATIONAL RESTRUCTURE - AWARD RESTRUCTURING. GO40/5 PT1

Summary

In an increasingly competitive world, there has been a need to address and reshape industrial relations and organisational structures. This review has been necessary to ensure that Australia prospers, including Local Government. In industrial relations there is a need to develop employee relations focus where emphasis is on developing the relationship between people in the organisation;

- to ensure efficiency, productivity and commitment
- to ensure employees are properly rewarded
- for work that is satisfying and challenging.

This approach stands in marked contrast to the traditional industrial relations focus on relationships between employees and unions and between employer associations and the parent union bodies.

During this decade we will be facing a highly competitive market with dramatic changes (already seen in a changing political social and economic world) that must be market orientated.

From staff we want commitment not control in the workplace, with this commitment coming from having secure and satisfying jobs. This does not mean absolute security, irrespective of individual performance or the realities of a competitive market place.

The Chairman of the Sony Corporation has observed:

"business does not start out with the entrepreneur organising the company using the worker as a tool. He starts a company and hires

personnel to realise his idea, but once he hires employees he must regard them as colleagues or helpers, not as tools for making profits."

The flattened organisational structure together with the award restructuring will lead to job satisfaction. Job satisfaction develops where people have control over their jobs, where they have freedom to act and the ability to influence their working environment. Interesting to note, the Toyota Motor Corporation in Japan, processes 5,000 suggestions a week from their workforce, most of them from the shop floor on ways to improve production and the product. Over 90% of them are implemented.

There are major challenges facing Local Government, a lot of which can be met by implementing award and organisational changes, that include:

- Need to change assumption about employees from low trust and high control to realisation that most employees desire opportunities to make a position contribution and, management structures need to become flatter and more flexible to emphasise co-ordination rather than control.

There are four fundamental changes that need to take place in the work environment.

- From jobs to careers
- From narrow skills to multi-skilling
- From control to commitment
- From a divided workforce to single status employment.

If these changes are made, then there will be an even more fundamental shift from a short term to a long term perspective.

This report sets out the significant benefits to the Council and the community it serves, of the implementation of award and organisational change and the resulting quality of service that will be received by the customers.

IT IS RECOMMENDED THAT the report including the implementation for the organisational restructure and award restructuring be adopted.

G.M. McCully
Town Clerk/General Manager

Introduction

The Council, in September last year, adopted recommendations in a report based on a review of the staff organisational structure. This would see a flattened organisation established in five divisions (managed by Divisional Managers) on a functional basis with Branch Managers being appointed to manage individual programmes.

The structure was seen as being conducive to greater productivity in the delivery of agreed works and services and in doing so, sought greater accountability and increased flexibility (it being recognised these are not mutually exclusive) with shorter chains of command/communication and smaller spans of control/direction; and economies of operation and efficiency.

Reasons for Change

The sweeping changes taking place in industrial relations over recent years have never been seen previously in this country's history. This has coincided with significant social, economic and political changes, not only in Australia, but throughout the rest of the world.

Since the mid 1980's the fragile economy of Australia has been painfully obvious as gross domestic product has slipped backwards, domestic demand and business investment has declined and unemployment has risen and is expected to rise still further. A positive development in this otherwise gloomy period has been the growing determination of organisations in both the public and private sectors to become more efficient. While there have been differences in approach, a series of landmark decisions by the Australian Industrial Relations Commission have linked wage increases to measures designed to improve efficiency and performances in the workplace.

The old divisions between blue and white collar workers, permanent and contract employees, managers and subordinates, on which many of our industrial relations laws and institutions are still based, are being swept aside. Some commentators have argued that many western economies are passing through a post-industrial revolution brought about by advances in micro electronic technology which is transforming both factories and offices.

This applies also to Local Government where the Australian Industrial Relations Commission between 1987 and 1989 linked wage increases to measures designed to improve efficiency and performance in the workplace. The 1988 National Wage decision introduced the Structural Efficiency Principle.

This involved a review of each award to address obstacles to productivity and efficiency which had been incorporated into the structure of the awards themselves. Finally, the concept of award restructuring was introduced in the August 1989 decision. This focussed on the reform of work and management practices which impeded productivity and sought to eliminate barriers created by demarcation and discrimination in the workplace. Both Federal and State Governments have made commitments towards micro-economic reform and structural efficiency. This has been converted at the level of workplace reform into efforts to achieve deregulation of position and work practice and in creating an industrial climate within which greater productivity can be achieved.

The review of Local Government labour markets which was completed in 1989 made many recommendations amongst which was a requirement to address deregulation and remove statutory positions within Local Government.

In essence, flexibility and ability to adapt to change are being emphasised across all work places and by all governments.

Challenges for Local Government

As Local Government enters the era of implementing award and organisational changes, it should bear in mind some of the lessons which have been learnt so far about the requirements for success in reforming industrial relations. These include:

- Need to change assumption about employees from low trust and high control to realisation that most employees desire opportunities to make a positive contribution.
- Management structures need to become flatter and more flexible and to emphasise co-ordination rather than control.

The design of work or jobs needs to emphasise integration and teamwork rather than fragmentation and isolation.

- Skills need to be developed from within the enterprise through comprehensive training, rather than reliance on the external labour market.
- Wage repayment systems must reflect skill acquired and encourage career development, rather than being locked into rigid classification structures.
- Changes in work organisation should be the subject of consultation and employee involvement which will encourage greater willingness by employees to participate in decisions which affect them.

Models for Award Restructuring

There are two general approaches to award restructuring, that of cost minimisation or productivity enhancement.

Features of the cost minimisation approach are:

- A narrow restricted agenda for negotiation concerning the nature and extent of trade-offs in return for a specific pay increase.
- Simple broad banding of jobs with little or no additional formal training.
- Multi-skilling interpreted as worker inter-changeability.
- Continuation of payment for the immediate job performed, rather than skills acquired.
- Absence of appropriate incentives to encourage workers to upgrade and broaden their skills over their working life.
- Minimal or no commitment by employer to the provision of training.
- Minimal or no commitment on the part of unions to provide the resources to encourage participation in the workplace.
- Use of new technologies to intensify work and enhance surveillance and control.
- Greater use of sub-contractors, part-timers and/or casual employees to achieve cost reduction through numerical flexibility.

Features of the productivity enhancement approach are:

- A broad agenda to link, at the industry level, work force skills acquisition with the needs of the industry, and at the enterprise level, work reorganisation with the strategic objectives of the company.
- Multi-skilling to encourage teamwork.
- Payment for skills acquired rather than the job performed.
- Training to be considered part of the job.

- Use of demonstrated competence as the basis for moving from one skill level to the next.
- Institution of appropriate procedures for assessing competency in the workplace with industry wide validity as necessary.
- Delegating more responsibility to lower levels of the enterprise, where the information and expertise exists by introducing flatter organisation structures and abolishing departments based on narrow specialist functions.
- Creating more flexibility in work assignments through the use of teamwork and job rotation. (Involving developing a new role for the first line supervisor).
- Provision of an appropriate employment security guarantee as a basis for achieving a more flexible use of skills.

The approach of the Council and its management to award restructuring has been that of productivity enhancement and accordingly, this is the model adopted and used by the Award Restructuring Consultative Committee.

The New Local Government Award

The new Award approved by the Industrial Arbitration Commission following negotiations between the Local Government & Shires Association and employee representative organisations, is a skills-based structure, comprising four overlapping bands. Within these bands there are classifications which have been broad-banded into levels according to skills descriptors. The four bands within the proposed Award are:

- ***Band 1 Operational*** - this consists of a combination of existing field and office positions, as well as trainee or induction level.
- ***Band 2 Administrative/Technical Trades*** - this consists of three open-ended levels and is for jobs which require the use of knowledge and skills acquired through the successful completion of trade, technical or administrative qualifications, or for those employees possessing suitable experience.
- ***Band 3 Professional/Specialists*** - This consists of professional/specialist staff who provide specialist services and require a professional qualification.

- **Band 4 Management** - This consists of jobs which are executive managers within the organisation, either at General Manager or Divisional Head level. A graphical presentation of the structure is Appendix 1.

Joint Consultative Committee

To move to the new award, a number of things needed to be undertaken, including the establishment of a joint Consultative Committee. This was to comprise members of staff that would represent all the current employee organisations and management. The Committee, approved by the Council, comprised nine members elected by the staff, the Town Clerk/General Manager and the Personnel Manager as a non voting member.

The objectives of the Committee are to:-

- Assist in the adoption, facilitation and implementation of the award restructuring process with an emphasis on formulation of acceptable methods and standards under which a merit-based criteria may be addressed.
- Assist in the identification of training needs within the workplace.
- Assist in the formulation and implementation of an education programme for staff on Award Restructuring.
- Assist in the developing and communicating of career paths for all staff.
- Bring to attention inefficient work practices and recommend improvements to foster general efficiency.

All members of staff undertook a review of their position statement which was discussed and confirmed by both the occupant of the position and their manager. These statements were then used by the committee to assess the position of the job in the new award. All assessments were made solely on the job statement without any reference to the individual occupant of the position. As the members of the committee were unable to assess jobs above their own level, the Council authorised last year the engagement of a consultant to recommend on all senior management positions.

Members of the Consultative Committee were also involved in the undertaking of a skills analysis for all members of staff.

To meet the requirements of the new award, the Committee was given training by a qualified consultant. To ensure consistency the management positions were assessed by the same consultant, Evans Webb.

The Committee has met on numerous occasions, including a great amount of work during their own time. In terms of Local Government generally, the early conclusion of this first stage process is due to the hard work and diligence of the Committee members.

The Committee has an ongoing role in accordance with the Award to assess jobs as they will continue to vary in future.

Local Government Practice

The traditional Local Government practice has been to concentrate on processes and not outcomes. If it were to continue then local communities will continue to become extremely frustrated and disenchanted. To keep in step with social change is of fundamental importance.

Elements of the process are important, particularly in terms of public accountability and these include:

- Structure
- Identifying available resources
- Methods of service delivery
- Logic by applying appropriate decision making models
- Insuring the principles of natural justice are applied.

It is intended however, to shift in emphasis from process to outcomes. Process is merely sound management practice within a given framework and if not correctly applied then outcomes will not be reached and management has failed. It is this formula of entrusting management with accountability, responsibility and authority to make things happen and to provide results which will be the catalyst for leadership. Outcomes have the elements of vision, mission, strategic plans, objectives, goals and tasks and measurable outcomes.

The focus is on outputs rather than inputs. Whilst inputs cannot be ignored as they are an important part of the productivity equation, it is now time to become more concerned about outputs.

Local Government needs to refocus its attention towards outcomes, thereby meeting the demands of its customers. Staff should be led and trained to become the ally of the public, not the defender of the system. Too often we find

ourselves defending the system, preserving the process at the expense of customer service. It is this cultural change at the workplace which is critical to future success.

It is not unusual to find customers are told they cannot do something; they cannot receive a particular service within a particular time frame because it does not meet the rules; simply, the current system does not accommodate such requests.

The award restructuring exercise is no more than establishing a framework and an industrial relations process, enabling work place reform to occur. Hawkesbury has moved from the traditional form of management, recognising that it will not keep pace with changes in society and, the proposal here is to redirect and concentrate on outcomes.

Quality Customer Service Programme

The Personnel Manager and myself have had a number of discussions with all staff regarding the new award and reforms. While there are a number of individual reforms taking place, the management proposal is to focus change on a quality customer service programme.

A recent survey of Council staff has resulted in the implementation of initial work for the establishment of such a programme within this organisation.

The survey assessed current customer service procedures, identified customer service pressure areas and also sought staff suggestions as to how aspects of customer service in this organisation could be enhanced and improved. It also assisted in focussing employee attention on the importance of good customer service.

The very strong internal support given to this initiative reflected the enthusiasm and commitment staff have to improving procedures to assist the many and varied customers of the organisation.

The basis of such a programme is that continuous small step improvements are initiated which make work practices more effective and customer orientated: Work is continuing on the development of the programme; with the following steps being taken:

- Establishing service expectation needs
- Setting organisational and departmental aims for customer service

- Providing staff customer service training.

The prioritising and initiating of corporate projects which will enhance and improve customer service continue. Some projects suggested by staff through the quality customer service questionnaire included the provision of more information and standard forms in the foyer enquiries area, increased staff customer service training, the development of a staff excellence recognition procedure and the streamlining of internal communication procedures.

The customer contact value of those staff working outside the Council's offices will also be enhanced through the continued development of the programme. Discussions with the field staff have indicated their support.

Clear customer service expectations are being established and distributed to all staff. This document will continue to reinforce the organisation's commitment to customer service and outline correspondence expectations, telephone etiquette and complaints procedures.

This programme will be driven through the Public Relations area and with no change in work priorities for that section, it should be fully implemented by early in 1993. As part of the programme it is proposed to immediately implement an internal review of customer problems, where these will be reviewed daily by Mrs Mabel Pye with direct reporting to the Town Clerk/General Manager. Effectively this will create a "hot line" to resolve problem areas.

Performance Appraisal System

One of the most significant formal acknowledgements in the new award is the proposal of financially rewarding performance through a staff development and appraisal scheme. No longer are the days that people receive pay adjustments due to length of service only; the performance factor is now included. It is particularly encouraging, from a management perspective, that the appraisal format concentrates on:

- The position (not personalities)
- Various evaluation factors that are skill based eg. customer service - is the staff member sensitive and responsive to the needs of both internal and external customers?
- Action plans with outcomes and commitments for results

- Career development, individual training plans are essential if our labour base is to keep abreast of the rapid changes as forecast

The objectives of a performance appraisal system are:

- To improve organisational effectiveness by increasing the setting of job targets jointly by employees and their managers against which future performance can be assessed
- To give employees a better appreciation of their manager's expectation in their performance and at the same time, acquaint managers with subordinates expectations of them
- Assess the employees contribution to achieving the overall goals of the organisation.

The system is processed through six steps being:

1. - Prepare job description which includes general performance criteria
2. - Employee prepares for the evaluation period, performance targets are based on general performance criteria
3. - Employee meets with his/her manager to discuss the performance targets
4. - Employee and the manager agree on performance criteria, including particular targets to be achieved during the evaluation
5. - The manager and the employee meet at the end of the period to discuss the results of the employee's effort
6. - Steps 2 to 6 are repeated.

The Award Restructuring Committee and Management are strongly committed to the appraisal system.

Copies of the format of such a system are Appendix 2.

Costs and Benefits

All costs for moving to the new award and organisational restructuring have been provided for in the current years estimates. The total costs for a full year would be \$305,691 or 3.42% of total salary and wages costs.

For a full year total award restructuring costs are \$142,144 and total organisational restructuring costs \$163,547. To be reduced from these costs is the non-replacement of the senior management position of Manager Engineering Services (\$72,600) and the changed role of the former Manager Environment & Building Services who is currently undertaking the senior project role in implementing organisational plans and objectives and other senior project tasks essential for the organisation's continued transition and development.

In terms of increases 37.5% of the salaried (officers) staff receive increases and 69% of the wages (field) staff.

The seventeen senior management positions (General Manager, Divisional Managers and Branch Managers) will not be paid the 17½% leave loading, and not receive 5 days leave formerly available in Bank Holiday, Union Picnic Day and the days between Christmas and New Year. This amounts to a total benefit of \$31,809. As well, they will only be moving to 90% of the assessed market value determined by the consultant. Moving from this 90% level is totally subject to performance achievement. The consultant will provide annually a report on market conditions. This will have the effect on all senior salaries and conditions of moving them up or down in accordance with the market.

Any staff position that is replaced is subject to assessment at the time of the vacancy. Over the last year only absolutely essential positions have been replaced, with a reduction in salaries currently around \$250,000. The policy is showing problems in some areas, affecting efficiency and effectiveness, particularly during the transitional period and is currently being assessed. At this stage it is estimated that the total net impact of the organisational and award restructuring will be around 1% of previously existing total salary and wage costs.

From this there is the major benefit of a flattened, more efficient and effective organisation that is focussed and committed to total quality customer service.

Implementation

Four of the Divisional Managers were appointed and have been acting in their positions since December of last year. The Council will be aware of their performance. Notwithstanding the consultant's recommendation, they have accepted to have their new salaries paid from 1st April 1992. The Divisional Manager Engineering should be paid the salary from confirmation by Council 9th June 1992. The consultant's recommendation for the Divisional Manager Finance is less than the current salary of the incumbent. It is considered that a similar position should be adopted for this as was adopted for existing Deputy Departmental Heads last year in that moving to the new structure, considering the significant co-operation that has been received from all staff, that there should be

no cash remuneration lost. Accordingly, he should retain his previous salary and that this become the basis for the 90% of the market.

All other staff recommended by the Award Restructuring Committee should have their salary paid from the new Award implementation date of the 8th June 1992.

The General Manager's salary should be paid from the first pay period in September 1992 on the basis that he is responsible for the process and should be the last to move to the new award.

G.M. McCully
Town Clerk/General Manager

Overlapped Four Band Structure

Indicative
Qualifications
Training and/
or Skills and
Knowledge

*Post – Graduate
Management
Qualification*

*Management
Training*

*Post – Graduate
Qualifications*

*Degree
Diploma
Associate Diploma*

Advanced Certificate

Post Certificate

Post Certificate

Trade Certificate

*In – house
Training*

*Induction
Course*

Band 4
Council
Management

Level 4

Level 3

Level 2

Level 1

Band 3
Professional/
Specialist

Level 4

Level 3

Level 2

Level 1

Band 2
Administrative/
Technical/
Trades

Level 3

Level 2

Level 1

Band 1
Operational

Level 4

Level 3

Level 2

Level 1

Recommended Bands