Chapter One

1 - INTRODUCTION
1.1 INTRODUCTION.

General consensus rhetoric from the business world and accepted by the trade union movement is that only market responsive and flexible organisations can compete effectively in international markets. The flexible firm is the one which can alter work methods, patterns, skills and working times to adjust constantly to the needs of customers and general market requirements. (BCA, 1989: 30).

Enterprise bargaining has been promoted as an effective vehicle to facilitate labour flexibility within an organisation by providing for terms and conditions of employment to be tailored to suit particular business requirements and capacities rather than being imposed upon businesses in the form or rigid, generalised and often inappropriate award determinations. The absolute growth in enterprise bargaining agreements is confirmed by statistical data which indicates that in the federal sphere, 4907 agreements had been ratified by the AIRC as at June 1995, covering an estimated 1.7 million employees and representing 65% of federal award workers. (DIR, Trends, 1995:6), (L.I.N. Issue 3, Aug 1995:2).

Various writers have, however, identified the spread of enterprise bargaining amongst small business as slow, and question the relevance of the process and the outcomes to the needs of small business. Buultjens explains the low incidence of enterprise agreements in small business through their preference informal agreements, the closeness of employer/employee relationships and in many cases, a lack of union presence. (Buultjens, 1994:136-137) He argues that this is compounded by the prevailing attitude amongst small businesses, that any third party intervention, is unwelcome. This applies particularly to union intervention. The strong antipathy of small businesses towards trade unions reflects a philosophical mindset which results in avoidance rather than interface with unions. It is this culture that Barrett has identified as having possible limiting
implications for the spread of enterprise agreements, including Enterprise Flexibility Agreements, amongst small businesses. (Barrett, 1994:11)

Buultjens' findings also suggest that small businesses are generally satisfied with the flexibility provided by existing awards and he identifies this as an active incentive to such businesses to continue to seek flexibility from within the award system. (Buultjens, 1994:144) He argues that this is preferable to experimenting with cutting edge innovations, the suitability of which, has not been tested by the course of time. His findings are supported by previous research undertaken by Rimmer and Callus et al, who discuss the flexibility offered by the traditional system of centralised wage determination through paid rates awards and overaward payments. (Rimmer, 1995:62; Callus et al, 1991:42)

Isaac and Barrett identify the deficiencies apparent in small businesses in terms of bargaining infrastructure, negotiating frameworks and available negotiating skills amongst both employer and employees. (Isaac in Rimmer, 1995:75; Barrett, 1995:17) This, coupled with the general lack of rules regulating workplaces in small businesses may provide another explanation as to why small businesses have not ventured into enterprise bargaining.

Other writers, including Sloan, have argued that small businesses find the legislative framework of enterprise bargaining to be confusing. Without the costly assistance of a consultant or the use of an employer association many small businesses lack the knowledge and resources to work through legislative complexities. Further, the heavily regulated aspect of enterprise bargaining, both in terms of prerequisites and procedures to be followed may act as a disincentive. Small businesses generally prefer to be unfettered by regulation and any third party interventions.

These research findings and theories are worthy of investigation, and may partially explain in a general sense the reasons why small business have not embraced enterprise bargaining enthusiastically, acting as it were as
constraints upon the execution of strategic choice. However, they cannot explain why some small businesses willingly embrace enterprise agreements as a vehicle to promote labour flexibility, whilst others do not. Contrary to both the literature and many expectations for instance, recent statistics suggest that the bulk of enterprise agreements are covering smaller sized workplaces (and or smaller units within businesses). As at June 1995, 60% of formalised enterprise agreements in the federal sphere covered less than 100 employees, whilst 36% of formal agreements in 1995 covered fewer than 20 employees, compared to 23% in 1994, and 14% in 1993.(DIR, Trends, 1995:7; L.I.N. Issue 3, Aug 1995:10). This would suggest that the prevailing reticence amongst small business to utilise enterprise bargaining identified in the literature, does not hold true for all small businesses. The usefulness of these theories in explaining choice at an industry or an organisational level, therefore, is perhaps more limited. Our understanding of the choices being made, cannot be considered in isolation from both the contextual and external framework in which the organisation operates, and the organisation’s own implicit or explicit strategy developed in response to the challenges it faces.

Hyman’s concept of strategic choice is a “pragmatic choice amongst alternatives” (Hyman, 1987: 28). This choice, may be regarded as a function of both internal and external variables impacting upon an organisation, including those of economic, political, cultural ,social and structural origins. Choice of enterprise bargaining or any other vehicle to promote labour flexibility could, therefore, be seen as a function of many factors. They might include the degree of business uncertainty, competitive challenges and general product market conditions existing in the external environment, and importantly for the focus of this research, the broad business strategies which are being utilised to meet these challenges.

In this sense, there may be differences in choice of the means of obtaining flexibility in those organisations which have undergone rapid change in response to the challenges in the external environment as against those which have not. The 1994 Enterprise Bargaining Annual Report, for instance,
presented findings which indicated that workplaces with high levels of change have been more likely to register an enterprise agreement. (DIR, 1995:xxx)

There may also be differences between organisations committed to continuous improvement within the framework of flexible productivity enhanced production, and those organisations which have responded to challenges by adopting more reactive cost minimisation approaches, which may require little change to the way things are done organisationally.

Other factors impinging upon choice might include variables such as the degree of government sponsored assistance available to organisations to promote change, and other specific influences relating to the industry and workplace including strength of union presence, labour market conditions with respect to availability of labour, composition of workforce in terms of degree of ethnicity/gender or stability of employment amongst employees. Less quantitative variables such as managerial attitudes and approaches in terms of willingness to empower and communicate with workers will also impact upon choice of vehicle to promote labour flexibility.

A thesis devoted to testing the impact of all of these variables upon the choice of flexibility strategy is considered to be both unmanageable, and unwieldy. The framework that has been chosen is narrower yet presumably more useful and aims to test the hypothesis:

That the labour flexibility strategies and vehicles adopted by small businesses within the Australian Clothing Industry are functionally chosen to facilitate broad corporate and business strategies.

To facilitate the testing of the above hypothesis, the empirical work undertaken within this research will examine 3 main research objectives. These are specified as:
(A) To examine how small organisations within the clothing industry have responded to various external environmental influences in terms of their business and production strategies. These will be identified and examined utilising Curtain and Mathews’ concept of business responses as falling along the continuum from Cost Minimisation usually characterised by mass production, price competition and a relatively homogeneous basic product to Productivity Enhancement, qualitative responses driven by the production of sophisticated quality creative products, marketed by customer service and networking. (Curtain and Mathews, 1990:5)

(B) To examine the manner in which small organisations within the clothing industry have responded to these same external pressures in terms of their choice of labour flexibility mechanisms, their reasons for such a choice, and the manner in which these have been shaped to reflect and register any strategic adjustments and reassessments that have taken place at the corporate level. This will be investigated within a framework of choice which identifies four main vehicles available to small businesses to promote labour flexibility. These being, application of existing awards, enterprise bargaining, informal agreements and use of contract labour.

An investigation of this research objective will both test and apply the concepts discussed by Curtain and Mathews that organisations pursuing a corporate strategy predominantly directed towards flexible productivity enhancement are likely to choose labour flexibility strategies through functional means which focus upon the long term development of employee skills, creative behaviours, reliability and co-operation. (Curtain and Mathews,1990:3; Mathews,1994:11) These organisations are regarded as more likely to embrace an understanding of the benefits of enterprise bargaining as a vehicle to promote the long term efficiency changes necessary to facilitate a corporate commitment to flexibility and productivity enhancement. Alternatively, as discussed by Curtain and Mathews, those organisations that compete on the basis of cost minimisation, characterised by price leadership, tight financial controls and overhead minimisation, are
more likely to pursue flexibility through external, numerical means by exercising a managerial right to hire and fire and as a corollary, the use of peripheral casual and contract labour, as the labour flexibility vehicles offering the most immediate, cost effective results. (Curtain and Mathews, 1990:25; Mathews, 1994:11)

The direction of research as described by the central focus of research objectives (A) and (B) is depicted by diagram 1.1 below.

![Diagram 1.1 - Central Focus of Research Objectives (A) & (B)]

(C) To examine the likely progression of enterprise bargaining as a vehicle to promote labour flexibility, amongst small businesses within the clothing industry by developing a composite portrayal of those small businesses which may be likely to embrace enterprise bargaining as a vehicle to promote their corporate strategies. An analysis of the perceived constraints impinging upon this choice will also be empirically investigated. In addition, contextual influences effecting strategic choice, in the form of the flexibility offered to small businesses by the existing Clothing Trades Award (CTA) and the assistance afforded to organisations undergoing strategic readjustments by a
key government funded program, viz the Incentives for International Competitiveness Scheme, (IICS) will also be evaluated.

1.2 METHODOLOGY

The case study approach has been chosen as the most salient methodology to test the hypotheses and to provide answers to the research questions that have been posed. This choice is justified on the grounds that case study methodology is an excellent vehicle for obtaining indepth, qualitative information. (Klimoski, Schmitt, 1992:116). The focus of this research seeks to coherently explore and gain a rich, indepth appreciation of both the external phenomenon impacting upon small businesses in the clothing industry and their underlying strategic responses to same. In view of the exploratory and qualitative focus of the research, case study methodology must be regarded as both relevant and appropriate.

The organisation which provides data for this research is a small vertically integrated, up market, quality clothing manufacturer and retailer, which has undergone several strategic readjustments throughout the period of the 1990s in response to external environmental pressures. For the purposes of this research the organisation will be referred to as Clothingco.

Clothingco was chosen because of its potential to recognise the virtues of enterprise bargaining as a means of: providing labour flexibility; and facilitating its corporate strategies relating to quality, flexibility and productivity enhancement. Its experiences have also provided a unique opportunity to study the manner in which business strategies have been re-evaluated and altered in response to external influences over a 5 year period, and the impact that these corporate readjustments have had upon choice of labour flexibility strategies and vehicle.
To provide a clearer understanding of the issues, the above case study research was preceded by interviews with representatives from The Textile, Clothing and Footwear Union of Australia (TCFUA) and the Council of Textile and Fashion Industries of Australia (CTFIA). These interviews were designed to provide a context for the research and to elicit answers to the research questions on a broad industry level. The findings of these interviews were compared with the case study data to detect any common threads and demonstrate evidence of convergence. Such a comparison thereby promoted a more balanced, valid assessment and portrayal of small businesses generally within the Clothing industry.

The predominant form of data collection used for this research was in the form of fourteen semi structured interviews conducted throughout 1995, four of these were undertaken at the peak industry level and the remaining ten with the management of Clothingco and their consultant, Chris Stuart. The findings of these interviews were in turn corroborated with documentary sources which together contributed to a more holistic, in-depth portrayal of both the organisation and the industry being investigated.
1.3 RATIONALE

Whilst the virtues of enterprise bargaining have been widely hailed in the literature as an effective vehicle to promote changes, flexibility, and efficiency within an organisation, substantially less academic research has been devoted to investigating the reasons why small business may or may not choose enterprise bargaining as a vehicle to promote labour flexibility. Even fewer studies have sought to test the relationship between broad corporate business strategies and the shaping of IR strategies as a facilitative tool to enhance corporate strategies and goals (Deery, S and Plowman, D, 1993:166)

An understanding of small business preferences for one particular flexibility vehicle rather than another, has important implications for the previous Labour government’s federal IR reform agenda. This agenda sought to extend enterprise bargaining into the smaller, non unionised workplaces through the use of S170NA Enterprise Flexibility Agreements. (EFAs). The need for this research is heightened by evidence which suggests that small businesses are making a vital and significant contribution to the Australian economy. As with other industrialised nations, for instance, small business output and employment has grown steadily over the last 10 years in Australia and at a proportionally greater rate than larger businesses. The number of small businesses has increased by 33% between the years 1983/84-1991/92 and total small business employment has increased by 27% during the same period (ABS Cat No. 13210:13) Employment in large businesses on the other hand, over the same period grew by only 10%. (ABS Cat No. 13210:15) These trends have been reinforced by the effects of a prolonged economic recession, causing a shake out and rationalisation in bigger firms often forcing them to return to core business and leave inefficient markets. (Dept of Industry, Science and Technology, 1995:10)
Small businesses in Australia have also been identified as making a substantial contribution to export growth and GDP by developing appropriate flexibility corporate strategies, alliances and networks which have enabled them in many instances, to compete successfully with the best of the large organisations internationally. (Best Practice Demonstration Program, 1993:3) In view of the firm contribution small businesses are making to the Australian business economy in terms of growth, employment opportunities, and export trade, the focus upon small businesses within this research, is therefore justified.

The focus of this research, the clothing industry, is regarded as providing an eminently suitable object of study for an analysis of flexibility vehicles amongst small businesses. This is justified on a number of grounds. Firstly, structurally, the clothing industry is an industry dominated by small organisations. (Interview M Iaccarino, CFTIA, 19th May, 1995.) Statistical data provided by the ABS, confirms this with 2,379 recorded workplaces out of a total of 2,574 organisations in 1991/2 employing less than 50 workers. (ABS Cat:8221:19) The average number of workers at each workplace being 19. (ABS Cat 8221:11)

Secondly, the TCF is a key industry that has been considerably challenged by changes emanating in the external environment in the form of: a concentration in retail ownership, a prolonged economic recession, and progressive reductions in tariff protection which have been adopted as part of government policy to promote international competitiveness and revitalisation of the industry under the TCF Plan since 1986. The main objective of the TCF Plan was to promote the development of efficient and internationally competitive TCF industries which could function independent of government support. (TCFDA, 1994:1) The Plan has been administered by the Textiles, Clothing and Footwear Development Authority (TCFDA). The functions of this body were to ensure the Plan's effective operation, provide advice to the government and businesses, monitor both the progress and the operation of
government funding available to businesses who were undergoing restructuring. (TCFDA, 1992:1)

The challenges brought about by the TCF Plan have encouraged many business, to alter their business and production strategies and these changes in turn, are likely to have influenced industrial relations strategies including, choice of labour flexibility vehicle. Under the Plan businesses were encouraged to undertake broad workplace reform and to move towards higher value added production by developing broad Productivity Enhancement approaches (PEA) to meet competitive challenges. (TCFUA, 1994:2) Such strategies, as discussed by Curtain and Mathews, stress quality, customer service, innovation, networking and require the usage of innovative functional labour flexibility strategies. (Curtain and Mathews, 1990:3) Organisations which adopt these strategies, may recognise the benefits of enterprise bargaining as a vehicle to promote the types of flexibility needed to facilitate flexible productivity enhanced production.

This is a departure from the more predominant and still the most prevalent strategies adopted by small businesses within the clothing industry which have traditionally met competitive challenges by engaging in price competition and labour cost attenuation by resorting to the use of contract staff as a means of promoting numerical flexibility. (Ellem, 1991:94-95) Locked into a short term cost minimisation mindset, these organisations are perhaps less likely to utilise enterprise bargaining as a vehicle to promote and facilitate the long term requirements of productivity enhanced flexible production.

Finally, the types of flexibility mechanisms adopted by small organisations within the clothing industry can be analysed against a backdrop of government assistance directed at the TCF industry, emanating from the TCF Plan and a substantially reconstructed Clothing Trades Award. These variables form important contextual factors which may influence
organisational strategic responses and in turn impact upon choice of labour flexibility vehicles amongst small businesses.
Chapter Two

2 - METHODOLOGY
2.1 INTRODUCTION AND JUSTIFICATION OF THE PARADIGM

Properly selected and designed methodology in research must be regarded as essential to provide a firm foundation upon which to construct any research findings. The recognition and acknowledgment of this, has been partially responsible for the development of the scientific method coupled with both the advocacy and adoption of more inductive or interpretive research methods which emphasise theory building, and a corresponding reduction in the role of deductive hypothesis testing approaches. (Plowman 1991:18) Advocates of scientific method hail its merits in comparison with more deductive research methods on the basis that “prior reasoning and deductive analysis have contributed to most theories not being informed by data.” (Parkhe cited in Perry, 1994:3). Inductive paradigms by contrast allow the researcher to approach the situation with few a priori assumptions and subsequent “hypotheses and ways information are categorised resulting from (the researchers) experiences rather than proposed in detail ahead of time.” (Schmitt, Klimoski, 1991:16).

Whilst a purely inductive approach (such as the above) has merit and is appropriate in a number of sciences, in most research, it is often impossible to go theory free into any study. In recognition of this, Perry contends that starting from scratch with an absolutely clean theoretical slate is often neither practical nor preferred. (Perry, 1994:7) This is particularly the case in social sciences where the researcher is limited in his capacity to control the complex variables and relationships which exist in the real world. (Plowman 1991:19) Instead, an investigator must start with some pre conceived ideas for “in the absence of prior theory the researcher might not “see” any facts, because the research was not designed to throw them into view.” (Perry, 1994:7).
The pivotal value of prior theory in this sense must be acknowledged with respect to its ability to provide a well defined focus for any research, and the refining assistance it offers in terms of the range of facts needed to be investigated, choice of methodology, data to be gathered, and systems of classifying data. (Perry, 1994:8). Parkhe suggests that there is a continuum from deductive to inductive and that “theory advancement requires the continuous interplay between the two so as to lessen the gap between the know and knowable” (Parkhe in Perry, 1994:6) In recognition of this, both these inductive/deductive paradigms have been utilised within the parameters of this research. The research has at its base an inductive approach that “might lead to a more informed basis for theory development” (Isenhaardt, Yin, in Perry, 1994:) and which may then form the basis of further extensive deductive research.

The author has had experience within the clothing industry and this provided both a focus and “grounded theory” based on inductive reasoning which was further consolidated by the results of the literature review, being exploratory in nature and providing a basis from which to “develop pertinent hypotheses and propositions for further enquiry” (Yin, 1989:17) This focus was then supported by the deductive development of a proposal, accompanying research questions, and hypothesis all of which throughout the course of this research were examined and tested in detail to provide high quality information.

2.2 JUSTIFICATION OF METHODOLOGY.

To meet the research objectives and test the hypothesis, the methodology chosen for this research presents as a relatively uncomplicated design in the form of a case study, undertaken at both the industry and organisational level, with emphasis upon interview, and primary source documentation as the main data gathering techniques.
The case study methodology was chosen as the most appropriate and salient methodology given the nature of the research and the research questions posed. This is justified on a number of grounds. Firstly, Yin states that case study methodology is the most useful strategy when dealing with questions that are exploratory in nature, dealing with "operational links needing to be traced over time, rather than mere frequencies of incidences." (Yin, 1989:18) In reinforcement of Yin, the following virtues of case study research have also been cited in Perry. "Case studies allow us to understand and to comprehend meanings rather than just numbers." (Perry, 1994:18)

An analysis of the research questions posed in this study reveals that they are essentially exploratory in nature, being "how" and "why" questions which place emphasis upon managerial strategic processes, actions, and reasons for decisions and responses rather than broad based statistics regarding the frequency of chosen options. The emphasis is similarly upon how and why small organisations have reacted, in terms of their corporate business and labour flexibility strategies and vehicles, in response to external environmental impacts rather than predicting how they will. Justification of the choice of case study upon these grounds is therefore in accordance with the above views and with Schramm who states "The essence of case study, the central tendency among all types of case study, is that it tries to illuminate a decision or set of decisions: why they were taken, how they were implemented and with what result." (Schramm, cited in Yin, 1989:23)

Secondly, case study research is regarded as a logical means by which real world, often complex phenomenon, can be studied within its context. (Perry, 1994:18) Since this research aims to provide a structured approach to understanding real life phenomenon, events, and contextual situations, choice of case study methodology is therefore justified. Yin supports the virtue of case study as an appropriate methodology where, "the research aims to investigate a contemporary phenomenon within its real life context when the boundaries between phenomenon and context are not clearly
evident and where there is an inability to control actual behavioural events.” (Yin, 1989: 18) Since the emphasis within this research is upon how small organisations have reacted to external environmental influences in terms of their decision making, rather than predicting how they might, these events may only be observed, investigated and assessed by the researcher. Similarly, because much of the process had already occurred the ability to access, interfere with, control or manipulate the process (as may occur in laboratory experiments), was neither possible nor appropriate. In view of this case study again represented the logical choice of methodology.

In accordance with Yin's definition above, case study is also the preferred methodology when examining contemporary as opposed to purely historical events. This research emphasises relatively current and recent events. A contemporary focus was necessary to observe and record the most recent influences upon small business corporate strategies, and the manner in which these have in turn impacted upon labour flexibility responses. This was particularly important because the external environment within the clothing industry is a dynamic one, impacting constantly upon organisations, and many business responses to these external influences such as the use of enterprise bargaining and EFAS are also new and innovative. In view of this contemporary focus, choice of case study was again justified as the most salient and effective methodology to meet the research objectives and test the hypothesis.

Case study methodology does not however, exclude less contemporary or historical factors from consideration or analysis. Yin states that in effect case study relies upon many of the same techniques as a history, yet adds sources of evidence to give a contemporary focus, that is, direct observation and systematic interviewing. (Yin, 1989: 18). Since this research does incorporate an historical component, utilising a longitudinal analysis involving a time frame of 5 years, the case study was again regarded as well suited to meeting the research requirements. The longitudinal analysis undertaken, was necessary to observe the changes that have taken place in the external
environment, particularly since the introduction of the TCF Plan in 1986, the onset of the economic recession, and to allow time for the consequence of different strategic decisions within the organisation under investigation, to become apparent.

The use of case study methodology within this research, is also justified for its ability to portray an in-depth, holistic view of the organisation in that attitudes, culture and consequences of different actions and practices can be observed. (Schmitt, Klimoski, 1991:117) Similarly, Yin extols the virtues of case studies in this respect with his comments that case studies “allow an investigation to retain the holistic and meaningful characteristics of real life events such as organisational and managerial processes “(Yin 1989:14) As the researcher’s main aim in undertaking the research, was to create a complete description of the real life processes involving managerial strategic responses, practices and processes in one specific case and provide depth, rather than breadth of focus, case study methodology was again considered the most appropriate methodology.

In addition, Hakim states that “case studies are a useful design for research on organisations and institutions in both the private and public sectors and encompasses studies of best practice, policy implementation and evaluation, industrial relations, management and organisation issues, organisational cultures, processes of change and adaption.” (Hakim 1992:69) In view of this, since the broad focus of this research and area of investigation relates to management, strategic responses and organisational issues within small businesses, case study could not be regarded as an invaluable methodology.

The final justification for the choice of case study methodology, relates to the efficiency, flexibility and scope that case studies offer in terms of data collection. Case studies are a form of enquiry that do not depend solely on one form of data collection, but instead allow the use of a wide variety of evidence including interviews, artefact and document analysis and observation. (Schmitt, Klimoski, 1992:123 ) Such an eclectic approach to
data collection in turn enables the composite development of a detailed set of relationships. (Plowman, 1991:23) Yin reinforces these views with his comments that "the case study's unique strength is its ability to deal with a full variety of evidence - documents, artefacts, interview and observation." (Yin 1989:18) These form of data collection were readily available to the researcher and together were used collaboratively to promote depth of findings and increase the internal validity of the results.

2.3 LIMITATIONS OF METHODOLOGY.

One of the main limitations of the case study methodology has been identified as low external validity offering limited scope for generalisability of results. (Yin,1989:16, Schmitt, Klimoski, 1992:117) However, this limitation can be put into perspective when it is recognised that the aim of case study research is not the discovery of generalised statements that are universally applicable," but rather towards creating a complete description of the specific case." (Schmitt, Klimoski,1992:116 ) Yin further supports these comments in his description of case studies as "generalisable to theoretical propositions and not to populations or universes." (1989:21) In accordance with these views, the aim of this research is to identify the phenomenon impacting upon a small organisation, and to accurately portray the characteristics, processes and responses to these phenomenon which may then lead to a more informed basis of theory development. The study in no way represents a sample, and there is no suggestion that the same responses will occur in all similar organisations. The study's main strength is to generate new ideas which, as Rimmer suggests, can be tested by other methods. (Rimmer, 1995:72)

Whilst the study does not aim to provide a generalised theory, attempts have been made, however, to increase the external validity of this research by the conduct of broad industry interviews with peak body representatives from the TCFUA and the CTFIA. The findings of these interviews are discussed in
Chapter 4. These interviews acted largely as a prelude to the more indepth case study analysis presented in Chapter 5. Specifically they aimed to contextualise the research, and provide an insight into the strategic responses amongst small businesses generally within the clothing industry. Beyond the evidence presented by the case study, and the perceptions of the industry representatives, there has however, been no attempt to generalise the research findings.

The second criticism directed at case study methodology is that given the depth of the research, it may result in a document that is both too long and unreadable (Yin, 1989:21) In view of this, careful attention was directed to limiting the breadth of the focus to the examination of 3 research questions and to an indepth longitudinal study of a single, information rich case organisation only, rather than multiple cases. Similarly, Yin states that whilst accessing multiple sources of data collection may have the advantage of allowing the researcher to obtain a great deal of data and thereby increase the internal validity of findings, too many can again result in a document that is overly long and unreadable, as well as impose hardship upon the researcher. (Yin, 1989:22) In recognition of this, the predominant methods of data collection within this research, have been limited to two sources, viz interviews and analysis of primary and secondary source documentation.

2.4 CHOICE OF INDUSTRY SECTOR AND ORGANISATION.

The organisation that provided data for this research, Clothingco, is a small organisation within the ladies fashion outer wear sector of the clothing industry. A "small" organisation is defined for the purposes of this research as a manufacturing concern which employs less than 100 employees. (ABS, Cat 1321:1)
The above sector was chosen for a number of reasons. Firstly, the ladies fashion outer wear sector has been identified as highly volatile in terms of the influence of external factors and the responses that have ensued amongst businesses. (TCF Future Strategies Committee, 1994:v16) Choice of this sector thereby potentially allowed for the investigation of a more obvious dynamic cause/effect analysis between the external environment and organisational responses than would have been available if different sectors of the industry were chosen.

Secondly, choice of this sector is justified on the grounds that women's outer wear is a key sector within the industry, which has contributed significantly and sizeably (18% in 1994) to the total turnover produced by all organisations within the clothing industry. (TCF Future Strategies Committee, 1994: III 2) Strategic adjustments within this sector are likely therefore to impact significantly upon the clothing industry as a whole.

Thirdly, this sector has been identified as covering one main product area which has substantially retained local sourcing and local production despite the tariff reductions associated with the TCF Plan. Many organisations in other sectors have responded by moving their production capacities offshore or sourcing them from foreign countries. (TCF Future Strategies Committee, 1994:IV 43) These organisations would not be worthy of indepth analysis in the light of the chosen hypothesis and the focus provided by the research questions.

All of the above constitute justifiable reasons for choice of this sector. In addition, however, in view of the restricted number of sites that can be investigated in any case study research (Pettigrew cited in Perry, 1994:11), the researcher's prior knowledge and involvement with various organisations within this sector, allowed an instrumental ease of access to undertake the research which may not have been forthcoming from other sectors. Prior knowledge of the broader organisational context, functioning and processes
in the case study organisation, also enabled the prior development of both a focus and a firm foundation upon which to undertake the research.

When selecting cases, Yin states that to ensure the replicative nature of the case studies chosen, a purposive or a non random approach is required. (Yin, 1989:53) This non random approach is appropriate in contrast to sampling logic which seeks statistical significance to relate to the general population. By contrast, information rich cases, and key players (Patton cited in Perry, 1994:11) are sought in which random selection of "cases is neither necessary nor even preferable. Instead cases are selected from an ordinal row of possibilities, and then they are analysed in turn about some constructs identified in the literature review." (Perry, 1994:13) These information rich cases may represent polar types or extreme situations, but this is both appropriate and even "makes sense", given the non random focus of the research.

In accordance with the above views, the case study organisation which provides the data for this research, Clothingco, was purposively chosen as a vertically integrated producer and an organisation which throughout the 1990s has predominantly pursued a corporate strategy based upon productivity enhancement, quality, sophistication, flexible response and customer service. Whilst both the literature and the research findings presented in Chapter Four, indicate that the features exhibited by this type of organisation are not representative of the majority of small businesses within the clothing industry, Clothingco was chosen as an organisation which may well perceive the benefits of enterprise bargaining as a labour flexibility vehicle to promote its corporate strategies revolving around productivity enhancement and long term efficiency.

In addition, Clothingco was purposely chosen as an organisation which has undergone extensive strategic readjustments throughout the 1990's. These reassessments and reevaluations have resulted in the strategic repositioning and relocation of Clothingco to different points along the replication axis
discussed by Curtain and Mathews. That is, from cost minimisation through to productivity enhancement as corporate approaches to achieving competitive advantage. Whilst Clothingco’s dominant corporate strategy throughout the 90s has been productivity enhancement, increasingly over this same period of time, external influences have exogenously influenced strategic reassessments towards cost rationalisation and minimisation to the extent that as at October 1995, Clothingco could be regarded as an organisation pursuing predominantly a cost minimisation business strategy.

Clothingco’s experiences provide a unique opportunity to investigate longitudinally over a 5 year period, an organisation undergoing significant and even radical changes in response to external pressures. Clothingco has competed on a broad spectrum of issues, from productivity enhancement through to cost minimisation. An analysis of these different strategies and the manner in which approaches to labour flexibility have registered these responses, provides a unique scenario to test the hypothesis, the research questions and the concepts advanced by Curtain and Mathews.

Clothingco must therefore be regarded as an information rich case which is deserving of in-depth research. This information richness also provides ample justification for the investigation within this research of a single case organisation, rather than multiple, which as Rimmer notes, may promote breadth of focus, but result in a sacrificing of richness. (Rimmer, 1995:72). Perhaps however, the most powerful defence for the use of a single information rich case study within this research, is to be found in the following quotation from Patton:

"The validity, meaningfulness and insights generated from qualitative inquiry have more to do with the information-richness of the cases selected and the observational/analytical capabilities of the researcher than with sample size."

(Patton, 1990:185)
2.5 DATA COLLECTION.

Primary data collection for this research has come predominantly from semi structured interviews, supported by an analysis of industry level and company documents. The research interview was chosen as the predominant form of data collection, because of its virtue as a vehicle for obtaining rich, qualitative information. (Schmitt, Klimoski, 1991:139) Such information included not only facts, but also attitudes, opinions, insights, propositions inner feelings, and intentions of the interviewee. The use of the interview has also afforded the researcher the ability to develop personal relationships and contact with interviewees within the work context and thereby allow for a more holistic view of the organisation. Yin supports the capacity of interviews in this respect with the following comments

"Interviews are an essential source of case study evidence, because most case studies are about human affairs. These human affairs should be reported and interpreted through the eyes of specific interviewees, and well informed respondents can provide important insights into a situation." (1989:90)

A semi structured approach to the interview was adopted for the flexibility it offers in terms of allowing scope for both formal and informal responses, to probe appropriate lines of inquiry, to allow elaborations and where necessary to pursue entirely new directions. To ensure that the interview did not stray from its primary intentions however, base questions were designed in set sequences in order to ensure both a consistent protocol and that the established research goals were met. See Appendices 1, 2 and 3. To overcome the problems of validity associated with interviews as subjective verbal reports, field notes were taken, and findings documented as soon as possible to ensure completeness, correctness and clarity of data.

A total of eleven interviews were undertaken for the purposes of this research throughout 1995. Four of these interviews were undertaken at the industry
level with: representatives from the TCFUA and the peak employer association, the CTFIA. The remaining seven interviews were undertaken with the management of Clothingco over the period of January, 1995 to October 1995. Initial interview questions were both expanded upon and replicated during successive interviews over this time period, to promote depth of information and ensure clarity of findings.

The industry level interviews were designed to elicit responses to the research questions on a broad industry level, as indicated in Appendices 1 and 2. Specifically the questions sought to

- Contextualise the research
- Determine general industry level issues,
- Identify the major external variables impacting upon small businesses within the clothing industry, and the strategic responses of small businesses to these variables.
- Examine the contextual flexibility offered by the CTA.

The case study interviews conducted with the management of Clothingco were functionally designed to provide information to the research questions on the individual organisational level as indicated by Appendix 3. Specifically the interview questions aimed to:

- Provide background information into the organisation.
- Elicit information which would lead to a greater understanding of Clothingco’s responses to the external environmental influences impacting upon it over a five year period, both in terms of corporate business strategies adopted and choice of labour flexibility mechanism.
- Provide an appreciation of the major constraints perceived by Clothingco as impinging upon choice of labour flexibility strategies and vehicles, with particular emphasis on those constraints
impacting negatively upon the implementation of an enterprise agreement at Clothingco.

- Gain an insight into managerial perceptions regarding the flexibility offered by the existing Clothing Trades Award and to determine whether deficiencies in this area have encouraged a strategic move towards enterprise bargaining at Clothingco. Appendix 4 is the structured interview form that was designed to identify any inflexibilities and deficiencies that management perceived as existing within the CTA. Such inflexibilities, if identified, could in turn constitute a negotiable terrain for an enterprise agreement.

Key interviewees were selected at the broad industry level for their experience and familiarity with the industry, and the CTA. They were also chosen for their capacity to provide detailed information regarding: the external influences impacting upon small businesses, responses to these variables amongst small businesses and perceived constraints acting upon the execution of choice. These interviewees were:

- Brendan Soragon - National Organiser TCFUA.
- Michael Iaccarino - Assistant Director, CTFUA.

At the time of interviewing, both these representatives were the authorised spokespeople for their respective organisations whose work required them to advance the position and the objectives of the organisation they represent. The views that they express throughout this research, can therefore be regarded as largely aligned with, legitimised and endorsed by their individual organisations.

Key interviewees at Clothingco were similarly chosen for their knowledge and experience within the company, their involvement in development of strategies, business plans, HR/IR plans, and their input into decision making generally. Given the small size of Clothingco, these interviewees comprised three managers who represented the total management structure of
Clothingco. Two of these interviewees were also the owners. The positions held by each of these interviewees were:
  
Chief Executive Officer
  
Company Secretary
  
Production Manager

Three interviews were also held with Chris Stuart, who was provided by the NSW Chamber of Manufactures to act as a consultant to Clothingco for a period of eighteen months from October 1994. During this period of consultancy, Mr Stuart worked closely with the management of Clothingco to examine and implement many key HR/IR strategies and generalist management systems. Some of the main HR/IR systems examined included the development of performance based reward systems, skills analyses and audits, training plans, JCC implementation and staff training for same, the preparation for, and introduction of an enterprise agreement.

Mr Stuart’s knowledge and familiarity with both Clothingco and the Clothing Industry in general provided a valued and at times a different perspective in relation to the strategic issues and responses occurring at Clothingco during the period of research investigation.

All interviewees approached were informed of the research objectives and the nature of the research the research being undertaken. Assurances of anonymity were given to the management of Clothingco, and an undertaking was made to maintain the confidence of commercial information. For this reason, no business names have been used throughout this research. It was hoped that these assurances would encourage interviewees to be more open, honest, and less inhibited by the questions, with the aim of increasing the internal validity of the results.

Interview data was also corroborated with documentary sources, a strategy advanced by Yin who states that “a reasonable approach is to corroborate interview data with information from other sources.” (Yin, 1989:91) Such
documentation included strategic business plans, human resource plans, skills audits, documents outlining company profiles, and proposals to receive government assistance to undertake change. Industry level documents included the CTA, annual reports of peak TCF industry bodies such as the TCFDA, union and employer association documentation, and results of surveys undertaken by consulting groups within the clothing industry. The researcher acknowledges that these documents, particularly those owned by Clothingco, are imperfect as data sources in that they:

- were not written for the purpose of research but rather are a "by product of day to day activities" (Hakim 1992:37)
  and
- may bear certain values and assumptions from the outset which reduces their usefulness as truly valid forms of data. (Ellem, 1991:48)

Notwithstanding these limitations, the above documentation, when corroborated with the interview data, has provided a wealth of knowledge and information contributing as a result, to a more holistic portrayal of both the organisation and the industry under investigation.
Chapter Three

3 - LITERATURE REVIEW
3.1 INTRODUCTION

This chapter examines the rationale for enterprise bargaining as a vehicle to promote flexibility, efficiency and change within organisations. The usefulness of existing literature and theories in adequately explaining small business reticence to engage in enterprise bargaining will also be analysed in depth within the parameters of this chapter. This investigation is undertaken within a framework of choice which identifies, for the purpose of this research, four main vehicles that are available to businesses, to promote labour flexibility. These being:

- application of awards
- informal agreements
- enterprise bargaining and resulting agreements
- use of external contract labour.

The chapter will also introduce the concept that the industrial relations strategies adopted by organisations, including choice of labour flexibility vehicle, is a complex issue which cannot be considered in isolation from both the contextual and external framework in which an organisation operates. It will be argued that this choice is likely to be functionally related to the organisation's own implicit or explicit strategy developed in response to the challenges that it faces. In this respect, differing strategic business responses falling along the continuum of Cost Minimisation through to Productivity Enhancement, as discussed by Curtain and Mathews, are in turn likely to register different responses and choices in terms of labour flexibility strategies and vehicles adopted by small businesses. This concept will be introduced within this Chapter as a key concept which will be both tested and developed more fully throughout the empirical component of this research.
3.2 THE ECONOMIC AND INDUSTRIAL RATIONALE FOR THE INTRODUCTION OF ENTERPRISE BARGAINING IN AUSTRALIA.

Almost a decade ago, in response to global economic developments, increased international competition and faced with multiple economic problems including flagging industrial performance, declining living standards, rising international debt, high levels of unemployment, and an unresponsive business sector, a broad Australian reform agenda was developed in the realisation that there were no quick fixes to the problems Australia was encountering.

Three major strategies have been identified by Pullin as comprising a multifaceted response to the economic crisis Australia was confronting. (Pullin, 1994:158) These were, firstly deregulation of our financial markets, the banking and airline industry, and substantial trade liberalisation in the form of tariff cuts. These reforms intended to open the economy to the rest of the world so that Australia could confront the challenges and opportunities in global markets (Pullin, 1994: 159). The second arm of the broad reform strategy consisted of industry restructuring and reform of management practices to overcome problems such as over manning, poor work organisation, high maintenance costs, and time lost over demarcation.

Finally, the third arm involved the reform of the institutional and legal industrial relations (IR) framework. As part of this there was an acceptance by the parties of the necessity to move towards enterprise based employee relations, and away from rigid centralised determinations in order to promote labor flexibility. (BCA, 1989:34; McLauglin, 1990:52 ) Other elements of this IR. reform have included, as a preliminary step, the reform of an award system predominantly Tayloristic in nature which imposed massive restrictions upon the operations and flexibility of an organisation by prescriptive definitions of jobs, narrow procedures for carrying out jobs, rigid
timetables, little provision for up skilling, and a supervisory system whereby employees were overly supervised and completely divorced from areas of decision making (BCA, 1989: 36). A major overhaul of union and bargaining structures to reduce the number of unions, and the number of awards at workplaces, also ensued. Finally, legislative reform was undertaken in both state and federal jurisdictions to bring about a more flexible approach to fixing wages and conditions by encouraging enterprise bargaining, underpinned by equitable minimum standards.

The above reforms have been premised on the notion that manufacturing firms in the 90s must operate according to the new parameters of diversity and flexibility, increased product quality and variety, shorter lead times, quick response and shorter product life cycles requiring a co-operative and flexible workforce to facilitate this flexible production. These market responsive and flexible organisations possess the capacity to respond to market forces and can as a result, compete effectively in international markets. (AMC, 1995:25; McLaughlin, 1991:52)

A brief discussion of the much used term “flexibility” is perhaps warranted at this point. Mealor states that “flexibility is a useful term but relatively meaningless in an IR sense when it is used without qualification.” (Mealor, 1992:72). Rimmer in his study “Enterprise Awards, Are they More Flexible?” offers such qualification and distinguishes five different types of flexibility variables rigorously defined in terms of their capacities and potential objectives. (Rimmer, 1995:74) This is discussed below.

Firstly, numerical flexibility which is measured by the ability of an organisation to adjust the quantity of labour inputs into the organisation by the use of strategies such as hiring and firing, use of part time, casual workers, job sharing arrangements, contract work, and franchising. (Rimmer, 1995:58) Modifying labour availability via these strategies allows businesses to flexibly accommodate fluctuating demand in a cost effective manner.
Secondly, wages flexibility which can be measured by the ability of employers to adjust wages to changes in profits, output and productivity. This can be achieved by the adoption of payment systems which better reflect employee/work group skills, performance, effort and the capacity of the organisation to afford pay increases, as measured by company profitability. Examples include performance based pay assessed and accrued on the basis of performance, and measured in terms of key performance indicators, skill based pay, and profit sharing schemes. This type of flexibility can also be achieved in an administrative and procedural sense by the introduction of innovative pay arrangements and methods of payments such as the introduction of annualised pay, abolition of overtime, allowances and penalty rates, time off in lieu of overtime or to compensate employees for longer or increased shifts, electronic funds transfer payments. (DIR, 1993:10)

Thirdly, working time flexibility can be achieved by “adjusting the quantity and timing of the work performance by employees” (Rimmer, 1995:58) and may be gauged by the capacity of an organisation to introduce flexible arrangements relating to working hours, shift work, overtime arrangements, meal and rest breaks, annual and other types of leave.

Fourthly, functional flexibility is measured by the capacity of the organisation to move labor to different tasks within the workplace resulting in greater production reliability, improved quality and output without an increase in unit costs. This involves strategies targeting employees' skills, competencies, and training programs to promote an expert multi skilled workforce. Such a workforce can be directed to perform a number of jobs and are more autonomous in as much as they are not as reliant upon others to solve problems. Other measures to promote functional flexibility include the improvement of job design by utilising such concepts as team work, removal of demarcation, job rotation, job enlargement and enrichment processes. (MTIA, 1991:22)
Finally, procedural flexibility can be promoted within an organisation by the establishment of appropriate consultative and negotiation mechanisms to facilitate workplace reform, enterprise bargaining and to deal with any problems or disputes which may arise during the life of an agreement. Examples include consultative committees, works councils and grievance handling mechanisms. The infrastructure created by this type of flexibility is usually regarded as a prerequisite before any meaningful substantial changes can be made with respect to other types of flexibility.

Changes of the magnitude needed within an organisation to promote these types of flexibility, cannot necessarily be obtained by compulsion or by minor changes to traditional HR practices nor promoted successfully through the award system. Instead, these changes are now widely regarded as requiring implementation by the adoption of co-operative innovative mechanisms such as enterprise bargaining that both promote flexibility yet simultaneously foster co-operative employment relations and commitment amongst employees. (McLaughlin, 1991:52) In support of this, Mathews regards co-operative site based enterprise bargaining as the most effective vehicle to drive, initiate and sustain the organisational changes needed to promote flexibility, efficiency and profitability. He cites the reason for collapse of so many change programs is that they are not conceived in terms of negotiated outcomes (Mathews, 1994:258). His model of negotiated change regards the process of change best served by “a negotiated and agreed framework within which the details of work organisation, skills formation and technology may be changed.” (Mathews, 1994:260) These aforementioned enterprise bargaining concepts visualise its usefulness as a tool to promote co-operatively, the various types of flexibility, needed to facilitate corporate business strategies focussing upon flexible, responsive production.

The shift towards enterprise bargaining as a mechanism to promote the types of flexibility mentioned above, has however been identified as slow amongst small businesses, which appear to have preferred the use of other
mechanisms that exist both within and outside the formalised framework of industrial relations. This will now be discussed in detail in Section 3.3.

3.3 CHOICE OF VEHICLE TO PROMOTE FLEXIBILITY AMONGST SMALL BUSINESS

This section will examine the options that are available to small business to promote labour flexibility, their usage of same and rationale for such choice. In so doing, reasons will be advanced as to why small business have not readily embraced enterprise bargaining.

As mentioned in the introduction to this chapter, for the purpose of this research, four procedural options to promote labour flexibility, have been identified from which businesses can choose. These are, applying the existing award, use of informal agreements, use of enterprise bargaining and resulting agreements and finally, use of contract staff. Each of these options will be considered below.

3.3.1 - Option 1: Applying The Award.

Awards may provide the necessary flexibility for small businesses particularly in the light of substantial reconstruction, a process which began in the late 1980s. Satisfaction with this traditional option, may actively deter against the seeking out of more cutting edge and less time honoured options, such as enterprise bargaining.

Buultjens has researched the flexibility needs of small businesses across a broad range of industries including manufacturing, wholesale, retail trades and general services. His findings indicated that of his sample surveyed, over 89% of small businesses based their wages and conditions on the existing award. Within this framework of awards, Buultjens found that small
businesses possess a large measure of flexibility, with the two most highly valued variables, (the ability to extend the tasks performed by employees, and the ability to adjust working hours) being least restricted by awards (Buultjens, 1993:97). His results are further reinforced by The Australian Chamber of Commerce and Industry Survey (ACCIS) which found that 63% of small firm employers were satisfied with the current award, or agreement (Isaac et al 1993:44).

The Australian Workplace Industrial Relations Survey (AWIRS) also found that the majority of managers across all industries did not regard awards as a constraint on maximising efficiency nor did they feel any need to change awards.(Callus et al,1992:11) Specifically in relation to workplaces with less than 100 employees, only 6% of respondent managers cited awards as an impediment to introducing change. By contrast, major constraints to change related predominantly to lack of money/resources, followed by management-organisation policy and government rules and regulations. Similarly, in manufacturing industry as a whole, only seven percent of respondents regarded awards as restrictive. Major perceived restrictions to change related to lack of money and resources, followed by the influence of unions. (Callus et al, 1991:340)

Substantially reconstructed and rationalised awards are also likely to have promoted this degree of relative contentment amongst small businesses with respect to the flexibility afforded by awards. Rimmer notes that pragmatically and instrumentally, under reconstructed and rationalised awards, the small organisation may well be content to adhere to the existing award and leave any negotiations, to the industry level (Rimmer, 1995: 63). Isaac also emphasises this by contending that managers in small workplaces simply do not want the job of enterprise bargaining or "are content with existing awards" (Isaac in Rimmer, 1995:76). This tendency is likely to have been reinforced by the effects of the recession where small business manager's energies have been consumed largely with managerial functions of staying afloat, and
survival rather than experimenting with innovations such as enterprise bargaining.

The comprehensive nature of awards and the AIRC's commitment to maintain awards that are "secure, relevant and consistent" has also been cited by employer groups such as the ACCI as militating against the spread of enterprise bargaining generally amongst organisations. Despite an expansive bargaining agenda in which enterprise agreements can "cover any matter pertaining to the employment relationship" (Brereton, 1993:2781-2), very few agreements registered in the federal jurisdiction throughout 1994, constituted holistic, stand alone agreements that completely replaced the award at the enterprise level. (DIR,1995:28). As at November 1994, for example, only 120 agreements in the federal sphere out of a total of 2,700, comprehensively covered all terms and conditions of employment. (DIR,1994(b):6) These statistics tend to support the view that awards do offer comprehensive, substantive terms and that businesses generally, whether small or large are content to apply existing conditions of the award provided, as Rimmer states that "they can seek flexibility on the limited range of issues of importance to them" (Rimmer,1995: 60).

In summary therefore, the flexibility offered to small employers by substantially reconstructed awards, coupled with the commitment by the AIRC to maintain these in a holistic, comprehensive form, may have militated against the growth of enterprise bargaining amongst small businesses.

3.3.2 - Option 2: Informal Agreements

The second vehicle used to promote labour flexibility to be considered is the informal agreement. Various literature has identified this option as frequently utilised, often very successfully, by small businesses seeking to promote flexibility. Such literature will now be discussed in more detail.
Even before award reconstruction, various writers including Rimmer have discussed the flexibility that the traditional centralised system of wage fixation has offered parties in the past in the form of both paid rates awards and informal overaward payments arrangements (Rimmer, 1995:62). Buultjens supports this, with the contention that the prevailing small businesses contentment with the existing award system, can be partially explained by their ability to utilise informal agreements where the existing award is found to be inflexible. (Buultjens, 1994: 144)

The AWIRS study offers support to these views in its findings that 68% of all workplaces paid overawards to at least some employees. This effect was more prevalent in smaller workplaces with less than 20 employees, whereby nearly 75% paid overawards compared to 46% of the largest workplaces. (Callus, 1991:241) In particular, non union workplaces were more likely (81%) to pay overawards than unionised workplaces (70%). These findings can be partly explained by the ability of small businesses to reward on the basis of individual merit (often unilaterally) rather than upon the basis of collective negotiations, which would obviously have a greater incidence in terms of employees covered. (Callus et al, 1991:43). ACCIS found that the basis for overaward payments in the majority of small non unionised workplaces surveyed, (72%) was on the criteria of “reward for merit” on an individual employee basis. By contrast, only 9% of organisations determined overawards for groups of employees. Isaac also found that in 48% of all firms, overaward payments were set unilaterally by the managing director, and not collectively through broad workplace negotiations. (Isaac et al, 1992 :22).

Given the collective element missing from workplace negotiations in small business Barrett questions the ability “of groups of employees in non union, small business to effectively bargain collectively over other terms and conditions of their employment relationship” (Barrett, 1995:12). This bargaining skills deficiency on the part of employees may partially explain the lack of enterprise bargaining activity within the small business sector. Yet it is a deficit which could also be regarded more as a function of a unitarist
managerial ideology and a resulting social integration of the workforce which fosters a culture of closeness, commitment and compliancy. This culture in turn nurtures the development of both a paternalism and reinforces the unitarist mindset to the extent that the health, longevity and prosperity of the organisation also become key concerns to workers. (Mealer, 1992:72) Such a harmony is also characterised by a lack of industrial action, low levels of absenteeism and labour turnover. (Kitay and Sutcliffe, 1989:377). It is reasonable to expect that company strategy here would be aimed predominantly at avoiding any strategies which could possibly disturb such harmony. Enterprise bargaining, as a cutting edge activity which might result in outside regulation, and/or union involvement, may then well be avoided.

The use and prevalence of informal agreements within small business as opposed to the large, has been explained as contingent largely upon this harmonic commitment culture which can develop in small businesses. (Kitay and Sutcliffe,1989:377). However, such harmony is not embedded within the culture of all small business and not all informal deals struck in the small business sector, benefit workers. Previous research indicates evidence of poor employment practices in small firms, ranging from the more common failure to enforce all award provisions, to exploitative sweating practices whereby rapacious employers exploit their employees who are generally non unionised and in a strategically weak bargaining position (Kitay and Sutcliffe,1989:378). In this sense, informal sub standard conditions may in fact be “imposed” with little or no negotiation and with the negative inducements to either accept the conditions or forfeit employment.

Deliberate infringements may be largely due to the lack of union involvement to police the situation, yet other award breaches that occur in small business may be inadvertent and can occur through simple ignorance of the full extent of award and legislative provisions, as they apply to the workplace (Kitay and Sutcliffe, 1989:378). Buultjens supports these views and contends that the lengthy, legalistic nature of both awards and legislative provisions may simply
be beyond the capacities of small organisations, particularly those which do not belong to an employer’s association (Buultjens, 1994:135).

Although the evidence does suggest that some award infringements do exist, Costa argues that most small businesses which are durable and successful, have by necessity, worked out their own formal and informal relationships with employees to the betterment of both parties “and are often more productive than big businesses as a result” (Costa, M ABM, 1994:28). In recognition of this, successful informal agreements, fostered by the closeness of relationships and often a lack of union surveillance, must constitute an easy option for the small business seeking to promote flexibility without the perceived unnecessary regulation and union intervention inherent in both award and enterprise bargaining avenues. Their existence and the relative ease with which they can be utilised may certainly represent another reason why the spread of enterprise agreements has been retarded within the small business sector.

**3.3.3 - Option 3: Enterprise Bargaining.**

The third labour flexibility vehicle to be examined is enterprise bargaining, an option which has been portrayed in the literature as not well utilised to date, by small businesses. This reticence can be partially explained by small business satisfaction with awards and use of informal agreements, as previously discussed. Apart from these, however, perhaps the strongest negative influence cited in the literature as actively slowing down the progress of enterprise bargaining amongst small businesses, has been the involvement and potential involvement of unions in largely non unionised workplaces. (Burke, 1995:1)

Small businesses have been portrayed in various literature as very anti union in their attitude and for this reason are more likely to choose common law contracts in preference to awards or enterprise agreements. Union
aversion amongst small businesses has been cited as extending far beyond mere union apathy to a pessimistic philosophy which regards union membership as tantamount to gross employee disloyalty. (Costa and Duffy, 1990:15). Other literature imputes to small business employers more of an indifferent attitude towards trade unions in general, their attitude not so much a function of an ideological aversion but rather springs from a simple desire to remain unfettered and unregulated by any third party. (Barrett, 1995:11) Regardless of the exact attitude that small business may harbour towards trade unions, their perceived fear of union involvement within the formation stages of enterprise agreements is likely to have impeded the progression of same amongst small businesses. (Burke, 1995:1)

Both the previous federal Labor government and the state governments have legislated extensively to redress this. The most recent federal legislation has been directed at small business in the form of S170NA enterprise flexibility agreements (EFAS) to allow for peaceful non union deals underpinned by an award system to promote and enforce fairness and equity. EFAs were introduced in recognition that no avenues were available within the institutional framework for organisations to explore non union deals and were hence legislated as a means by which enterprise bargaining could be extended to the non unionised and small business sector. In this sense, they have been premised on a belief typified by the following statement that:

"The single most important industrial relations reform needed in Australia is to allow employers and employees to enter into direct contractual arrangements with each other regarding pay and working conditions without the mandatory intervention of trade unions, employer organisations or industrial tribunals” (Ludeke, J.T. Fin Rev. December 12 1994:22).

EFAs were also introduced with some understanding of the philosophical underpinnings as to why small business may be adverse to unions. This is evident in aspects of the legal provisions regarding EFAs, which state that
there is no necessity for an employer to consult a union where there are NO union members on site and unions have NO right of veto should an agreement be reached. (DIR,(d) 1994:12 )

However, Burke states that EFAs can only be loosely described as non union deals. (1995:3). He explains that despite the legislative restrictions placed upon union involvement in the consultative and agreement stages of EFAs, unions do have the right to intervene in the certification process before the commission and this in itself may well continue to represent a powerful deterrent to small business. Sloan contends that this right has been almost invariably exercised in the forty seven EFAs negotiated to March 1995 (Sloan, Fin Rev, 22 December, 1994:13).

The desire of most unions to be signatories to any agreement reached, has sprung largely from the fiercely negative attitude they hold towards EFAs. Thompson argues that the union movement regards EFAs as representing an unaccountable, informal and unilaterist system, whereby bargaining and outcomes are dictated without providing any scope for voluntarism which the legislation was supposed to promote (Thompson, D. Fin Rev, 12 December, 1994:22). Thompson further reinforces this union view of EFAs with a powerful vision of “employer initiated transactions with a gaggle of employees, or sometimes an unaccountable ad hoc employee committee” (Thompson, D. Fin Rev. 12 December, 1994:16).

Given the union attitudes towards EFAs, their right to be involved in the certification process coupled with the general uncertainty surrounding the federal legislation, many small business employers would not venture into cutting edge activity which may provoke the interest and possible wrath of unions. In recognition of the deficiencies of EFAs in this area, the newly elected Liberal government is poised to replace EFAs with Australian Workplace Agreements which, in John Howard’s words “will provide a genuine vehicle of reform for the non union sector. It will do so by providing a
more flexible, less complex system and by excluding unwanted third party interference in the negotiation and approval of agreements.” (Howard, J. 1996:6)

In addition to the difficulties EFAs may pose to small businesses in the federal sphere, government enterprise bargaining legislation as a whole has been regarded as excessively regulated. (Sloan, Fin Review 22 December, 1995) This is also likely to have deterred small businesses from utilising enterprise bargaining in view of their tendencies to zealously guard any encroachment upon their rights, prerogatives and autonomy zones. Government legislation in both federal and state spheres has been a reflection of the governments declared policy to bring about a more flexible approach to fixing wages and conditions by breaking down the rigidities of regulated arbitration. However, at times, the general rhetoric from both the union and employer camps has conveyed that the new legislation has not created a system that nurtures and encourages genuine workplace change, but rather has created an overregulated system which has sacrificed its original intentions and has deterred participation in enterprise bargaining particularly amongst smaller non unionised employers. The negative nature of the rhetoric directed at the Federal Reform legislation is emphasised below.

“We now have a system that is extremely complex, still heavily regulated and increasingly legalistic. It is a system that is hindering real enterprise agreements, under which employers and employees can reach mutual agreement on workplace practices and reforms that are in the best long term interests of the enterprise” (Chairman’s Review, BRW, 1994:16).

From the point of view of small businesses, these comments may be justified. In the state sphere, for instance, the procedural and certifying requirements for enterprise agreements have been regarded as too restrictive and the system as a whole strongly criticised as time wasting and bureaucratic (INS, 1995:2). Procedural requirements as part of the 1991 NSW IR
Legislation, have rendered registration in the NSW sphere a very lengthy process, usually requiring about four months, and perhaps beyond the capacities of small businesses. Rigorous checks are undertaken by the Commissioner for Enterprise Agreements to ensure that: no parties are coerced into signing an agreement, proper consultation and voting takes place and everyone understands the deal. The registration process itself, can also present many delays with agreements firstly scrutinised thoroughly and compared with the legal requirements of the act, by the registrar, then the commissioner for enterprise agreements and then sent back to the registrar.

Conveying an express disenchantment with the legislation in early 1995, the then opposition industrial relations spokesman, Jeff Shaw criticised the NSW legislation as:

"Saddled with a legalistic, complicated structure which takes weeks and often months to process enterprise agreements, diverts millions of dollars to prosecuting unionists in politically targeted industries and leaves commissioners, employers and unions to find ways around the Act rather than be assisted by it" (Shaw, J. Fin Rev, 5 January, 1995:8).

Disenchantment with the same legislation throughout 1995, also found expression in the actions of thousands of private schools who have withdrawn from enterprise agreements in favour of the award stream, because of the administrative problems in registering agreements. In recognition of the procedural deficiencies associated with the legislation, a major review of the enterprise bargaining procedures ensued in the state sphere throughout 1995. In view of these perceived problems emanating from the legislation in both spheres, plus the general negative rhetoric directed at same, small businesses may again have been deterred from embracing enterprise bargaining with any degree of vigour or alacrity.

In addition to the many legislative restraints placed upon the use of enterprise bargaining amongst small businesses, from a financially pragmatic view point,
cost and time factors associated with enterprise bargaining have also been cited as an active deterrent to small businesses. The choice of enterprise bargaining will involve a commitment of time, resources and money to the establishment of bargaining structures including committees, training of participants, the bargaining process itself, conduct of secret ballots, drafting (including the use of a consultant), lodging and registering the agreement. This may be beyond the capacities of small business and generally regarded as too costly. Callus reflects these sentiments in the following:

“Most of the survey evidence says most small employers are not really interested in enterprise bargaining. It is too much of a hassle, too costly and requires too many resources” (Callus in NIS, Feb 1995:4).

Government run initiatives have been developed to encourage businesses to embrace both workplace change and enterprise bargaining largely by attenuating the costs associated with the bargaining process. In the federal sphere the Workplace Bargaining Program was designed to promote innovative workplace agreements in the Federal IR system in the form of certified agreements, EFAs and the use of enterprise flexibility clauses in awards. Enterprises and organisations can apply for funding if they are seeking to complete an agreement or simply committed to the principles of enterprise bargaining (DIR,1994(c):7). Project grants have ranged in value from $10,000-$200,000 depending on the size, quality, length and demonstration value of the program. However, this program has not been well utilised amongst small organisations. Only nine organisations with fifty or less employees received second round funding out of a total of sixty four recipients. Fifteen small businesses were successful in receiving third round funding out of a total of sixty recipients (D.I.R,1994(c):5,6). Small businesses have therefore not participated well in these programs, and in the absence of strong financial encouragement that government funding represents, few small businesses are likely to commit to the required outlay of resources.
Procedural informalities apparent in smaller enterprises have also been cited as a reason why small business have not embraced wholeheartedly enterprise bargaining (Barrett, 1995:19). Rimmer and Isaac refer to the lack of infrastructure apparent in smaller enterprises yet acknowledge the need for skills, training and bargaining frameworks in order to facilitate meaningful workplace level negotiations procedurally (Rimmer, 1995:75).

Horstman further confirms the need for well developed infrastructure to facilitate the needs of the flexible organisation as evidenced by the following:

"Clearly defined labour flexibility developments will be achieved most effectively by processes consistent with an established constitutional management style" (Horstman in Dabscheck, 1992:288).

This style places great emphasis upon co-operative or integrative bargaining which is problem oriented rather than dispute oriented. To this end, elaborate infrastructure is needed both procedurally to facilitate bargaining and secondly to administer specific collective agreements (Horstman in Dabscheck, 1992:288).

The need for consultation, and implicitly accompanying infrastructure, was evident in the Restructuring and Efficiency Principle (REP) and the Structural Efficiency Principle (SEP). It was also explicitly stated in both the Joint Statement on Participative Practices delivered by the CAI and the ACTU in 1988 and the NWC decision of 1991 in which enterprise bargaining was recognised as a principle by the Commission. This latter decision stated that parties seeking to introduce enterprise bargaining were required to "establish consultative mechanisms and procedures appropriate to their size, structure and needs for consultation and negotiation on matters affecting their efficiency and productivity" (NWC Decision 1991 cited in Niland, 1993:1:10). Despite these centralised, legislated commitments, they appear not to have been influential in promoting the development of joint consultative and other infrastructure particularly amongst small businesses.
AWIRS findings for instance, suggest substantial deficits in the degree of infrastructure available to handle enterprise bargaining both amongst trade union delegates, specialist or generalist IR management and trained shopfloor personnel who are authorised and focussed to conduct enterprise bargaining. (Callus et al 1991: 124). The findings revealed that in workplaces with number between:

- twenty and forty nine, and

- fifty and ninety nine employees,

a specialist HR/IR, ER or Personnel Manager was present only in thirteen and nineteen percent of cases respectively.(Callus et al,1991:260) The majority of these specialist managers had no more than five years experience in the position. (Callus et al,1991:261) A specialist manager was present in only thirty four percent of respondent workplaces in manufacturing industry generally. (Callus et al, 1991:260)

With respect to formal ongoing joint consultative committees (JCCs), AWIRS findings noted that JCCs are present in just 14% of workplaces which employ 20 or more people, and are more common in larger unionised enterprises and the public sector. Only 8% of JCCs were present in smaller, non unionised plants with management preferring the daily walk around as the preferred method of communication (Callus et al ,1991:125). Similarly the majority of smaller workplace respondents to the study reported that management/delegate discussions and meetings "hardly ever took place." This is in contrast to managerial respondents within the manufacturing industry who reported meeting regularly in fifty two percent of cases. Delegate respondents within the industry reported a meeting frequency of between once a week and every few months also in fifty two percent of cases. (Callus et al, 1991:295)

In the light of these procedural deficiencies, the legislated statutory requirements for EFAs including dispute settling procedures, development of
JCCs and formalised consultative processes, may well set standards and
requirements that simply cannot be met by small businesses. (Barrett
1995:17) In view of this, neither workplace change or enterprise bargaining
is likely to be sustained or consolidated appropriately within smaller
organisations given their immaturity both in terms of a willingness and ability
to initiate and sustain the broad consultation needed to practically and
legislatively facilitate enterprise bargaining.

3.3.4 - Usefulness of Existing Theories in Explaining Small Business
Reticence to engage in Enterprise Bargaining.

The reasons why smaller organisations may have been reticent to adopt
enterprise bargaining, however, are unlikely to be totally explained by internal
factors such as a lack of bargaining structure. Nor is it likely to be justified
entirely by factors already examined within this section including a lack of
incentive amongst small businesses to move from the award system,
successful utilisation of informal agreements, fear of union involvement, time,
resource and cost constraints. These theories are limited by their
generalness which in turn may preclude relevance and applicability at the
industry or more appropriately, at the workplace level.

A more complete understanding of small businesses choice regarding labour
flexibility vehicle at the workplace level, requires also a consideration of the
contextual environmental challenges impacting upon the individual
organisation and the organisation's own implicit or explicit response to these
challenges.

The important role that environmental challenges play in influencing strategic
IR decisions is well documented in various literature. Quinlan's concept of
strategic choice involves an acceptance that the environment exogenously
impacts upon and shapes IR strategies as is discerned from the following:
“IR strategies cannot be divorced from the dynamics of the total organisation and its interaction with the environment. All strategies should be seen in terms of the political, economic and labour market context in which individuals or groups operate” (Quinlan, 1986:24)

In this sense the environment in which the organisation is placed will influence choice of vehicle. Pullin also, postulates an external environmental dependency model of industrial restructuring and takes the view that the major catalyst for industrial change within an organisation, (and this must have implications for the choice of flexibility vehicles to promote change), is to be found in the external environment and in particular the degree of environmental uncertainty as expressed in variables such as product market changes, tariff reductions, deregulation. (Pullin, 1994:156). Internal factors such as management support, skill levels and infrastructure represent only a secondary influence on the basis that these problems can be attenuated if there is a need in the external environment. Pullin’s model has much appeal when it is considered how environmental variables, such as changing markets, more demanding customers, other general competitive challenges as well as the current economic and government policy environment, must impinge upon both internal change and strategies adopted within the organisation.

Further support is provided to the above views, by the (well documented) strategic choice framework developed by Kochan, Katz and McKersie. Explanatory concepts advanced by these authors view environmental forces including labour markets, product markets, technology, public policies and workforce characteristics as each impacting upon and shaping corporate strategic choices and values. (Kochan et al, 1986:11) IR practices and strategies at various different functional levels lower down in the organisation, register these corporate choices and are then adjusted and reassessed to fit, consolidate and promote overall corporate strategies and objectives. (Kochan et al, 1986:11) In fact the authors attribute
management's strategic decisions "as having largely initiated the process of fundamental change in the (US) IR system." (Kochan et al, 1984 : 23)

This framework thereby tacitly accepts that managerial strategic discretionary choices are shaped by the environment and that this in turn has IR implications. There is hence, a positive interactive relationship between broad business strategies, IR policies and practices and the environment. This is supported by the following quotation:

"The dynamics of an industrial relations system during periods of significant change in product markets are tied to the ways in which these market shifts interact with business strategies and prior or current states of industrial relations. (Kochan et al, 1984 :24)

Choice of labour flexibility as an integral part of the IR strategy of an organisation, can therefore be regarded as interactive with and functionally dependent upon broad corporate strategies, which in turn are environmentally shaped.

An implicit acceptance of Kochan, Katz and McKersie's framework is evident in the concepts advanced by Curtain and Mathews who suggest that varying corporate strategic responses are likely to result in different IR patterns and consequences within and amongst organisations. Specifically relating to the Award Restructuring process, Curtain and Mathews argue that:

"The impact of award restructuring will be highly variable with marked differences in its effects from workplace to workplace depending on each enterprise's own corporate strategy." (Curtain and Mathews,1990:1)

Organisations pursuing a corporate competitive strategy based predominantly upon long term, qualitative, productivity enhancement seek competitive advantage through the creation of quality, innovative and sophisticated products driven by flexibility, customer service and networking. (Curtain and
Mathews, 1993:5) Such organisations are likely to seek functional labour flexibility strategies in the form of multi skilling, training, job enrichment, extensive consultation and career development programs. Introduction of these strategies have the potential to promote the highly trained, flexible and co-operative workforce necessary for the facilitation of corporate productivity enhancement strategies. (Curtain and Mathews, 1990:3; Mathews, 1995:11)

Mathews argues that enterprise bargaining, introduced to facilitate the requirements of flexible production, with its emphasis upon broad consultation and its ability to provide for the “rules of change” as a necessary precursor to sustained change and long term efficiency, is more likely to be adopted as the predominant labour flexibility vehicle, by those organisations wishing to obtain flexibility through changes of the magnitude required by a corporate strategy geared towards flexible specialisation and productivity enhancement. (Mathews, 1994:98) In fact, Mathews directly attributes the impetus towards enterprise bargaining in the new changes that are occurring in production systems including moves towards flexibility, responsiveness, quality of outputs and productivity enhancement. (Mathews, 1994:265)

Such corporate orientations geared towards productivity enhancement are likely also to promote and reinforce a co-operative, integrative approach amongst the parties towards bargaining that stresses “joint efforts directed towards the improvement of the long term viability of (their) industry” with mutual, positive gains and resolutions being the outcome. (Curtain and Mathews, 1990:9) These approaches are therefore well placed to procedurally facilitate enterprise bargaining which stresses integration and common ground.

In contrast to this approach, organisations which are adopting shorter term cost minimisation approaches and price competition as their driving corporate strategy, may find the long terms gains offered by enterprise bargaining in terms of productivity and efficiency enhancement irrelevant and instead the
emphasis in IR may shift towards strategies which have a greater potential to control labour costs. These organisations could therefore be regarded as more likely to promote labour flexibility numerically and externally through the use of casual and contract labour as the mechanisms which provide the most immediate, cost effective vehicle. The corollary being a reduced commitment by these organisations towards provision of training, up skilling, career development and other functional flexibility strategies. (Curtain and Mathews, 1990:25; Mathews,1994:11)

Such cost minimisation approaches also reinforce a confrontationist, distributive attitude towards industrial relations in which bargaining outcomes are perceived as zero-sum gain for participants. (Curtain and Mathews,1990:21) These approaches are thereby likely to militate against successful enterprise bargaining which procedurally requires integration and co-operation amongst participants. (Mathews, 1994:266)

Mathews argues forcefully in favour of new production concepts characterised by productivity enhancement, which he regards as representing a change from Fordist to Post Fordist techniques. The former are encapsulated in strategies relating to the division of labour, job fragmentation, rigid routines, automation, low levels of product innovation, labour responsibility and a reliance upon cost minimisation. (Mathews, 1995:3,Gahan,1991:63) By contrast, the central approaches to the new Post Fordist production systems are identified by Mathews as including: flexible specialisation, an emphasis on functional flexibility and the development of worker skills, enlargement of worker responsibility, work restructuring to promote quality, and a more participatory, collaborative work environment. (Mathews, 1995:12, Mathews in Gahan,1991: 162) On the basis of case study evidence within the Australian manufacturing industry, he argues that these new productivity enhanced production systems are emerging rapidly and have the capacity to overcome the deskillling, drudgery and disempowerement associated with Tayloristic mass production techniques. (Mathews,1995: 3)
Gahan questions whether the new production concepts espoused by writers such as Mathews are in fact new and if they really do provide a break from past theories. He argues that many of the themes and ideas advanced by Mathews parallel closely the work of Kerr, Harbison, Dunlop and Myers in Industrialism and Industrial Man 1960. He highlights very strong similarities between Industrialism as a production concept and Post Fordism including the following features common to both systems:

- A commitment to optimise profit and capital accumulation.
- The end of deskilling and degradation of work coupled with growing levels of labour skill necessary for the broader based job functions.
- Training and education to play a pivotal role in harnessing worker potential.
- A more integrative, participative workplace and a decline in industrial conflict.
- Prediction of positive outcomes for workers including rising living, standards and return for effort. (Gahan, 1991: 165)

Because of these similarities Gahan questions the “originality “ of the new production concepts advanced by Mathews and argues that his theories of flexible specialisation “simply form part of a larger debate on technological change with little that does not parallel earlier debates on the end of mass production.” He concludes that “The new production concepts do not provide satisfactory analytical tools to explain the changes that are evident in IR today.” (1991:65 )

In addition, Harley argues that Post Fordist advocates such as Mathews have compiled their evidence almost entirely from case studies or small surveys which possess dubious external validity. (Harley, 1994:122) Mathews’ optimism regarding the spread and positive benefits associated with Post Fordist productivity enhanced systems may therefore be misplaced because
of his reliance upon selective case studies which provide a poor basis for
drawing the generalised, comprehensive conclusions. Gahan argues that the
value of Mathews contributions are limited by these methods of investigation
and that:

"On the evidence alone, it is not clear whether the optimism exhibited by new
school of thought is in any way justifiable." (Gahan, 1991:173)

Certainly research undertaken by Harley provides firm evidence to suggest
that a resurgence of Fordist rather than Post Fordist strategies has been
occurring in the workplaces he investigated. His findings also highlighted the
association of many Post Fordist flexibility strategies with poor rather than
positive outcomes for workers. In particular, the implementation of Post
Fordist technical - organisational strategies within his survey organisations,
did not result in positive work transformations and greater worker
empowerment. (Harley, 1994:122) In contrast to Mathews’ optimism regarding
Post Fordist production, he pessimistically concludes that his findings “
provide no support for the argument that labour process flexibility is
associated with a transformation of work, a reversal of tends characteristics of
twentieth century capitalism and a generalised empowerment of worker.”
(Harley, 1994:122)

If the above views are correct, and such production concepts are not
necessarily new, beneficial or increasing in Australian industries, it may be
both ill conceived and premature of Mathews to relate the growth of
enterprise bargaining to any perceived changes in production systems
towards productivity enhancement, and flexible specialisation, without much
stronger empirical evidence.

Gahan argues that a capitalist commitment to optimise profit and capital
accumulation has been the rationale which has led to the restucturing of
workplaces along Post Fordist lines. Similar to most previous production
techniques, Post Fordism can thereby be viewed merely as an instrument to
enhance capital accumulation.
If this is the case, Matthews' vision of productivity enhanced corporate approaches being more likely to promote worker autonomy and a positive co-operative workplace ethos may also be flawed. Certainly, if profit maximisation is the underlying commitment, the impetus for the finding of mutually acceptable common ground and the promotion of genuine joint gains amongst the parties may well be reduced. As Gahan argues "It is unclear that the Post Fordist outcome is in the strategic interests of both workers and management." (1991:173).

His views are reinforced by Bramble who argues that co-operative strategies in capitalist production systems are "compelled by the dictates of competitive accumulation" that is, the desire to increase the rate of profit and corporate prosperity. As a result, co-operative mechanisms are of little value in protecting the interests of workers and usually only represent lip service exercises which merely give the appearance of consultation. (Bramble, 1994:81,86) He cites the Australian examples of GMH, Telecom and Australia Post whereby worker and union representatives were consulted yet in all cases they were unable to quell the pace of downsizing. (1994:81) Despite consultation, the workers bore the brunt of company reorganisation. In fact, Bramble argues that their co-operative acquiescence may have in fact accommodated and accelerated such negative outcomes. (1994:86)

Harley's research also supports the above views. His findings revealed that Post Fordist strategies to increase worker autonomy in the workplaces he surveyed were both limited and motivated by a desire "to provide staff with the illusion of control over the workplace as a means to enhance their commitment." (Harley, 1994:121) The rationale for the implementation of such strategies was therefore to enhance managerial control. Harley attributes this tendency to the fact that Post Fordism "fails to apprehend the class based nature of capitalist production". Entrenched and inevitable antagonism between the interests of workers and management thereby impedes the development of genuine worker autonomy. (Harley, 1994:109)
If the above arguments are correct, and corporate orientations geared towards productivity enhancement and flexible specialisation still possess an underlying commitment towards accumulation, such approaches may not, (as Mathews argues) be well placed to procedurally facilitate a model of enterprise bargaining which stresses empowerment, integration, and the securing of positive outcomes for all parties.

Mathews' concept of strategy may also need amendment. Mathews regards the choice between cost minimisation, and productivity enhanced post Fordist approaches as an explicit strategic choice thought through in advance and conceived to achieve a particular strategic goal. (Gahan,1991:166.) Gahan argues, however, that planned explicit strategies are unlikely:

- to occur frequently in an environment of rapid change.
- to be used widely by organisations generally speaking, because the majority of managers are not fully informed about all the possible choices and alternatives that are available to them. (Gahan,1991:167)

On this last point specifically, Gahan argues that the strategic choices between the competing production systems identified by Mathews are unclear. He asserts that Matthews both ambiguously conceptualises the features and outcomes of Post Fordist production systems so that it is very unclear “what the essential features of the system are and how they are mutually exclusive” to other production systems. (Gahan, 1991:167) Such a lack of clarity would thereby render an explicit strategic choice between the cost minimisation and productivity enhancement approaches identified by Mathews, extremely difficult.

Whilst Curtain and Mathews have presented their cost minimisation and productivity enhancement models of productive efficiency as exaggerated paradigms which are competing and mutually exclusive, they explain that this has been done for explanatory purposes only. In reality both authors accept
that there exists a continuum of strategic responses from cost minimisation through to productivity enhancement. Many organisations will therefore choose to compete across the broad spectrum, utilising aspects of both cost minimisation and productivity enhancement. (Curtain and Mathews, 1993:21)

Gahan argues that an array of choices such as this, is likely to be unclear to most organisations and almost impossible to conceptualise. As a result, it is “Equally unclear whether any decision taken by management is necessarily strategic in the sense of being considered appropriately in advance to achieve a particular strategic goal.” (Gahan, 1991:167)

Confidence in the correctness of Gahan’s arguments is further provided by Curtain and Mathews’ assertions which stress that whatever approach along the continuum from cost minimisation through to productivity enhancement is “given the starting point and is given greater emphasis, will tend to ‘crowd out’ the adoption of measures stemming from the other approach.” (Curtain and Mathews, 1993:21)

This concept of “crowding out” certainly suggests an implicit, trial by error approach to the various strategic combinations that are available to organisations, rather than outcomes which result from pre-determined explicit choices. In view of this, Mathews concept of strategy purely as an explicit, planned choice may require amending to include any managerial action whether planned or unplanned, implicit or explicit, knowing or unknowing.

It is this broader, perhaps less definitive concept of strategy, which will be used within the empirical component of this research. The research tacitly accepts Curtain and Mathews idea that there is a spectrum of strategic alternatives available to organisations along the continuum of cost minimisation through to productivity enhancement, rather than an explicit, mutually exclusive demarcation between the two approaches. It further accepts that in reality, many organisations will choose to compete on the broad spectrum utilising aspects of both approaches. In support of Gahan
however, such a choice is unlikely to be always consciously explicit but rather unplanned, implicit choices must also be regarded as framing strategic business outcomes along the continuum.

The empirical investigations which follow in the succeeding chapters, will test the concepts advanced by Curtain and Mathews who argue that strategic business responses along the continuum from cost minimisation to productivity enhancement are likely to register differing choices in terms of the labour flexibility vehicles. In view of this research direction, the doubts raised by Gahan, Bramble and Harley provide useful avenues for investigating whether small organisations in the clothing industry which pursue a corporate strategy based largely toward productivity enhancement have in fact developed the mature, co-operative, approach towards bargaining envisaged by Curtain and Mathews, or whether a firmly ensconced distributive mindset still exists within such organisations. The arguments of Gahan, Bramble and Harley, can also be used as basis for investigating whether there is in fact a positive relationship between increasing corporate productivity enhancement orientations amongst small businesses within the clothing industry, and the use of enterprise bargaining as a co-operative labour flexibility vehicle which emphasises long term mutual gain amongst the participants.

The use of contract labour as a vehicle to promote labour flexibility is now discussed below.

3.3.5 - Option Four: Contract Labour

Contract labour can be utilised as an attractive externalisation strategy by small businesses endeavouring to promote numerical flexibility through peripheral labour. In this sense the organisation can often utilise avenues outside the institutional IR and often legal frameworks to achieve the flexibility it desires.
Numerical flexibility strategies aimed at increasing the usage of peripheral labour are increasing in European communities where atypical forms of employment including contract labour have been found to be on the rise. (OECD Labour/Management Programs 1992:3) Armstrong positively connects this increase to the increased requirement amongst businesses for numerical flexibility necessary to accommodate Post Fordist Production characterised by short runs, quick responses and customised manufacture. (Armstrong, 1992:243)

The benefits of this type of strategy to the employer are easily apparent and in some ways may constitute good business sense when the advantages are considered in terms of a greater flexibility and adaptability to cope with demand fluctuations. In this respect, outworkers "can be regarded as an invaluable adjunct to factory staff" for businesses. (Cosic, SMH, 3rd May 1995) Their usage as a tool to accommodate uncertain seasonal demand variations may also well provide a protective buffer for the core labour force. Other cost effective benefits accruing to businesses as a result of contract labour may include a reduction in wages and overheads costs, health, safety and compensation costs, and an ability to expand without concern for space. (Anderson,1994:231).

If contract arrangements are well regulated to ensure minimum award, and other legislative standards are not contravened, mutual benefits can also be forthcoming for the worker. This includes increased flexibility and convenience, (within deadline constraints), and a greater capacity to accommodate domestic responsibilities. (Anderson et al,1994:231; Cosic,1995:13).

From a pessimistic perspective however, use of contract labour is often employed by businesses as a simple cost reduction strategy in response to competitive pressures. (Curtain and Mathews, 1990:21; Anderson et al, 1994-230) When used in this capacity, it may effectively impede and work against
the long term viability of the organisation and can have severe negative implications for workers by the creation of a marginalised labour market in which workers experience the characteristics of work and conditions commonly found in secondary labour markets. These exploitative elements can be perpetuated by the fact that outworkers are generally not classified as employees and principal parties can often, therefore renounce any responsibility to the workers and likewise disclaim any liability for the conditions under which the goods are produced. (Ellem, 1991:101; Anderson et al, 1994:233)

Anderson, Brosnan and Walsh’s survey of homeworkers in New Zealand found that small organisations are much more likely to utilise outworkers than larger ones. (Anderson et al, 1994:240) Certainly in Australia, a generalised use of contract labour characterises the Australian Clothing Industry which, as discussed in the introduction, is dominated by small businesses. The trend towards the use of contract labour is increasing in this industry and the industry union identifies a significant shift from factory based employees to home based employees within the industry over the past five years. It estimates that up to three quarters of companies within the industry, have the majority of their production undertaken by outworkers. (TCFUA, 1995:5) The pervading use of outworkers amongst small businesses within this industry as a simple cost control strategy used to facilitate similar concerns at the corporate level has led to the strategy being excessively, onerously and often oppressively used. (Ellem, 1991:97) This same usage has also been identified as one of the major factors impeding the generalised growth of enterprise bargaining within the industry. (Interview Brendan Soragon, TCFUA, 21 April, 1995) This will be discussed fully in Chapter Four.
3.4 CHAPTER SUMMARY

In summary, the literature highlighted in this chapter has offered various reasons as to why enterprise bargaining is unlikely to be embraced enthusiastically by small business. These reasons include a prevailing satisfaction found amongst small businesses with the present institutional award arrangements, and the ease with which informal agreements can be utilised, often without union involvement or regulation. In addition, the involvement and potential involvement of trade unions in largely non unionised workplaces has been portrayed in the literature as a strong disincentive which is likely to slow enterprise bargaining amongst small non unionised businesses, despite legislative changes which allow for non union deals. This, coupled with general dissatisfaction relating to the over regulated aspects of enterprise bargaining legislation, cost and time factors associated with agreement formation and registration and, the procedural informalities apparent in small businesses, suggests that small business is either unwilling or does not have the capacity to facilitate and sustain enterprise bargaining.

All of these reasons are worthy of investigation, and will be analysed as part of the empirical component of this research. However, in order to achieve a more balanced and accurate portrayal of small business rationale for choice of labour flexibility vehicle, an understanding of the key environmental challenges, and the business strategies which have been developed to meet these challenges, is necessary. This will be the focus of the empirical work undertaken within the parameters of this research, the findings of which are discussed in Chapters 4 and 5.

Specifically, the objective of this research is to analyse the various external variables that have impacted upon small businesses within the Australian clothing industry, observe the way in which corporate strategies have been adjusted in response to these challenges and the manner in which flexibility vehicles adopted by small organisations have in turn registered strategic
changes at the corporate level. Contextual factors and constraints that may encourage or impinge upon the execution and implementation of choice will also be examined. This focus will test the hypothesis:

**That the labour flexibility strategies and vehicles adopted by small businesses within the Australian Clothing Industry, are functionally chosen to facilitate broad corporate and business strategies.**

In the course of testing the above hypothesis, the empirical work undertaken will also both test and apply the concepts advanced by Curtain and Mathews that have been discussed within this chapter. That is, strategic business responses falling along the continuum of productivity enhancement to cost minimisation, are likely to register differing choices in terms of labour flexibility strategies and vehicles. The broader implications for the spread of enterprise bargaining amongst small businesses within the Australian clothing industry will be examined in the light of the above research directions.
Chapter Four

4 - THE CONTEXTUAL SETTING AND THE STRATEGIC RESPONSES.
4.1 BACKGROUND AND INTRODUCTION.

As one of Australia's most highly assisted manufacturing sectors for the post war period, TCF industries were internationally uncompetitive, highly geared for domestic production only, and with little export activity. Their business strategies in the post war period have focussed upon the production of relatively homogeneous basic, high volume products with competition being based almost exclusively upon price. (Curtain and Mathews, 1990:2; Mathews, 1994:2)

From the 1960s onwards, in particular, these products have continued to be produced more cost effectively in low wage countries. (TCFDA Annual Report 1993/94). As a reflection of this lack of competitiveness, unemployment within the clothing industry has risen since the late sixties largely due to increases in import penetration from developing nations, particularly China. From 1968/69 to 1975/76, for instance, there was a 27% decline in employment and a commensurate decline in the number of clothing establishments. (O'Donnell 1984:111) TCF employment generally, also fell by 13% from November, 1978 to November, 1985 whilst employment generally in other industries grew on average by 14%. (Briggs, 1994:28 ) More recently and specifically relating to the clothing industry, approximately 40,000 jobs have disappeared since 1989, owing to a range of factors including the inability to compete with imports from developing nations. (TCFUA, 1995:4)

The gradual dismantling of tariff barriers culminating in the form of the TCF Plan announced in 1986 had as its aims the fostering of a greater external orientation on the part of Australian TCF industries generally. The phasing down of protection was regarded by the government as a prelude to successful industrial reform, restructuring and revitalisation of the industry towards a new model of productivity enhancement and superior production strategies based largely upon quality, capacity to innovate and responsiveness. The extent and pace of change fostered by these tariff
reductions coupled with other significant changes that have occurred in the external environment, have required many organisations in the clothing industry to develop new corporate and labour flexibility strategies, as well as to reassess their existing ones.

This chapter acts as a prelude to the case study investigation presented in Chapter Five. Through an incorporation of interviews with industry level representatives and a literature review, its purpose specifically is to:

- Establish the economic, policy and structural contextual setting for the organisational case study.
- Examine in detail the strategic response of small organisations within the clothing industry to the influence of three key external environmental influences all of which have acted as forceful, volatile mechanisms driving changes in corporate strategies, policies, attitudes and in turn labour flexibility vehicles adopted by small business as they endeavour to forge a sustainable future for their companies and their employees. These environmental influences are identified as:
  
  a concentration in retail ownership, discussed in Section 4.2
  a prolonged economic recession, discussed in Section 4.3
  the TCF Plan, discussed in Section 4.5

Also examined within the chapter is the influence of a key contextual variable in the form of the TCFDA sponsored, Incentives for International Competitiveness Scheme (IICS). The impact of the IICS in shaping corporate strategies and the development of positive co-operative relations amongst businesses and the TCFUA will be evaluated in Section 5.5. Finally, the contextual flexibility offered by a substantially reconstructed Clothing Trades Award (CTA) as perceived by both industry representatives, will be examined in Section 5.6 and its likely impact upon the choice of labour flexibility vehicle amongst small businesses, assessed.
The chapter presents evident to suggest that the predominant labour flexibility vehicle chosen by small businesses within the clothing industry, in the form of contract labour, is very much a reflection of, and has been shaped specifically to enhance overall corporate strategies focused towards cost minimisation and price competitiveness in response to the environmental challenges and uncertainties that small organisations face. This response, coupled with an embrace of a unitarist managerial ideology which in turn dictates a distributive approach to industrial relations, has been identified as strongly militating against the progress of enterprise bargaining amongst small businesses within the clothing industry.

The findings presented in Section 4.4 also reveal that these pervading cost minimisation approaches remain amongst domestic producers despite the increasing globalisation of the industry over the past twenty years, as discussed in this section, which has required a competitive refocussing upon quality and efficiency, rather than cost. In addition, the evidence suggests that such approaches remain and have in many cases been exacerbated by the significant reductions in tariffs and the rationalising influences of the TCF Plan. This is the case, notwithstanding the fact that the aim of the Plan was ironically to promote a more efficient and internationally competitive TCF industry by encouraging organisations to restructure and embrace long term productivity enhancement strategies.

The chapter will conclude with a summary of research findings, and an evaluation of the implications for the progression of enterprise bargaining as a vehicle to promote labour flexibility amongst small businesses, within the Australian clothing industry.
4.2 THE CONCENTRATION IN RETAIL OWNERSHIP AND THE STRATEGIC RESPONSES.

Well before the TCF Plan was introduced in the mid 1980's, external challenges in the form of an increasing retail ownership concentration led many small organisations within the clothing industry, to assess and reassess both their business strategies, and those used to promote labour flexibility. 
(Interview. Brendan Soragon, 7 April, 1995)

To provide an historical perspective, in the late 1960s the larger retail companies, undertook aggressive expansionist policies in order to capture an increasingly larger share of the clothing retail market. This led to a structural shift within the retailing sector in which mergers and take-overs created a concentration of the retailing industry with the four largest companies accounting for the majority of sales. (Briggs, 1994:24) Today this concentration is even more pronounced with the two largest companies, Coles/ Myer and Woolworths, controlling the majority of sales (Interview B. Soragon, TCFUA, 7 April, 1995 ). The effect of this was to reduce the number of potential buyers for manufacturers and the subsequent power shift resulted in retailers demanding greater quality but of increasing importance, lower prices and shorter lead times. (TCF Future Strategies Committee, 1994:v18 ) (Briggs, 1994:25). In essence retailers were demanding more for less and as a result, many small clothing manufacturers were forced to close their doors. (Interview Brendan Soragon, 7th April,1995)

Those that remained, were compelled to re-evaluate their corporate strategies to meet these demands. Priority was given particularly to the greater use of cost control and price competition strategies. The labour flexibility vehicles, chosen to fit these corporate strategies have been biased noticeably toward the use on a large scale of contract labour (outwork) both as a vehicle to promote numerical labour flexibility and importantly to consolidate the corporate persuasions which seek cost efficiency by
minimising and externalising labour costs. (Odonnell 1984:119; Briggs, 1994:25)

This temptation to divert costs to outworkers has been all the greater within the clothing industry because of the labour intensity of its operations coupled with the fact that the price of labour is the key cost variable affecting the price competitiveness of most items of clothing. (TCF Future Strategies Committee, 1994:v1.15). In addition, the industry is fraught with what Briggs calls "dysfunctionalities" associated with mass production including high rates of absenteeism, occupational injuries, work compensation claims, labour turnover, all of which are extremely costly particularly to smaller employers. (Briggs,1994:19) Both of these factors provide small employers within the clothing industry with the rationale and inducement to develop vehicles such as contract labour which will attenuate the burden of their labour and associated peripheral costs.

The peak employer body for the clothing industry, The Council of Textile and Fashion Industries of Australia (CTFIA), confirms the importance of contract work within the clothing industry in providing cost flexibility, regarding it as a necessary part of business strategies which, "allow employers to seek more flexible cost effective supply arrangements for the inevitably uncertain seasonal demand at retail levels" (CTFIA,1995:1).However, Michael Iaccarino downplays the role of contract labour purely as a cost minimisation mechanism which exploits workers. Although, it is acknowledged that some black-market racketeers do exist on the fringe of the industry, the majority of outworker operations are legitimate and pay full award rates. (Interview Michael Iaccarino. CTFIA, 9th May 1995).

The TCFUA however, views outwork more pessimistically regarding it as a protective strategy functionally adopted and shaped to reinforce corporate cost minimisation approaches developed by manufacturers in response to unmerciful squeezing by retailers. The historic prevalence of exploited outwork in the clothing industry, supports the notion that contract labour,
when used in this manner, is largely a cost rationalisation strategy designed to meet similar concerns at the corporate level. (Interview Brendan Soragon, 7th April, 1995). In support of this, the ongoing Economic Reference Committee Enquiry into Outworking in the Garment Industry has recently received submissions that claimed reputable brands such as Country Road, Expressions and Traffic had both increased their usage of contract labour, and reduced pieceworkers rates, over the last few years, specifically to cut costs. (Morris, R and Temple, W, 1996:5)

The literature written in this area also lends convincing support to the TCFUA argument. Briggs states, for instance, that through the use of outwork, employers can attenuate their risks and costs, (including capital, overheads, health and safety, workers compensation) by deflecting these to subcontractors. Exploiting the fierce competition between subcontractors, also allows a further bidding down of margins and the wages of outworkers. (Briggs, 1994:19) Spooner states that this practice has in many cases had the effect of “practically auctioning off work to the lowest bidder” (Spooner, SMH May 3rd, 1995:13). The end result of this strategy is not only an exploited workforce, but the existence of many small manufacturers who promote ultimate cost effectiveness by acting largely as warehouses, retaining only skilled work components in the form of designing and patterning work and contracting out the unskilled component in the form of cutting, pressing and sewing work. (TCFUA, 1995:5).

The ability to consistently and continually use outwork as a vehicle to promote labour flexibility cheaply and at the same time attenuate costs, has in turn been identified by the TCFUA as a major factor in the endurance of a large number of small clothing manufacturers all seeking to retain their competitive advantage through corporate strategies aimed at cost control and price competition. Had this vehicle not been available so freely within the clothing industry, the TCFUA believes that the majority of these businesses would not be in existence today. (Interview Brendan Soragon, TCFUA, 7th April, 1995)
The persistence and proliferation of exploited outwork within the clothing industry is a function of a number of many factors, which have allowed small businesses in the industry to pursue this strategy in the past, almost unimpeded. An analysis of these factors is necessary to explain why contract labour has been pursued so laboriously, yet utilised and even misutilised so easily as a vehicle to promote corporate cost control strategies amongst small businesses in the clothing industry.

These factors include firstly, the ability of employers to be able to tap into a cheap, malleable and ever present labour supply. The majority (76%) of workers within the clothing industry are females from non English speaking backgrounds whose prospects for alternative employment are low. (ABS Catalogue 8221:4; TCF Future Strategies Committee, 1994:11) Owing to a lack of education, language difficulties and cultural heritage, many workers are often ignorant to the fact that they are in some cases being exploited. (Cosic, SMH, 3/5/95:13). In addition, the subcontractor himself, often a migrant, who passes on the work may also often be ignorant that award breaches are occurring. (Cosic, SMH, 3 May, 1995:13; Interview M. Iaccarino, CTFIA, 9th May, 1995). Iaccarino’s perceptions in this respect strengthen Buultjen’s argument, as discussed in Chapter Three, that many award breaches amongst small employers occur inadvertently through ignorance and or confusions relating to award provisions.

Secondly exploited outwork within the clothing industry has been exacerbated by the fact that few high profile reputable manufacturers and retailers employ outworkers directly themselves. (Ellem, 1991:101) Instead, they purchase product through wholesalers or suppliers who in turn may deal through contractors. These contractors in turn very often employ outworkers. This situation is structurally depicted in Diagram 4.1. This structure affords the principal the ability to abrogate responsibility for the terms and conditions under which goods are produced (Ellem, 1991:101).
Diagram 4.1 - Structural Portrayal of Aspects of the Clothing Industry

Thirdly, exploited outwork within the clothing industry has proliferated, due to a union policy which has been historically reactive, and in many cases inactive, with no attempt to challenge managerial prerogatives on issues ranging from technology, work organisation, job design or work processes, payment systems. (Ellem 1989:254) With respect to outworkers, historically the union has adopted a policy of “ignore or exclude” (Ellem cited in Briggs:1994:23) Over the past ten years, in line with its commitment to the tenets of strategic unionism, the TCFUA response to outwork has been characterised by firmer calls for its abolition by the adoption of bottom up and top down strategies targeting both outworkers, employers and industrial commission. In 1987, for instance, as a result of TCFUA agitation, the Conciliation and Arbitration Commission extended the CTA to cover outworkers. More recently in 1995, a survey conducted by the TCFUA
entitled, “The Hidden Cost of Fashion, Report on the National Outwork Information Campaign 1995”, targeted outworkers by a multi media information campaign as a result of which outworkers were encouraged to use a phone in information service. (TCFUA,1995:2)

Despite the best intentions of the union however, the capacity of the union to regulate outwork is reduced due to the limited resources that the industrial inspectorate has to effectively police the situation. Approximately 30 officials Australia wide throughout 1994/1995 dealt with over 4,000 clothing establishments, of which approximately 1,500 were hidden. (Interview Brendan Sorgon, TCFUA, 7 April,1995; ABS Cat 8221:10). With such limited resources at the TCFUA’s disposal, it may be possible to target the larger known manufacturers for suspected award breaches, but the smaller, less obvious, workshops escape regulation. The following quote by a TCFUA representative explains the difficulty of regulating outwork.

“*It’s an invisible industry, impossible to police. All you need to do is rent a room, rent some machines and buy the resources you need on credit. And then you go out and secure some contracts and put some ads in the paper to get workers. You can dismantle it all in one day and disappear.*” (Jurkevich, in Cosic, SMH, 3 May,1995:13)

In addition, the union has been hampered by a legal requirement that employers be notified 7 days in advance of an intention to inspect premises. The Department of Industrial Relations. (DIR) investigative system, similarly in emphasising fairness to employers, only acts in retrospect after the receipt of a complaint. The prevailing attitude in line with deregulation and enterprise focus then stressing “mutual resolution” between the parties rather than punitive sanctions. (Cosic, SMH, 3 May, 1995:13). This mutual resolution theme is reflected in the following comments.

“*We have moved into a society where the dominant philosophy is deregulation and there is a greater enterprise focus on the need for flexibility.*
So it is less attractive to focus on regulation for outworkers.” (Spooner, S.M.H. 3 May, 1995:13)

Both the literature and the perceptions of the TCFUA, suggest that the use of outwork is structurally endemic to the clothing industry. Whilst the degree of exploitation within the use of outwork is a moot point, the evidence suggest convincingly that contract labour has been traditionally utilised by those small businesses favouring a general corporate business strategy of cost minimisation. Even the CTFIA perception, as expressed by Michael laccarino, is that the use of contract labour is an effective vehicle to promote cost effective flexibility. In this respect, it has been used as a vehicle both to promote numerical flexibility, yet more importantly, to maintain competitive in a tight domestic market, through the attenuation and externalisation of labour costs. In support of the hypothesis therefore, these labour flexibility vehicles have been functionally chosen to facilitate broad corporate strategies which, for the majority of small businesses within the clothing industry, revolve around cost minimisation.

The use of contract labour has been regarded as an accepted maxim amongst small business management, who favour the approach because of its simplicity and the short term gains its affords. The presence and interaction of factors including an historical reactive union policy, a cheap malleable, surplus labour force, difficulties associated with regulating a largely invisible, deregulated industry, coupled with a societal philosophical shift towards deregulation, have allowed it to be adopted as an easy option by small businesses. As discussed, the prevalence of outwork has increased since the late 1960s in response to external changes occurring in the structural trading environment in which there developed an entrenched concentration of retail ownership resulting in a decentralisation of production amongst a large number of small manufacturers and contractors.

The use of cost minimisation approaches in promoting labour flexibility in the form of increased utilisation of contract labour, are regarded by the TCFUA
as perhaps the major impediment to the spread of enterprise bargaining generally throughout the clothing industry. This is reflected in the following sentiments.

"The capacity of the union to industrially agitate for enterprise bargaining is diminished because such a large number of employers will have more than half their workforce outside the organisation." (Interview Brendan Soragon, TCFUA, 7 April, 1995)

and.

"The survival and growth of enterprise bargaining in the clothing industry is inextricably tied up with the regulation of the use of outwork" (Interview Brendan Soragon, TCFUA, 7 April, 1995).

Brendan Soragon also explains that much ignorance exists amongst smaller manufacturers within the clothing industry generally as to the benefits of enterprise bargaining as a vehicle to promote the long term viability of organisations through broad productivity enhancement change agenda. Most small employers will not consider enterprise bargaining because of the perception that it will be used narrowly and adversarily by unions as a strategy to raise wages, which automatically conflicts with the broad corporate strategy of cost minimisation. In this sense the benefits of enterprise bargaining in terms of the spirit and intent of the principle upon which it was introduced i.e. "the actual implementation of efficiency measures designed to effect real gains in productivity," (NWC Decision Oct.1991, cited in Niland, J.,1993:1:10) are likely to be similarly disregarded. (Interview Brendan Soragon, TCFUA, 7 April, 1995.)

Michael Iaccarino of the CTFIA, also reinforces that a very distributive mindset exists amongst the majority of small businesses in the clothing industry borne as a result of their short term survival mentality, which in turn
militates against the use of enterprise bargaining as a vehicle to promote labour flexibility. This is evidenced in the following comments.

"Small businesses in the clothing industry are not interested in enterprise bargaining as they know it will be used by unions as a way of extracting more money out of them at a time when they cannot afford it." (Telephone interview, M. Iaccarino, 9th May, 1995)

The behaviour and attitudes of small businesses within the clothing industry as perceived by both representatives accords quite positively with aspects of the concepts advanced by Curtain and Mathews. That is, organisations which pursue a dominant corporate strategy based on cost attenuation are unlikely to perceive the benefits of enterprise bargaining as a vehicle to enhance productivity and aid the implementation of flexible manufacturing, through wide reforms which promote employee flexibility, involvement, consultation and skills development. This is because they are locked into a cultural mindset which focuses on minimising costs, rather than on the quality of outputs engendered by improvements in productivity brought about by continually adapting work methods, work organisations, and the flexibility that derives from a highly skilled adaptable work force. (Mathews, 1994:11)

The counterpart of this cost minimisation focus is a mind set which has reinforced the adversarial, distributive approach to industrial relations and in so doing has militated against the development of a co-operative approach, supported by open and honest communication and trust all of which have been cited as essential ingredients for enterprise bargaining and subsequent agreements to be successful and durable. (AMC, 1995:28; Mathews, 1994:266)

The research evidence presented by both industry representatives in this section, thereby tends to support the notion that the majority of small businesses within the clothing industry have reacted to the increasing concentration of retail ownership within the clothing industry by pursuing a
corporate strategy based predominantly on cost minimisation. Their choice of labour flexibility vehicles has registered this corporate emphasis and reflects a greater use of contract labour. These organisations have little incentive to experiment with enterprise bargaining as a vehicle to promote long term efficiency, productivity enhancement and identify common interests. This is because their concerns are instrumental, short term resulting from an intense desire to maintain profitability in a domestic market squeezed by the demands of retailers which in turn has spawned (and in many case perpetuated) a cultural inertia that does not countenance the co-operative, integrative approach necessary for the facilitation of enterprise bargaining.

Michael Iaccarino states, however that such an inertia is not just a function of cost minimisation approaches but is also related to a simple desire amongst small business managers to be able to manage their affairs without third party interventions. (Interview, Michael Iaccarino, CTFIA, 19th May, 1995). His comments thereby tend to support the views discussed by Kitay, Sutcliffe and Barrett in Chapter Three, that the unitarist managerial ideology and closed, commitment culture which often develops in small businesses, precipitates company strategies which seek to avoid rather than entertain third party interventions.

Whilst the above describes well the majority of small businesses in the clothing industry, Brendan Soragon states that some small manufacturers are in a relatively privileged position of being vertically integrated producers who both manufacture and sell their own labels, utilising their own employees. These organisations may have more incentive to experiment with enterprise bargaining as a vehicle to promote efficiency, simply because corporate energies may be directed more towards quality and long term efficiency, rather than short term reactive cost control. (Interview Brendan Soragon, TCFUA: 7th April, 1995). However, these organisations are rare. The majority of small businesses within the clothing industry, simply form part of a long contracting out chain over which they have no control, and in which a preoccupation with cost control has been exacerbated not only by the
concentration in retail ownership, but also by the effects of the economic recession. This is discussed in Section 4.3

4.3 THE RECESSION AND THE STRATEGIC RESPONSES.

The emphasis upon corporate cost control as a predominant responsive strategy, amongst small businesses within the clothing industry has been multiplied by effects of the recession. This trend has been evident amongst small manufacturers generally which have been cited by Buultjens as becoming more conscious of their cost structures throughout the recession and in particular, their labour costs which usually accounts for the largest portion of total costs. (Buultjens, 1995:225)

Whilst the precise effects of the recession upon small businesses within the clothing industry are both hard to quantify and to isolate from other environmental influences, particularly in the form of the TCF Plan, Michael Iaccarino believes that there is clear evidence to suggest that the clothing industry has suffered severely from the effects of the recession, with substantial falls in all the main economic indicators. (Interview M. Iaccarino, CTFIA, 19 May, 1995).

Iaccarino's views are supported by the following factual evidence. Gross product at market prices within the clothing industry fell rapidly by 6.4% between the years 86/7-91/92 (ABS Cat 8221:242) and the local market for clothing products as measured by local clothing and footwear manufacturer sales fell by 21% between 1987/88 -92/93 and a massive 30% over the two years of 1990-91. (TCF Future Strategies Committee, 1994: IV,33). Pre tax profits also declined by 28% in the first half of 91/92 alone and total investment expenditure throughout 1992/3 declined substantially for TCF manufactures as a whole, down by 55% compared with a fall of only 3% in the manufacturing sector, generally. (CTFIA, 1995:1 ). Reflecting all of the above, the TCF industries have experienced a disproportionately large share
of total manufacturing employee retrenchments. In the first 8 months of 1992/93 for instance, TCF employment declined 10 percent compared with a 1 percent decline in the entire manufacturing sector. (CTFIA, 1995:1)

Michael laccarino states that the effects of the recession are still being felt by businesses within the clothing industry, with weak demand for local product remaining (Interview Michael laccarino, CFTIA, 19th May 1995.) Again his views are supported by the fact that in 1993/94, real consumer demand for TCF products was only 3% higher than it had been five years earlier, consumer demand for all products over this period increased by 14%. Forecasted growth for TCF products for the rest of the decade is estimated to be not more than 1.2% to 1.5% annually. (TCF Future Strategies Committee, 1994:7)

These slow recovery rates are based on the fact that for the majority of consumers "clothing is seen as a basic item on which they will not spend beyond a certain portion of income." (Briggs, 1994: 27) Demand sluggishness has also been attributable to changing demographics with increases in the number of middle aged and older people, who historically are not large buyers of clothing, but instead have other priorities in terms of disposable income usage, such as travel, health, entertainment, and home. (TCF Future Strategies Committee, 1994: V:14). Ongoing profitability for most small businesses within the clothing industry is therefore dependant on population growth and or steep reductions in cost.

In the light of both the recession and these changing patterns in demand, it is therefore understandable that the preoccupation with price control as a predominant business strategy amongst small businesses within the clothing industry, has remained. This preoccupation has intensified in the early to mid 90s as profits continue to be squeezed by increases in costs of materials which increased by 3.7% over the twelve months to June 1994. Overtime payments and award rates have also increased due to workers in the clothing industry receiving safety net entitlements under safety net increases. At the
same time, both wholesale (1%) and retail prices (1.1%) for clothing items have been contained to rates of growth below the corresponding CPI increases. (1.2%) (CFTIA, 1995:2)

Iaccarino regards the concentration in retail ownership coupled with the severity of the recession, as cumulatively engendering a contextual gravity in which small businesses have been in complete survival mode. Their corporate strategies developed as a result of this, have been mainly instrumental, short term, myopic and implicitly developed from a cost minimisation perspective with short term survival as the major consideration. Given this consuming focus, the majority of small businesses have been unable to devise strategies for long term, ongoing productivity improvements. As Iaccarino states, “they simply could not afford the luxury of adopting a longer term view, nor were they in a position to do so.” (Interview M. Iaccarino CTFIA, 19th May, 1995). These perceptions are well supported by the findings of the TCF Future Strategies Committee which found that most small businesses within the clothing industry did not engage in long term strategic planning, few had mission statements, and fewer still had any specific plans to improve their performance. (TCF Future Strategies Committee, 1994: IV:33)

Given this implicit short term survival focus, it is not unreasonable that small businesses would choose the labour flexibility vehicle which supports corporate strategies in the most cost effective manner and the one which offers the most immediacy of results, in the form of contract labour. Statistical evidence provided by the TCFUA suggests that the pervading use of contract labour within the clothing industry amongst small businesses has increased over the period of the recession. Eight years ago in 1988, for instance the TCFUA estimated that 60,000 workers were outworkers, in 1995, this figure had risen to 300,000, with outworkers outnumbering factory based employees by 14 to 1. (TCFUA, 1995:4; Cosic, 1995:13).
The evidence presented in both this section and Section 4.2 again supports the notion that the labour flexibility vehicles adopted by small businesses within the clothing industry have been adjusted to fit overall corporate strategies relating to cost minimisation and have reflected the large scale use of contract labour as the most appropriate flexibility mechanism which offers to small business both the dual benefits of flexibility but importantly, cost attenuation. These findings therefore converge substantially with Curtain and Mathews' concept that organisations pursuing a strategy of cost attenuation are more likely to utilise contract labour as the most salient vehicle to promote its short term strategic requirements, in the most cost effective manner.

However, it must be restated that these organisations are unlikely to embrace enterprise bargaining as a mechanism to deliver long term flexibility, efficiency and productivity improvements, simply because at the corporate level, this is not their prime preoccupation. (Interview Brendan Soragon, 7 April, 1995) For this to occur, there is required a cultural change away from managers who see the only way to improve performance as the lowering of costs and as a reflection of this, away from traditional confrontationist industrial relations. In short, there requires a corporate commitment to long term productivity enhancement, and an acceptable of enterprise bargaining as a salient vehicle to promote such corporate orientations.

Section 4.4 below discusses the implications emerging from a burgeoning awareness within the TCF industry that a new embracing of productivity enhancement was necessary for its survival. Section 4.5 will discuss the culmination of this awareness in the form of the TCF plan and the influence this has exerted upon small business strategies and choice of labour flexibility vehicle within the clothing industry.
4.4 THE MOVE TOWARDS PRODUCTIVITY ENHANCEMENT AND FLEXIBLE PRODUCTION STRATEGIES WITHIN THE CLOTHING INDUSTRY.

From the late 60's onwards, firms in the manufacturing sector generally were beginning to face challenges emanating from the increasing globalisation of industries. This fostered a new realism that competing on the basis of price was a futile strategy against the developing nations. Such nations could maintain wages well below what was and still is deemed to be reasonable by the minimum standards set in Australia, and as a result could produce far more cheaply because of their overall lower cost structures. (TCF Future Strategies Committee, 1994: V:21)

In recognition of the typical uncompetitiveness of Australian manufacturers in the production of basic high volume, undifferentiated products and the futility of competitive advantage being achieved through quantitative strategies of price competition and cost control, (TCF Future Strategies, 1994:29), a new productive culture was generally thought necessary for manufacturing as a whole which needed to "reflect a renewed emphasis upon the need for industry to achieve international standards of quality and efficiency." (School of IR. and Organisational Behaviour UNSW,1990:2) This would be augmented by the development of technologies and production processes to accommodate flexible specialisation. The objective of these strategies was to result in a differentiated quality product, capable of commanding a premium price accompanied by strategies which seek productivity enhancement rather than being grounded in relentless cost cutting.

Curtain and Mathews argue that underpinning this new production system is a concern with quality of the outputs of the production process, rather "than being obsessed with the cost of the inputs. Within this paradigm there is little scope for cost cutting "other than sliding down to a cheaper level in the market place", in which there is no competitive advantage. (Curtain and Mathews, 1993 ;Mathews,1994:11 ) Instead, qualitative competitive strategies
would seek competitive superiority in the characteristics of the product, quality, innovation, differentiation, creativity, adaptability, as well as maintaining strengths in quick response and customer services. (TCF Future Strategies, 1994:38; Curtain and Mathews, 1990:4)

As discussed in Chapter Three, production systems based upon flexible specialisation also require attention to inputs in the form of a workforce that is highly skilled, productive, adaptable and motivated by creative challenging work. Organisations engaged in flexible production are thereby more likely to seek labour flexibility vehicles which enhance the long term corporate goal of productivity improvement, through functional means in the form of long term strategies which promote multi skilling, training, job enrichment, employee discretion, career development and co-operation. (Curtain and Mathews, 1990:3; Mathews, 1995:11) In turn, Mathews contends that these organisations are more likely to embrace enterprise bargaining as a mechanism that could provide “the rules of change” to process organisational transformation and as a vehicle to promote the structures and the types of flexibility needed to facilitate corporate strategies relating to flexible, qualitative, productivity enhanced production. (Mathews, 1994:98)

Government trade policy in the form of the TCF Plan has aimed to encourage organisations within the clothing industry, to meet challenges in the external environment by developing corporate strategies away from low value added, mass produced, low wage activities, towards the above mentioned strategies based upon flexible production, productivity enhancement, value added, quality, and the development of niche export markets. (TCF, 1992:1) The influence of this Plan upon the corporate business strategies adopted by small business and the labour flexibility strategies and vehicles adopted by same will now be discussed in Section 4.5.
4.5 THE TCF PLAN AND THE STRATEGIC RESPONSES.

The TCF Plan was initiated as a result of an IAC conducted inquiry into the TCF industries in 1985/86. This inquiry was in turn established as a result of government concerns emanating from increases in import penetration from the 60s onwards, the persistent problems relating to low value added production, limited exporting and restructuring, amongst businesses within the TCF industries generally. (TCFDA Annual Report 1993/4). The TCF Plan was negotiated and agreed to by the Federal government, TCF unions and industry members in 1986 and came into full operation on 1 March 1989.

The main elements of the Plan were

- Phased removal of tariff quotas by March 1996.
- Reduction of bounties to a uniform 30% by March 1994
- Phased reduction of tariffs to a maximum of 60%. by March 1996.
- Establishment of an Industries Development Strategy administered by TCFDA which would provide financial assistance for projects that facilitated additional value added, increased export orientation of the TCF industries, and encouraged the competitiveness of domestic industry. (TCFDA Annual Report 1992/3:3)

Other versions of the plan introduced since, have speeded up the rate of protection reduction. In March 1991 the abolition of tariff quotas was brought forward to March 1993, the tariff phasing program was extended to the year 2000 when a maximum, 25% tariff will apply. Tariff duty rates and quantitative restrictions were abolished from March, 1993 and bounty payments have been progressively reduced and ceased altogether at the end of June 1995.

As a result of these alterations, the CTFIA perceives that: "Australia has gone far further than any other developed country in dismantling its import barriers." (CTFIA,1995:10)
The main rationale of the plan was to make the clothing industry more open, and international, with the objective of making the industry more competitive. These objectives have partially been achieved. Exports of TCF products, for instance, have more than doubled since 87/88 to an estimated $800 million in 93/94 (TCFDA 1994:16) and between the years 1988/89 to 1994, exports have grown in real terms by 210% for the clothing industry. (TCFDA Submission to TCFDA, 1994:1)

However, the plan has also had the effect of increasing the vulnerability of the industry with cheap imports capturing an ever larger share of the subdued Australian market and displacing local manufactured merchandise. Throughout 92/93 for instance, the value of TCF imports was up a massive 20 percent on the corresponding period of 91/2 reflecting large reductions in both tariff duty rates and quantitative restrictions (abolished altogether from 1 March 1993.) (CFTIA, 1995:3). Low wage country share of imports in Australian clothing industries as at June 1993, stands at a massive 67.6% (TCFDA Annual Report 1993/4)

Since the clothing industry as a whole has been highly vulnerable to the loss of protection, change and restructuring was deemed necessary, if international and domestic survival was to be achieved. The Minister for Industry, Senator Button in delivering his extension of the TCF Plan in 1992, emphasised the need for rationalisation of the industry and the requirement for organisations to undertake change.

"The world wide TCF industries are one of the most fiercely contested business sectors internationally. Australian companies can survive and flourish in these industries, but only if they are willing to embrace change." (Button, 1992:1)

Similarly, at the organisational level, for individual businesses to remain long term players in the clothing industry they too have had to embrace
productivity enhancing change. This is reflected in the words of Brendan Soragon:

"If a company is to survive it must improve its productivity. For a company to be in exactly the same position that it was 6-7 years ago, their productivity would necessarily have had to rise between 25-35%." (Interview Brendan Soragon, TCFUA, 21st April, 1995).

Within the scenario of constant change and pressure to rationalise local operations, strategic corporate responses amongst the players can be categorised into 2 main effects. Firstly, some organisations have responded to the external challenges by embracing change, moving to higher value added manufacturing with a firm commitment to quality leadership. These organisations are the ones who could perhaps be labelled "the winners" and are more likely to "by the year 2000 be competitive, responsive, capable and viable in a low protection environment." (TCFDA,1992:4).

Performance improvements amongst the winners within the clothing industry have largely resulted from changes and developments of the innovative long term productivity enhancement strategies discussed earlier, which focus more upon quality of outputs and of inputs, and introduced in recognition of the long term survival and efficiency of the industry, rather than implicitly from a cost minimisation perspective. Some of these innovations have been expressed in the TCFDA Annual Report 1993/4 as:

- Increasing orientation towards greater design content and better quality at a higher value and price
- A preparedness and ability to export and reduce dependence upon small domestic market,
- Flexible and cellular manufacturing enabling greater capacities to quick response
- Investment in state of art plant and equipment,
- The development of highly skilled and flexible workforce needed to facilitate the above strategies. (TCFDA 1994: 25)

In accordance with Mathews’ views, Brendan Soragon argues that organisations which have been able to develop a longer term outlook for their organisation in developing strategies such as those mentioned above, are more likely to recognise the benefits of enterprise bargaining (yet not necessarily embrace enterprise bargaining) both as a vehicle to initiate and sustain change and as a mechanism to formally promote the flexible, innovative, productive, and co-operative workforce needed to facilitate flexible production. (Interview Brendan Soragon, 21 April, 1995.) An analysis of the clauses contained in a selection of one quarter of enterprise agreements existing within the clothing industry as at April 1995, certainly suggests that these agreements have been shaped to facilitate corporate concerns relevant to long term flexibility, quality and productivity enhancement. This is evidenced by the thematic concerns woven into these key clauses including productivity enhancement, and the use of functional flexibility strategies to facilitate this in the form of skill based classifications, training, active skills formation and development strategies, better working conditions, and more productive workplace consultation. (ACCIERT Data Base.)

However, most of these moves toward high value added manufacturing have been restricted to the larger enterprises within the clothing industry. (Interview M. Iaccarino, CTFIA, 19 May 1995; TCFUA ,1994:3) This has been attributed largely to the fact that many of the larger companies form part of big corporate conglomerates which are influenced by progressive management practices and at the same time have both the managerial and financial resources to make progress with restructuring (Interview M. Iaccarino, CTFIA, 19 May, 1995.) Alternatively, most of the smaller sized companies have not realised the full benefits of restructuring because of traditional impediments in the form of a lack of know how, dislike of change
and inadequate financial investment in the change process. (TCF Future Strategies Committee:1994:vi 42) Nor have they generally been recipients of government funding to assist with the restructuring process. (Interview M. Iaccarino, CTFIA, 19 May, 1995).

As a result, many small businesses, unable to undertake the transition to higher value added production, have in fact been decimated by the TCF Plan. ABS statistics indicated for instance that the number of clothing manufacturing establishments have been reduced by 400 between the years 88/9 and 91/2 (ABS Cat 8221:11). Those businesses which remain are still operating predominantly at the low value end of the clothing market and the dominant response has been to intensify the traditional implicit strategies of short term cost minimisation. Their choice of labour flexibility vehicle has registered this reinforced corporate preoccupation with cost minimisation and has again reflected the increased use of contract labour as the most appropriate vehicle to promote corporate preoccupations connected with short term cost effectiveness.

In support of this, one of the unfortunate outcomes of the TCF Plan, accepted by both the TCFUA and the CTFIA, has been the growth of outwork. (TCFU,1993:5; CTFIA 1995:1) Since the introduction of the plan, approximately 40,000 jobs have been cited as lost in the clothing industry (TCFUA 1995:4). This has been attributed to several factors including recessionary falls in consumer demand, rationalisation and productivity improvement, accelerated use of offshore production, but also an obvious shift away from factory employment to outwork. As previously mentioned, today an estimated 300,000 outworkers exist in Australia, with home based workers outnumbering factory based workers by 14 to 1. (TCFUA,1995:5) Whilst the CTFIA would state that these figures are exaggerated, it cannot be denied that outwork has remained an integral component of the business strategies of significant sections of the clothing industry which corporately are seeking cost rationalisation. The TCFUA particularly recognises this as a dire problem within the industry, posing a threat to industry restructuring towards
higher value added production as employers continue to meet competition from imports from low wage third world countries by externalising their cost problems rather than addressing long term internal efficiency and productivity. (TCFUA, 1993:5; Interview Brendan Soragon, 7 April 1995).

The findings of the TCFUA report “The Hidden Cost of Fashion” also provides strong evidence to suggest that even up market, productivity enhanced producers are resorting to the use of contract labour to attenuate costs. The report warned that this is not a phenomenon confined to the lower value added end of the market. This message is clearly stated in the following.

“It has been commonly thought that it is the high volume, cheaper sector of the clothing industry which is mainly responsible for using outworkers and paying below minimum wages. But the one thing the campaign ‘phone in’ highlighted was the incidence of high end fashion houses, labels and retail companies engaging outworkers via contractors for rates only marginally higher than the cheaper end of the market.” (TCFUA, 1995:16)

To summarise, the impact of the TCF Plan in shaping corporate strategies and labour flexibility mechanisms developed by small business, is two fold. On the one hand the Plan has been effective in the fulfilment of its raison detre by encouraging some organisations to embrace long term productivity enhancement strategies associated with qualitative flexible production, specialisation and the functional labour flexibility that derives from a skilled, adaptable workforce. These organisations are more concerned with quality leadership in terms of inputs and outputs and are not so concerned with price competition and cost attenuation. These are the organisations which could be regarded as more likely to recognise the benefits of enterprise bargaining, as a mechanism to promote rationalisation, change and long term productivity enhancement. However, an acceptance of the efficacy of enterprise bargaining by small businesses, does not necessarily guarantee implementation and TCFUA research has found that many up market
producers within the clothing industry, are in fact resorting to the use of contract labour.

The alternative effects of the plan, however, has been the predominant, yet traditional response amongst small organisations. This takes the form of a continued and increasing use of cost minimisation approaches augmented by the use of outworkers aimed at meeting corporate competitive survival strategies in a lacklustre domestic market characterised by imports from developing nations and squeezed by retailers seeking to constantly improve margins.

The research evidence presented by both industry representatives again provides positive support to the hypothesis that "Labour flexibility strategies and vehicles are functionally chosen by small businesses to facilitate broad corporate strategies". In this respect, there is particularly strong evidence of convergence with Curtain and Mathews' concept that organisations pursuing a corporate strategy based predominantly upon cost attenuation, are likely to utilise contract labour, as the preferred vehicle which offers both flexibility and immediate short term cost efficiency gains.

The evidence presented in this chapter has also enabled the development of a composite picture of those organisations within the clothing industry which are likely to both culturally understand and accept the efficacy of enterprise bargaining and which, as a consequence of this acceptance, may be willing to embrace enterprise bargaining. These are firstly, the vertically integrated producers, who both manufacture and sell their own merchandise utilising their own employees. These organisations are less likely to be squeezed by retailers into the pervading short term corporate strategy which focuses upon costs and instead, corporate energies can be directed more towards quality and long term efficiency. Secondly, those organisations which have developed qualitative productivity enhancement competitive strategies that are more concerned with quality of inputs and outputs, and again not so cost focused. These organisations are likely to embrace a cultural acceptance of
enterprise bargaining as a vehicle to promote the types of labour flexibility needed to facilitate corporate strategies relevant to qualitative productivity enhancement. However, it must be restated that it is in no way axiomatic that implementation ensues as a result of this acceptance.

Small organisations which exhibit these features are, in any case, uncommon within the clothing industry. The perception of both the TCFUA and CTFIA representatives is that the majority of small businesses within the clothing industry are still operating at the lower value added end of the market, where price is competitively decisive and where choice of labour flexibility vehicles have registered this corporate preoccupation with price control, in the form of a burgeoning use and, according to the TCFUA, at times misuse of contract labour.

In addition, for enterprise bargaining to be initiated in the first place and rendered durable and effective, it must be procedurally facilitated by a move away from traditional adversarial attitudes dictated by cost control to a longer term co-operative cultural mindset towards employees and importantly the industry union. The research evidence again presented by the industry representatives in Section 4.2, suggests however, that most small businesses within the clothing industry, possess a very short term adversarial mindset spawned from their cost minimisation preoccupations and reinforced by a unitarist managerial philosophy. As a result of this, the development of a co-operative esprit de corps and a positive synergy with the industry union is therefore unlikely to be done voluntarily. Even the up market producers are identified by both the TCFUA and the CTFIA as possessing the same cultural inertia towards trade unions and many will not countenance any union interference within the affairs of their businesses. (Interview Brendan Soragon, 21 April 1995; Interview M. Iaccarino, 19 May, 1995)

This lack of positive synergy acts as a real constraint upon strategic choice to implement enterprise bargaining, and even where the management of small business might consider enterprise bargaining to be an attractive vehicle to
facilitate corporate strategies, implementation often does not occur because it is not perceived by businesses to be a viable vehicle industrially. Rather it is often regarded as a suicidal vehicle which has the potential to throw them into the limelight of union attention. This suggests therefore, that corporate orientations towards productivity enhancement have not necessarily resulted in the development of the trust and integration necessary to facilitate enterprise bargaining and Curtain and Mathews' vision of such organisations becoming less distributive in their outlook would appear to be misplaced with respect to many productivity enhanced producers within the clothing industry.

Since positive relations between small businesses and the TCFUA have in the past not been forthcoming voluntarily, Brendan Soragon states that trust between the camps must be forced either through compulsion or some sort of compelling seduction often in the form of a requirement for receipt of government funding. (Interview Brendan Soragon, TCFUA, 21 April 1995). The structuring of trust between the parties, as a necessary precursor to enterprise bargaining, will now be discussed more fully in Section 5.5 within the framework of a broader investigation which examines small business usage of a particular TCFDA funded program in the form of the Incentives for International Competitiveness Scheme (IICS) and the positive influence that this program has had with respect to:

- Assisting organisations to move towards flexible productivity enhancement strategies, and
- Structuring trust between the parties through the development of an ongoing working relationship between businesses and the industry union.
4.6 SMALL BUSINESS AND THE INCENTIVES FOR INTERNATIONAL COMPETITIVENESS SCHEME.

In Chapter Three it was discussed that government funding may act as a powerful influence on the choice of flexibility vehicle adopted by organisations. With this consideration in mind, the potential impact of the IICS upon small business strategic responses, will now be considered.

Funding programmes administered by the TCFDA since the TCF Plan was introduced in 1986, have generally aimed to encourage restructuring and provide assistance to organisations as the industry completes the transition into a more open trading environment. The main programs directed at the clothing industry since 1989 have been:-

- Incentives for International Competitiveness Scheme. (IICS)
- The Import Credit Scheme.
- The Overseas Assembly Provisions.
- The Infrastructure Support Programme

(TCF Future Strategies Committee, 1994:VII.2)

All of the above programs have been cited by the TCFDA as being important in terms of their contribution toward recipient and industry restructuring and greater export exposure. (TCFDA, 1994:32) The IICS has, however, been the main avenue of general grant assistance directed at individual organisations, designed to encourage competitiveness and assist restructuring. (TCFDA, 1992:6; TCF Future Strategies Committee, 1994:VII.2) It is pertinent therefore that this scheme, rather than others, be evaluated in view of the research direction which focuses upon individual organisations.

The impact of the IICS, in contributing to market restructuring within the clothing industry has been criticised in the literature, as quite marginal. (Briggs, 1994:50) This may be accounted for by the fact that the majority of
the funds available throughout the 1990s have been distributed to the textile industry, rather than the clothing. Approved recipient grants for 1992/93 for instance totalled $40,064,100 for textiles and only $9,551,900 for the clothing industry. (TCFDA, 1994:30) In addition to this however, the marginal impact of the scheme has been attributed to the fact that originally, funding was distributed to organisations on a virtually obligation free basis with no systematic criteria attached to its receipt. (Briggs, 1994:50) This led to some recipients using the funds predominantly for short term cost cutting purposes including funding redundancies or more predominantly to purchase new equipment with little thought to the long term viability of the organisation or employee implications and outcomes in terms of training, job security, employment opportunities, work place literacy. (Interview Brendan Soragon, TCFUA, 21 April, 1995) As a result of the above, the plan has been labelled as non effectual. This is reflected in the following statements by Briggs:

"Due to its chaotic administration, the plan has not facilitated up market restructuring and to a limited extent, may even have impeded it" (Briggs, 1994:50)

Largely emanating from TCFUA agitation, in the early 1990s however, certain requirements and conditions were attached to receipt of funding. Recipients as a result were expected to demonstrate their financial soundness and their long term strategic value to the industry. This required the development of an explicit strategic business plan for the organisation seeking funding, which reflected in the words of Brendan Soragon:

"Management's long term vision for the organisation and how this could best be achieved with long term viability of the organisation as the primary consideration." (Interview B. Soragon, TCFUA, 21st April, 1995).

Recipients were also required to develop an employee management plan addressing broad issues of employee relations including training, job security, workplace literacy. The final condition attached to receipt of funding, was a
compulsory role for the union in the formulation and development of these plans (Interview B. Soragon, TCFUA., 21 April, 1995 ).

Although no systematic research has been undertaken in this area, Brendan Soragon is convinced that organisations which have received this assistance are much more likely to possess an intellectual acceptance of enterprise bargaining, and even an embracing of same, than those who have not. This is because organisations which have received the funding have been assisted to undertake industrial renovation and change toward higher value added production. Yet more importantly they have been forced, as a precondition of funding to envisage a broader, coherent, long term perspective for their organisation developed in the form of an explicit business plan. In many ways they have thereby been compelled to re-evaluate short term cost cutting strategies and broaden their horizons. In addition, because these plans have had to be developed in conjunction with the TCFUA, recipients have had to develop a good working relationship with same and in many cases this has required a new perception of the TCFUA as mentor, partner and perhaps even coach. (Interview B. Soragon, TCFUA, 21 April 1995.)

Brendan Soragon regards this co-operative, integrative relationship between organisations and unions as the most essential precursor to both sustained change and acceptance of enterprise bargaining. (Interview B. Soragon, TCFUA, 21 April, 1995) His views again mirror Mathews’ thoughts that enterprise bargaining as a successful mechanism surely hinges upon a synergy between management and union that is co-operative, not adversarial and which engenders trust between the parties. (Mathews, 1994:259)

The above views have much appeal and it is not unreasonable to assume that those organisations which have the most ongoing communication with the union and understand the benefits of a good working relationship with the union are less likely to regard enterprise bargaining as a union strategy to foist wage and cost increases upon them. With vision being less clouded by adversary, the benefits of enterprise bargaining as a vehicle to promote
labour flexibility and productivity and to deliver long term corporate goals related to restructuring are surely more likely to come more into focus.

These IICS fundings have, however, been directed predominantly towards the larger organisations. (Interview Brendan Soragon, April, 1995) Most small organisations have been dissuaded from applying for grant assistance because they have found that it is too costly to prepare a strategic business plan and that too much information is required for grant applications. (Interview Michael Iacarino, CTFIA, 19th May 1995; TCF Future Strategies Committee, 1994: IV:15). The latter reason for not applying for grant assistance, indicates a strong desire amongst small businesses within the clothing industry to remain phlegmatic in terms of divulging information and to guard zealously their anonymity. This supports earlier cited literature by Costa and Buultjens depicting these same characteristics of small businesses generally. Michael Iacarino, also acknowledges that these same features may explain the reason why no small businesses within the Clothing Industry, as at May 1995, had applied for government funding under the Workplace Bargaining Scheme. (Interview M. Iacarino, 19th May, 1995) As a result of the above, the majority of smaller businesses within the clothing industry, have not: been financially encouraged to restructure, to give thought to long term corporate strategies, nor most importantly, encouraged to develop a trusting relationship with the TCFUA.

On the contrary, most small businesses within the clothing industry continue to resist both unionisation and forming liaisons with unions which are seen as inflexible, frustrating and very much an unnecessary regulatory force. (Interview B. Soragon, TCFUA 21 April, 1995) The evidence also suggest that, even where some small organisations may have restructured toward higher value added, flexible based production corporately and are aware of the benefits of enterprise bargaining as a vehicle to promote corporate strategies, they are unlikely to actually embrace enterprise bargaining unless there has been a change in their current cultural values characterised by an inability to voluntarily countenance union legitimacy or intervention.
These findings converge substantially with the views of writers such as Costa and Duffy, (1990) cited in Chapter Three, who confirm this same reactivity, defensiveness towards trade unions as embedded generally in the culture of small business. These perceptions also support Barrett’s views similarly discussed in Chapter Three, that this philosophical aversion towards trade unions and in fact any outside regulatory body, can be a feature of small business generally and this in turn may have very limiting implications for the spread of enterprise agreements. This aversion could well extend to EFAs in which there still exists a potential for trade union involvement, if not in the negotiation stages, then in the processing of the agreement.

In view of the evidence presented therefore, it may be reasonably concluded then, that whilst labour flexibility vehicles are chosen in terms of their capacity to facilitate corporate strategies, for implementation to occur these vehicles must also be regarded as acceptable and viable industrially, to the management of small businesses. In this respect it is reasonable to suggest that pragmatic small businesses will functionally choose their labour flexibility vehicles in terms of their capacities to:

- **Facilitate corporate strategies,**
- **Provide an industrially acceptable vehicle which does not threaten the organisation.**

The opinion of both industry representatives is that for most small businesses within the clothing industry, enterprise bargaining is not a viable vehicle, either in terms of their prevailing corporate cost minimisation preoccupations, nor industrially, in view of the negative attitudes they have towards trade unions. Such a negativism may be regarded as a function of a unitarist outlook amongst small businesses which seeks to avoid rather than entertain third party interventions, coupled with a cost minimisation focus which forces IR very much into the distributive arena. Use of contract labour on the other
hand can be utilised to facilitate corporate cost minimisation preoccupations, and represents an industrially superior vehicle because of its greater potential to preclude union interference.

The generalised inability amongst small businesses to countenance union intervention has also been cited by both the TCFUA and CTFIA representatives as responsible for the reticence amongst businesses within the clothing industry generally to utilise the existing Enterprise Flexibility Agreements Clause within the Clothing Trades Award. This will now be discussed below in Section 5.6 as part of a broader analysis which examines the existing flexibility offered to small businesses within the clothing industry by the CTA.

4.7 EXISTING FLEXIBILITY OFFERED BY A RECONSTRUCTED CLOTHING TRADES AWARD.

The contextual flexibility offered by an existing industry award must also be considered in any analysis of the reasons for choice of flexibility vehicle amongst small businesses. An award which is perceived as highly restrictive may provide enough impetus for businesses to consider other forms of flexibility including enterprise agreements, informal agreements and use of contract labour. Alternatively, an award which is perceived as flexible is likely to militate against the use of other forms of labour flexibility vehicle. As discussed in Chapter Three, Buultjen’s research found that the existing award provided a large to moderate degree of flexibility on a range of key variables for the small business comprising his sample. This was the case particularly with respect to the two most important variables viz functional and working time flexibility. Rimmer (1995) cited a substantial degree of satisfaction with the existing award system amongst small businesses, as an important factor impeding the growth of enterprise agreements amongst small businesses.
The views of the clothing industry representatives are mixed in relation to the flexibility offered to small businesses by the Clothing Trades Award, (CTA). Brendan Soragon regards a reconstructed CTA as providing substantial flexibility on the full range of flexibility variables as indicated by Table 4.1. He explicitly extols the virtues of the CTA as evidenced in the following statement.

"A little manufacturer can now do virtually anything they want to within the terms of an award" (Interview Brendan Soragon. TCFUA, 21 April, 1995).

The CTFIA representative is more reserved in his praise of the reconstructed CTA as a vehicle to promote flexibility. Whilst he perceives the CTA as providing a degree of flexibility with respect to functional and aspects of wages flexibility, he states that most small employers regard the award as restrictive in terms of its ability to promote working time and procedural flexibility. His perceptions are similarly summarised in Table 4.1. The views of both these representatives are discussed in greater detail following Table 4.1 as part of a broader discussion which reviews the impact of the award restructuring process upon the flexibility offered by the CTA.
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Table 4.1 - TCFUA and CTFIA Perceptions regarding the Flexibility offered by the CTA.

As a result of agreements negotiated under the Restructuring Efficiency Principle, (REP), a number of changes, promoting flexibility, were incorporated into the Clothing Trades Award. Firstly, working time flexibility was increased in the form of an alteration to the spread of ordinary working hours, the introduction of shift work and a more flexible operation of rostered days off, subject to employer and employee consultation and agreement. (Interview Brendan Soragon, 21st April, 1995; Clothing Trades Federal Award Clause 11). Functional flexibility was also promoted with initiatives being incorporated into awards in the form of traineeship schemes, and production
methods such as JIT, TQM. (Briggs, 1994: 58; Interview Brendan Soragon, 21st April, 1995).

More substantial changes to functional flexibility were brought about by agreements under SEP facilitating a broadening and consolidating of the skills base of workers with 208 classifications being compressed into 4/5 levels, associated broadbanding of rates of pay, and development of an integrated training and career path. (Clothing Trades, Federal, Award, Clause 7; Interview B. Soragon, TCFUA, 21 April, 1995). These innovations offered employers in the clothing industry the chance to develop a more flexible skilled workplace by overcoming award inflexibilities in the form of production rigidities, extremely detailed division of labour, narrow skill formation and low levels of training. The objective of these reforms was to enable the transition towards higher value added production, quick response, quality, flexible manufacturing, and thereby contribute to the industry’s survival. (Interview B. Soragon, 21st April, 1995)

A degree of wages flexibility was also promoted as a result of the award restructuring process in the form of the development of skills based pay. Skills standards required for the satisfactory performance of work were identified and specified for each classification. Workers covered by the CTA can, as a result, can proceed from one job classification to another by increasing skill competencies.

Brendan Soragon argues that these positive restructuring changes have promoted satisfaction amongst small businesses with the award system, particularly in terms of functional and wages flexibility. Michael Iaccarino agrees that the CTA, in the light of reconstruction, has provided a large degree of both wages and functional flexibility to employers. However his perception is that most employers would still regard the award as restrictive in terms of working time flexibility which is rated as a very necessary variable in order to accommodate variations in demand and generally accommodate "quick response". Specifically, the award is regarded as highly restrictive with
respect to its ability to promote flexible working hours, that is, in providing for ordinary hours to be worked at night or on weekends or whenever the parties agree up to the prescribed number of hours per week. Instead Clause 11 of the CTA clearly states that:

"38 hours shall constitute a week’s work to be worked within five days, Monday to Friday inclusive, and within the following hours: time of beginning 6.00am, time of ending 6.00pm but no employee shall be rostered for duty for longer than eight hours without payment of overtime unless an arrangement has been made in accordance with the last proviso to this subclause." (CTA, Clause 11:1)

Whilst this clause does not limit the introduction of flexible working hours per se, it does preclude the possibility that flexible working hours performed in excess of the standard eight hour day, be paid at ordinary hours. Brendan Soragon states that it is this provision, rather than a lack of flexibility, which is the real thorn in the side of cost conscious employers. The provision which requires payment of overtime rates for any work performed in excess of 8 hours in any one day, is viewed very negatively as a competitive impediment by many small employers, who as a reflection of their cost minimisation mindset, are generally in favour of reducing penalty rates, overtime rates, and introducing concepts such as banked hours in order to promote these types of flexibility. (Interview Brendan Soragon, 7 April, 1995)

In addition to the disenchantment that small businesses feel with respect to the flexible working time provisions contained within the CTA, Michael Iacarino also states that many small employers are discontented with the award provision relating to flexible start and finish times. Whilst Clause 11.1 does provide a degree of flexibility with respect to start and finishing times, the CTA also states that once these hours are set, they must be posted and cannot be altered unless one weeks notice is given. (CTA, Clause 11:3) As a result of this, the provision for flexible start and finish times, whilst having the potential to offer some degree of flexibility, is in fact regarded by employers
as restrictive and does not provide the flexibility needed to handle work flow variations within the framework of “quick response” production. (Interview M. Iaccarino, CTFIA, 19th May, 1995)

With respect to numerical flexibility, Brendan Soragon perceives the CTA as being highly flexible providing for the fair and equitable employment of casual, part-time and contract labour. Adequate grievance procedures and consultative mechanisms have also been inserted within the award to guard against unfair dismissals and to ensure that terminations and redundancies are carried out in accordance with statutory provisions and prior agreements. Apart from these restrictions, Brendan Soragon perceives the CTA as not prohibiting an employer’s right to hire and fire. (Interview Brendan Soragon, 7 April, 1995)

Michael Iaccarino agrees that the CTA in general provides an adequate degree of flexibility in a numerical sense. He makes the point however that many aspects of numerical flexibility relating specifically to unfair dismissals and redundancies, are federal legislative provisions which override the CTA by providing for more stringent and inflexible provisions. He regards these provisions as impacting negatively upon employers’ liberties and prerogatives, especially with respect to hire and fire. (Interview Michael Iaccarino, CTFIA, 19th May, 1995).

In order to overcome the perceived limitations and deficiencies within the CTA and thereby promote a greater degree of enterprise flexibility in a cost effective manner, provision for enterprise flexibility agreements to act as schedules or appendices to the existing award was made and agreed to by the TCFUA (under pressure from employers) as a result of the award restructuring process. As stated in the CTA.

“An employer, employees and the union may develop an enterprise flexibility agreement in accordance with the provisions of this clause and the
Agreement shall, to the extent of any inconsistency, take precedence over any provisions of this award.” (Clothing Trades Federal Award, Clause 54:1)

However, as a result of fears held by TCFUA that employers would use the clause largely as a form of cost cutting (e.g. banking hours but not at penalty rates) which would result in a diminution of entitlements for workers, a highly prescriptive 11 step procedure to be followed when negotiating such agreements, was included in the award. (Briggs, 1994:61; Interview Brendan Soragon, TCFUA, 21st April, 1995.) Some of these procedures included:

- A compulsory role for the union in negotiation,
- 75% majority vote in favour of any agreement,
- The establishment of a JCC,
- Entitlements for consultative committee members to receive paid leave for union training,
- Suggestions that the negotiating terrain and bargaining agenda be limited to matters reflecting genuine flexibility such as job redesign, training, job sharing, childcare, and spread of hours
- Negotiation to be accompanied by an assurance that award provisions would not be contravened.

(Clothing Trade (federal) Award. Clause 54:2; Interview B. Soragon, 21st April, 1995)

These provisions and requirements represented a significant win for the union movement representing a form of “managed decentralism” on TCFUA terms (Briggs, 1994:62) and a reasonable assurance that the utilisation of enterprise flexibility clauses would not lead to indiscriminate cost minimisation strategies adopted by employers. As a result of these procedural provisions, coupled with detailed grievance procedures included in the CTA, Brendan Soragon believes that fair and equitable procedures are in place to allow for appropriate consultation and negotiation with employees. He believes therefore that the CTA provides ample flexibility in a procedural sense, as indicated by Table 4.1.
Michael Iaccarino states, however, that the impact of these stringent procedures, coupled with the economic recession, appears to militated against the growth of these agreements amongst small businesses. The agreements themselves, therefore, appear to have had limited impact as a tool to increase labour flexibility offered by the existing award. Michael Iaccarino explains the reluctance small business feels in the utilisation of these agreements evident in the following comments.

"Most employers regard the 11 step procedure as cumbersome and restrictive, and disruptive, and the requirement that the union be a party and signatory to any agreement has acted as a major disincentive." (Interview Michael Iaccarino., CTFIA, 19 May, 1995)

And

"Why would a small company want to draw the unions attention to itself by utilising this clause? Nothing would attract a union more." (Interview Michael Iaccarino, CTFIA 19 May, 1995)

These comments are insightful in that they convey a pervading desire amongst businesses to avoid any union interface. They are all the more insightful when it is considered that it was the employer groups within the clothing industry who negotiated and lobbied so hard to have enterprise flexibility clauses inserted in the award. Yet they have not been utilised because of a pervading fear of union intervention, borne of the stringent requirements attached to the EFA provisions. As a result of these provisions, Michael Iaccarino regards procedural flexibility, in the form of a promotion of an employer's right to negotiate directly with employees, precluding union intervention, as being severely inhibited by the CTA. (Interview, M. Iaccarino, CTFIA 19 May, 1995) This is indicated in Table 4.1.
From the preceding discussion, the perception of the CTFIA representative is that the CTA lacks flexibility on a number of key variables, specifically working time and procedural flexibility. A key finding emanating from the discussion, is that whilst legitimate opportunities are available to small businesses to overcome these inflexibilities, in the form of EFA clauses, such avenues are not perceived as industrially acceptable to small businesses within the clothing industry. Similar to their reluctance to engage in enterprise bargaining, a cultural inability to countenance TCFUA intervention, has also acted as the major constraint and deterrent for small businesses. This is the case, even though both these vehicles they may represent positive mechanisms which could potentially facilitate the corporate strategies and objectives of small businesses. Instead, it is very likely that the perceived inflexibilities in the CTA have been the catalyst to increase the generalised use of contract labour which, for the majority of small businesses within the clothing industry, represents the most industrially acceptable vehicle and the one which offers the best fit with the corporate cost minimisation business strategies, that are so rigorously pursued.

4.8 CHAPTER SUMMARY.

This chapter has highlighted three powerful external variables that have impinged upon the strategic choice of small businesses within the clothing industry. These being:

- the recession,
- the concentration in retail ownership, and
- government trade policy in the form of the TCF Plan.

The strategic response amongst small businesses to these influences has been variable but in support of the hypothesis, the evidence suggests that
labour flexibility vehicles and strategies have generally been structured to fit and reinforce the overall corporate strategy of the organisation.

The views of both industry representatives is that the majority of small organisations within the clothing industry have responded reactively to these external pressures by continuing with the accepted maxims of quantitative, undifferentiated production focusing upon cost control and price competition as the only realistic strategy to remain viable in the short term, in a market squeezed by increases in imports, falls in consumer demand and a concentration in retail ownership. The use of outworkers as a vehicle to promote numerical flexibility but importantly to attenuate labour and overhead costs has been largely utilised in a contingency style manner, which registers and reflects corporate strategies concerned with price control and leadership. These research findings are depicted in Diagram 4.2.

Diagram 4.2 - Predominant Strategic Responses of Small Businesses within the Clothing Industry

The diagram depicts small business discretionary choices, at both the corporate and industrial relations level, as being shaped by the interaction of key environment influences of an economic, structural and political nature.
Specifically, the diagram reveals a positive relationship between the increasing use of short term, cost minimum approaches amongst many small businesses within the clothing industry and

- an increasing concentration in retail ownership
- the economic recession.
- government trade policy in the form of the TCF Plan.

Such corporate orientations geared towards cost attenuation, have in turn shaped a choice amongst many small businesses within the clothing industry towards the widespread use of contract labour as the preferred flexibility vehicle to drive corporate objectives in the most cost effective and immediate manner.

The findings provide support to the notion that choice of labour flexibility mechanism, as an integral part of the IR strategy of an organisation, is interactive with, and functionally dependent upon broad corporate strategies, which in turn are environmentally shaped. There is particularly clear evidence in this respect, for Curtain and Mathews' contention that organisations which pursue a competitive strategy based largely upon cost minimisation, are more likely to seek flexibility through external, numerical vehicles such as the use of contract labour.

In addition, the findings highlight government policy as a key variable in the external environment which may potentially influence IR outcomes at the micro level. As discussed throughout this chapter, government trade policy goals in the late eighties and nineties were redirected away from an historic reliance on tariffs, quotas and the limiting of imports, to a much firmer focus on exports and international competitiveness. The dismantling of tariffs was intended to encourage businesses within the manufacturing arena to restructure along broad productivity enhancement lines or exit the market. These strategies in turn were designed to force capital into more productive, effective and export oriented areas.
Small businesses within the Clothing Industry have been highly vulnerable to the loss of tariff protection emanating from this trade policy. The dismantling of tariff barriers, coupled with a severe economic recession, and a concentration in retail ownership cumulatively increased the level of uncertainty and insecurity in their external environment. Many small businesses have, as a result, been forced to close their doors. The implicit and usually unplanned response to these pressures by the small businesses which remain within the Clothing Industry has predominantly been towards short term, cost minimisation.

Other small organisations, although in the minority, have responded to external pressures largely emanating from the TCF Plan, by developing flexible production strategies focussed upon high value added, quality processes, centred on customer definition and service. The perception of Brendan Soragon is that these organisations, particularly those vertically integrated producers, are not so cost focussed corporately, and as a result are more likely to recognise the benefits of enterprise bargaining as a vehicle to promote the types of flexibility needed to facilitate long term flexible productivity enhancement production. An analysis of clauses within existing enterprise agreements in the Clothing Industry certainly indicates a thematic concern with long term skills development, efficiency and productivity enhancement. The existence of such agreements, therefore supports the notion that some businesses within the clothing industry are devising strategies for ongoing productivity improvement and have different long term efficiency needs to those producers pursuing corporate cost minimisation strategies. These producers have in turn, chosen enterprise bargaining specifically as the vehicle to facilitate their corporate strategies connected to productivity enhancement.

It must be restated, however, that both the literature and the perceptions of the industry representatives expressed throughout this chapter suggest that these productivity enhanced producers are not common amongst small
manufacturers in the clothing industry. In support of Gahan and Harley's arguments discussed in Chapter 3, Mathews' optimism regarding the rapid emergence and spread of Post Fordist production systems throughout Australian industries appears to be misplaced with respect to the clothing industry.

Whilst the predominant rationale for the TCF Plan was to catalyse industry restructuring towards productivity enhancement, the majority of small businesses are still operating in the cost focussed, lower value added end of the market and are hence unlikely to perceive the benefits of enterprise bargaining as a mechanism to facilitate long term, qualitative productivity enhancement corporate strategies. In addition, even where organisations have successfully made the move towards productivity enhancement corporate strategies and may acknowledge the benefits of enterprise bargaining, implementation does not necessarily follow. TCFUA research suggests that many of these up market producers are in fact resorting to the use of contract labour on a large scale.

These findings may be partially explained by the research evidence presented within this chapter, which suggests that before small businesses will embrace enterprise bargaining, there must exist a preparedness to alter culture, values and mindset not only in terms of business risk taking but also in terms of interrelationships with the TCFUA. In this respect, values need to move away from adversarial relations exacerbated by cost consciousness, and a unitaristic mindset, towards a co-operation based upon joint recognition and desire to promote the long term viability of their organisations and in so doing, the clothing industry.

The perception of both the TCFUA and CTFIA representatives is that the powerful additive necessary for enterprise bargaining, in the form of a positive acceptance of the TCFUA, is absent from within the culture of most small businesses, including the up market, productivity enhanced producers. This suggests very strongly that Curtain and Mathews' vision of productivity
enhanced producers developing a mature, co-operative, and integrative mindset, does not extend to many such producers in the clothing industry. Instead, the evidence provides more substantial support for the arguments of Gahan, Harley and Bramble discussed in Chapter Three. These arguments stressed that genuine workplace integration is just as unlikely to occur in Post Fordist systems as in other previous production systems. They attribute this to the influence of an underlying commitment toward accumulation and profit maximisation, common to most production systems, which impedes the development of a true, co-operative workplace ethos and in so doing fails to secure the positive joint gains which Mathews envisaged as forthcoming from Post Fordist, productivity enhanced systems.

Opportunities have been available to organisations within the Clothing Industry to encourage the development of a positive working relationship with the TCFUA. Government funded schemes such as the IICS for instance, have required recipients to develop explicit long-term business strategies in conjunction with the TCFUA. This scheme has therefore aimed to promote at least a degree of positivism between the participants. Small businesses however, have largely not been recipients of government funding such as this and contrary to being willing to establish a positive, interactive relationship with the union, the evidence presented by both industry representatives, suggests that small businesses' perception of TCFUA involvement remains as unfavourable and unwelcome as ever.

In view of the above, few small businesses would therefore want to be engaged in the uncertainties of cutting edge activity such as enterprise flexibility agreements which may provoke union interest, attention and even wrath. Largely for this reason, even where small businesses have found the existing CTA to be restrictive and inflexible, the EFA clause within the award (which employers fought so hard to have inserted), has not been utilised. Both the TCFUA and CTFIA representatives agree that it is this reticence that also presently pervades small business attitudes towards formalised enterprise bargaining generally, within the clothing industry. Their views
collectively offer firm support to the literature discussed in Chapter Three, which similarly recognised this same lack of trust as an impediment generally to the embracing of enterprise agreements, including EFAs amongst small businesses.

The evidence thereby supports the notion, that for small businesses within the clothing industry, a perceived fear of union intervention, borne of an entrenched aversion towards same, must be recognised as a major impediment facing these organisations wishing to introduce an enterprise agreement. This negativism acts to the extent that, even when enterprise bargaining may be perceived as the most sound vehicle to promote and facilitate corporate strategies, it largely represents an industrially inappropriate vehicle to the majority of small businesses, including the up market, productivity enhanced producers. In this respect, the evidence within the clothing industry, provides substantially less support for Mathews’ concepts that those organisations predominantly pursuing a strategy of long term, productivity enhancement are likely to adopt enterprise bargaining.

In addition, whilst the evidence presented within this chapter, offers support to the hypothesis that labour flexibility vehicles have been functionally chosen by many small businesses to facilitate broad corporate strategies, the evidence also suggests that actual implementation of a preferred vehicle is unlikely unless it is perceived as representing an industrially viable mechanism which will support or in the least, not threaten the cultural integrity of the organisation.

Chapter Five will present the case study research findings regarding Clothingco, a small vertically integrated qualitative, “up market” fashion producer and retailer. Clothingco was purposely chosen for these very features as an organisation which may well illustrate the salience of enterprise bargaining as a vehicle to promote corporate strategies focusing upon flexible productivity enhancement. Research findings presented in this following chapter will added further support to the hypothesis that labour
flexibility strategies and vehicles have been chosen to facilitate corporate business strategies which, for Clothingco, have involved substantial reassessments and readjustments in response to externally driven pressures. The chapter will also examine Clothingco’s rationale for considering an enterprise agreement, and will identify the reasons why its introduction was curtailed both in terms of its potential to solicit unwelcome union intervention and a changed corporate focus towards cost minimisation. Clothingco’s increased reliance on the use of contract labour, reflecting its corporate preoccupation with cost control, will also be examined.
Chapter Five

5 - CLOTHINGCO - THE CASE STUDY
5.1 BACKGROUND AND INTRODUCTION.

Clothingco. is a small, privately owned, full time fashion manufacturer and retailer which began operations in 1988 as a small cottage industry. Today Clothingco produces top of the range ladies fashion outer garments and is a vertically integrated manufacturer which has established its own retail facilities, and distribution channels. As at July 1995, Clothingco owned 3 retail shops, one in Queanbeyan, as a front to its manufacturing processes, 1 flagship retail store in the main retail centre of Kingston, ACT, and one in Southgate, Melbourne.

In July 1995, Clothingco's workforce consisted of 20 employees, comprising 3 management, 7 casual, 9 permanent full time and part time, and 1 contract worker. (See table 5.1.) With the exception of one management employee, all staff were female and all non unionised. These staff levels would place Clothingco in the category of a "small manufacturer" according to the ABS definitions discussed in Chapter Two.

<table>
<thead>
<tr>
<th>Category</th>
<th>July 1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>3</td>
</tr>
<tr>
<td>Employees F/T</td>
<td>7.</td>
</tr>
<tr>
<td>Employees P/T</td>
<td>2.</td>
</tr>
<tr>
<td>Employees Casual</td>
<td>7</td>
</tr>
<tr>
<td>Contract Labour</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
</tr>
</tbody>
</table>

Table 5.1 - Staff Numbers and Classifications at Clothingco as at July, 1995.

Clothingco produces a highly differentiated sophisticated product driven by design and marketing and incorporating highly diversified product lines. Specialising in made to measure, mother of the bride, bridal wear, a range of classic white cream shifts, silk crushed pants, some men's fashions and children's wear, many of the ranges involve intricate skills and designs.
Particularly intricate is the use of asymmetrical patch work and 3 dimensional applique which are unique to the firm. These distinctive competencies have at times throughout the 1990’s given Clothingco a competitive edge over its major competitors, which have been identified by management to include up market manufacturers and retailers such as Carla Zampatti, David Jones, Laura Ashley, Liz Davenport, Sportscraft, Myer, David Jones, Maggie T, Country Road. (Interview CEO, Clothingco, 5 January 1995)

Individual niche markets have been created for Clothingco’s unique designs based on a market segmentation strategy focusing upon international markets as well as domestic. Their target core market is women in the 30-50 age group who are defined in Clothingco’s business plan as:

“Women in “the public eye” - ie executives, socialites, wives of Canberra diplomatic and political set, brides, as well as upwardly mobile aspirants fringing on these categories, who want to be seen in garments which are at the forefront of fashion and reinforce the wearer’s image in circles where most women would be wearing expensive name garments.” (Clothingco Business Plan, 1992: Part A Page 10)

Given the upwardly mobile socio-economic status of the target market, Clothingco has been able to maintain substantial profitability into early to middle years of the recession.

As well as possessing a good grasp on opportunities in a lucrative core domestic market throughout the 1990s, Clothingco has been directing more of its product towards the specialist requirements of international tourists. Japanese tourists have been targeted particularly as clothing is a very popular purchase by tourists seeking look to acquire merchandise reflective of the life style and nature of the country being visited. (Interview CEO, Clothingco 4 July 1995) Throughout 1995, Clothingco targeted Japanese brides by the creation of a line of high quality wedding dresses. This was expanded towards the end of 1995 through a strategic partnership with
another organisation which packages weddings and honeymoons for Japanese tourists. (Interview Chris Stuart, Consultant to Clothingco, 29th November, 1995)

In addition to selling throughout Australia, Clothingco also enjoys good export markets. Since 1989, these markets have included New Zealand, and the USA. In peak years during this period, up to 10% of their manufactures have been exported. In more recent times, the management of Clothingco has devoted substantial energy to the establishment of export markets in Japan. This desire to capture the Japanese market has encouraged Clothingco to reach new quality standards that emphasise not only the external appearance of the clothing, but also the technical perfection that the Japanese customer demands in terms of cutting, seam stitching, attention to fabric flaws, and colour viability. (Interview Production Manager, Clothingco, 5 January, 1995). As stated by the management of Clothingco. "We've learnt that the product has to be of premium quality." (Gaind R, the Canberra Times Sep 18, 1995:15) It is this attention to quality, rather than price that strategically differentiates Clothingco from the majority of small businesses within the clothing industry which are still operating in the low value added end of the market where price rather than quality, is the predominant strategic consideration when determining competitive advantage.

Unlike the majority of small businesses within the clothing industry, as indicated in Chapter Four, Clothingco has also actively sought and has received government funding to assist in business expansion, restructuring and change. In September 1994, Clothingco was successful in obtaining government assistance to implement change under The Assistance To Firms Implementing Change (ATFIC) Program. (Interview Chris Stuart, Consultant to Clothingco, 10th July, 1995) Specifically, funds provided from this program were to be used to: examine a performance based reward system, identify existing and needed skills amongst employees, develop a training plan, establish a JCC and provide consultants to work with management on a number of administrative and strategic issues. These were to include the
preparation and introduction of an enterprise agreement. The program is continuing in November 1995. (Interview Chris Stuart, Consultant to Clothingco, 29th November 1995).

In addition to this, strategic planning assistance under the National Industry Extension Scheme (NIES) was made available to Clothingco in 1992. Under this program, consultancy assistance was afforded to management in the development of an explicit long term business plan covering the period 1992-1995. The existence of this plan then gave to Clothingco the level of business credibility it needed for the receipt of bank finance to fund its business expansion activities. There was however, no union or employee involvement in the formulation of these plans. The exercise did not, therefore, in any way represent an opportunity to develop a good working relationship with the industry union which was identified in Chapter Four by Brendan Soragon as a positive spin off from the externally funded IICS.

The ability of Clothingco to develop a long term business plan again differentiates it from the majority of small businesses which operate in the lower value added end of the market. As indicated in Chapter Four such businesses functioned largely implicitly, reactively and without a formal business plan. In the words of Michael Iaccarino, such businesses “simply could not afford the luxury of looking two weeks in advance, let alone two years.”

Clothingco’s business plan was produced largely instrumentally as a one off exercise, being a necessary precondition for the receipt of general bank finance to fund business expansion strategies. However, the management of Clothingco throughout the 1990’s has used the plan to give its business both a focus and drive towards the long term growth and viability. This focus has been based predominantly upon quality, innovation and productivity enhancement. (Interview Company Secretary, Clothingco, 4 July 1995.)
The importance placed on both the continued development and use of the plan by management is supported firstly by the fact that management actively sought government financial assistance through the ATFIC program specifically so that they could implement more fully key HR/IR flexibility strategies identified in the Business Plan. These included staff training, multiskilling, career development, performance based pay and the implementation of an enterprise agreement. (Interview, Chris Stuart, Consultant to Clothingco, 24th September, 1995)

Secondly, throughout 1995, preparations were underway for the review, modification and updating of this plan to meet new challenges over the next three years with particular attention being paid to HR/IR flexibility strategies, sustainable product range and strategies to enhance innovation. (Interview Company Secretary, 4 July, 1995; Interview Chris Stuart, Consultant to Clothingco 24th September, 1995). This review clearly suggests that whilst the Plan was initially developed as a one off exercise, management came to see the value of both using and updating the Plan to maintain its relevance as a document which could guide the current and future strategic directions of the company.

The following comments by Chris Stuart also present very clear evidence to suggest that Clothingco’s business plan had been utilised, implemented and perceived by management as a credible, valued instrument underpinning corporate objectives throughout the 1990’s. He stated in July 1995 that:

“When we first commenced work at Clothingco, it was clear that management had used the Business Plan to develop strategies relating to staff training, career development, skills analysis, preliminary performance based pay systems, financial performance, export marketing, and the rationalisation of the inventory and supply of raw materials. In addition, during the time that we acted as consultants, management regularly used the Business Plan as the template for discussion regarding the issues that were important to them for
the achievement of quality, customer service and the long term viability of the company.” (Interview Chris Stuart, Consultant to Clothingco, 10th July, 1995)

An analysis of the business plan reveals a comprehensive document highlighting strategies, missions, critical success factors, strengths and weaknesses, an industry analysis, external environmental risk factors, identification of the cause of losses, future fundings, resource requirements, and 3 year financial projections. The plan also provides a summary of the organisation in terms of its main products, services, customers, trends, outlook, competition, marketing activities, manufacturing and operations.

Clear, concise objectives which management perceives as realistic, have also been set within the plan for every major issue, factor and key result area. Performance objectives and benchmarks have been established in respect of every functional variable. These include Financial and Sales, Product Development, Market Expansion, Productivity improvement, Export Development, and Manufacturing Innovation.

In addition, the plan sets out clear HR/IR strategies for implementation over a two year period. These include staffing formulas, sourcing and hiring strategies, staff training, multitasking to reduce key person dependencies, career development, job descriptions, disciplinary and grievance procedures, rewards, incentives, occupational health and safety, morale building, workforce planning, and enterprise agreements.

The management of Clothingco has developed a sound forward looking HR and IR strategy inextricably linked to the achievement of its corporate objectives. This is demonstrated by the following extract from the business plan.

"The HR/IR strategy of the organisation has been woven into each of the functional plans developed as part of the total strategic business plan. The basis for growth and sustainable competitive advantage has been, and will
continue to be founded upon a forward looking HR/IR strategy “(Clothingco, Business Plan, 1993: Part G Pg 1)

In view of this close recognised nexus between Clothingco’s corporate and HR/IR strategies, it is reasonable to expect that the labour flexibility strategies and vehicles which form an integral part of IR strategies are likely to be moulded and shaped to fit the corporate strategies and objectives held as important to the organisation.

An indepth analysis of Clothingco’s business plan, and other industry and company based documentation, will be used throughout this chapter, in conjunction with the findings of interviews held with management and their consultant, over a ten month period in 1995, to illustrate the linkage between Clothingco’s corporate business strategies, and their preferred choice of labour flexibility strategy and vehicle. An analysis of the major constraints which have impinged upon Clothingco’s preferred choice of labour flexibility mechanism will also be analysed. Section 5.2 below will examine in detail the corporate business strategies that Clothingco. has utilised to gain competitive advantage throughout the 1990s.

5.2 CORPORATE BUSINESS STRATEGIES PURSUED BY CLOTHINGCO THROUGHOUT THE 1990’s.

The Underlying strategy of Clothingco is explicitly stated in the business plan as being:

“To produce and sell high quality, unique, individually designed, short production run garments which extensively feature the use of a signature mark of patched and applique design.” (Clothingco Business Plan, 1992: Part A, Page 2)
The key elements of Clothingco’s strategy are further defined by management utilising the following descriptors.

- High quality
- Unique
- Individually designed
- Short production runs
- Customer service.
- Own label

(Interview Company Secretary, Clothingco, 5 January 1995)

It is these features that categorise Clothingco as a flexible, up market, productivity enhanced organisation which pursues a production strategy based upon a sophisticated, quality product driven by uniqueness, differentiation, and adaptability. Such a product, characterised by the above features is also capable of commanding a premium price. It is these same characteristics that distinguish Clothingco from the majority of small producers in the clothing industry identified in Chapter 4, which operate predominantly in the low value added, undifferentiated mass produced sector of the industry and are driven by cost consciousness rather than quality consciousness. These differences are now examined in greater detail below.

For Clothingco, competition has been based throughout the 1990s more upon product leadership rather than cost in the form of a product that represents value for money. The latter being the normal strategy in the low value added end of the market. Two of the major factors identified as vital to the success of the organisation for example, are "innovation and the ability to differentiate in a way that ensures a continuing demand for (her) designs "(Clothingco Business Plan, 1993: Part A, Page 3). Product development being a key success factor is therefore focused upon strongly by Clothingco. As Table 5.2 indicates, consumer demand is stimulated particularly by product differentiation strategies, the introduction of new designs, quality, product durability and to a lesser extent, product compatibility. This product line
strategy is based upon a repetitive cycle of continuous development, in which core product lines are regularly differentiated, enhanced, modified, and improved to progressively deliver an improved quality value added product to customers. As the management of Clothingco has stated:

“For versatile dressing, we are custom-making fabric and garment with fashion colours influenced by seasonal trends. It’s what we call investment dressing where we start with basic designs which can be adapted to suit individual requirements and to which separate items can be added at any time.” (Gaind R, The Canberra Times, Sept. 18, 1995: 15)

In view of this strategy, Clothingco constantly modifies and re-evaluates each product line based on sales and feedback from both clients, retailers and wholesalers.

<table>
<thead>
<tr>
<th>strategy</th>
<th>little importance</th>
<th>some importance</th>
<th>moderate importance</th>
<th>important</th>
<th>very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product differentiation</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Product design</td>
<td></td>
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<td></td>
<td>X</td>
<td></td>
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<tr>
<td>Product quality</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
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</tr>
<tr>
<td>Product compatibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Product durability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Table 5.2 - Competitive Product Superiority Strategy Pursued By Clothingco Throughout the 1990’s

The diversity of its product lines is soundly evidenced by the fact that as at July 1995, Clothingco produced more than 50 product lines, with approximately 15 variations per line, and 240 designs per season. Current sales at this time, being broken down into:

- 50% daywear
- 30% evening wear and
- 20% workwear. (Interview Production Manager, Clothingco, 5 January, 1995)
When it is considered how many potential variations of the above exists in terms of fabric type, design, use of patchwork, embroidery and applique as well as sizes, the number of product variants becomes exponential and would be absolutely impossible to facilitate with mass production techniques.

Instead, Clothingco produces on made to order principles and there is no large scale production for inventory purposes. See Table 5.3 below. Short production runs characterise production with 60% of garments made through a process of jobbing (that is one at a time) and 40% in small batches. Table 5.3, also indicates that this present production strategy represents a significant alteration from those strategies adopted by Clothingco five years ago in which 60% of garments were made in small batch and 40% through jobbing. These changes indicate a strategic preference by the management of Clothingco throughout the 1990's for increasingly shorter production runs that allow inbuilt flexibility which in turn accommodates the diversity of Clothingco's lines and meets the requirements for rapid and punctual deliveries.

<table>
<thead>
<tr>
<th></th>
<th>Jobbing</th>
<th>Small Batch</th>
<th>Large Batch</th>
<th>Flow Process</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989/90</td>
<td>40%</td>
<td>60%</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994/5</td>
<td>60%</td>
<td>40%</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5.3 - Production Strategy Utilised by Clothingco Between 1989 and 1995

Both the diversity of its quality product line and its short production runs are features that therefore define Clothingco, as a qualitative, productivity enhanced, flexible manufacturer. These features differentiate it strategically from small businesses pursuing basic high volume production evident in the low value added end of clothing manufacturing.
In addition to these characteristics however, a high level of customer service is another feature of Clothingco's business strategies, which define it as a flexible, productivity enhanced producer. The customer service strategies adopted by Clothingco involve a number of aspects. Firstly, Clothingco regards itself as a demand driven organisation asking its customers what they want and going to great lengths to enquire into the needs and aspirations of its customers. As stated earlier, feedback from clients becomes Clothingco's motivation to continually innovate and enhance. The following comments from the management of Clothingco confirm the importance of customer satisfaction and feedback.

"We are increasingly kept on our toes to improve by intelligent, discerning yet demanding customers." (Interview CEO, Clothingco, 4 July 1995)

The same corporate preoccupation with the needs of the customer is revealed in the following extract from the Business Plan.

"The tangible and intangible needs of the target market are the forces which drive creative effort and underpin the flexibility of its approach to custom designing, and creating personalised garments for individual clients on a demand basis" (Clothingco Business Plan, 1993: Part A.1:5)

This quote reveals an intention to design and prepare non standard orders for clients, a service that would be difficult to provide using mass production techniques. Secondly, Clothingco's concept of consumer service also includes a commitment to market responsiveness with order turnaround time usually completed within 3 weeks. This order turnaround time includes both fulfilments to Clothingco's own individual customers who have purchased through its retail outlets and larger orders from domestic boutiques and wholesalers. (Interview Production Manager, Clothingco, 5 January, 1995)

These aspects of personalised and custom made service have been rewarded with a high degree of customer loyalty and repeat business.
Management estimates that 90% of business is from repeat clients. (Interview CEO, Clothingco, 4 July, 1995). In this sense, Clothingco has been able to develop a high degree of brand loyalty and thereby attract premium prices. An average three piece ensemble or a coat for instance is priced from $300. (Interview CEO, Clothingco, 30 October, 1995; Gaind R. The Canberra Times, Sept 15, 1995:15)

This analysis reveals that Clothingco competes on a range of strategies including quality, innovation, differentiation, customer service and responsiveness which define it as a flexible productivity enhanced producer. Given these features, competitive edge, for Clothingco throughout the 1990s has been based predominantly upon product leadership in the form of quality and differentiation, rather than price leadership in the form of value for money.

However, with the onset and deepening of the recession, the management of Clothingco acknowledged that customers generally were becoming increasingly more discerning and price conscious in terms of their clothing purchases. This prevailing attitude also began to characterise specifically Clothingco’s core clients who became distinguished by the following features:

"Women who are prepared to pay for fashion but who are increasingly demanding value for money in these recessionary times, and who also may want to convey the impression that they are not engaging in excessive consumptions." (Clothingco Business Plan, 1992: Part D, Section 5:6)

In response to this change in customer attitude, in the early 1990's, Clothingco began to introduce cost rationalisation strategies which management saw as transferable to clients in the form of a price that could be regarded as very fair, and certainly not excessive in terms of quality and service clients were receiving. It is this strategy of value for money that the management of Clothingco has identified as a key strength and a major critical success factor upon which they must continue to consolidate.
throughout the 1990s. (Interview Company Secretary, Clothingco, 4 July, 1995). In support of this, explicit reference is also made in Clothingco's business plan to quality and fairness in terms of price, being a critical success factor enabling Clothingco to maintain its competitive edge throughout the recession. This is stated below.

"The ability to produce highly distinctive garments, incorporating some unique processes in the construction of its trademark patchwork while at the same time reducing its costs of production, has demonstrably contributed to the competitive advantage the firm enjoys in the market." (Clothingco Business Plan, 1992: Part E, Section 1:1)

Clothingco, throughout the 1990's, has therefore been an organisation which competes on a broad spectrum of issues, predominantly quality, innovation and responsiveness, but also cost minimisation. This has enabled Clothingco to deliver to its customers, a quality product which also offers value for money. Section 5.3 below, discusses more fully the influence that the recession and associated changes in consumer demand have exerted upon the shift in Clothingco's corporate focus towards cost minimisation. This section will also examine the influence that the TCF Plan and the concentration in retail ownership have exerted upon general corporate business strategies adopted by Clothingco. Section 5.4 examines the manner in which the labour flexibility strategies and vehicles adopted by Clothingco throughout the 1990s have been chosen largely to accommodate the special requirements of a flexible productivity enhanced producer, and to a lesser extent, have also facilitated corporate concerns revolving around cost minimisation. Section 5.5 investigates the manner in which the increasing use of contract labour at Clothingco has registered initially a subtle and more recently, an urgent changed emphasis at the corporate level towards cost minimisation.
5.3 THE INFLUENCE OF EXTERNAL ENVIRONMENTAL INFLUENCES UPON CORPORATE BUSINESS STRATEGIES ADOPTED BY CLOTHINGCO THROUGHOUT THE 1990'S.

Research findings discussed in Chapter Four identified the TCF Plan, falls in consumer demand engendered by a severe economic recession, coupled with a concentration in retail ownership, as the major external environmental influences shaping the strategic responses of small businesses within the clothing industry. The cumulative effects of these influences together throughout the 1990s, spawned a contextual gravity in which the majority of small businesses have been in complete survival mode. Although the responses have been variable, the evidence presented in Chapter 4 indicates that the corporate strategies developed by small businesses as a result of these influences have been largely instrumental, short term, and implicitly developed from a cost minimisation perspective with short term survival as the major consideration. Their labour flexibility strategies and vehicles have registered these corporate cost minimisation concerns and have reflected the large scale use of contract labour.

For Clothingco, the pressures emanating from the TCF Plan were felt far less strongly than other small businesses within the clothing industry. The management of Clothingco attributes this largely to its relatively unique, up market product range, its strong labels, control over its retail distribution and the lack of direct substitutes both locally and internationally. (Interview Company Secretary, Clothingco, 4 July, 1995) Having established such a strong market presence in a large niche market, without any serious direct competitors, Clothingco, was thereby in a sense naturally protected from the "rationalising" influence the dismantling of tariffs has had upon other small organisations which are comprised predominantly of firms producing an undifferentiated, mass product. Clothingco's experiences in this respect converge substantially with the findings of the TCF Future Strategies committee which confirmed that organisations which have adopted quality, market segmented production strategies and possess greater control over
their retail distribution outlets, "are likely to be least affected by the tariff changes" because of these very features. (TCF Future Strategies Committee, 1994:v18). Whilst however, the reduction in tariffs did not pose any major threats to Clothingco, strategic readjustments have occurred throughout the 1990s on a large scale within the organisation as a result of both the concentration in retail ownership and a falling consumer demand emanating from the recession.

For Clothingco, the concentration in retail ownership resulted in a difficulty for many of its distribution outlets (predominantly comprised of smaller, struggling boutiques), to afford the cost of Clothingco's quality garments. At the same time, the larger retail outlets including Grace Bros refused to sell Clothingco's product under its own signature label. (Interview Chris Stuart, Consultant to Clothingco, 10th July, 1995) These bigger concerns were also less attracted to the smaller volume supplier that Clothingco was, and its inability to offer substantial price discounts. (Interview CEO, Clothingco, July 1995; Clothingco Business Plan, 1992: Part B.1 Section 5:12). Clothingco's experiences in this respect again offers strong support to the findings of the TCF Future Strategies Committee discussed in Chapter 4, which indicated that price has generally been of far greater importance to retailers than quality and this in itself has been a major factor exacerbating the often indiscriminate use of cost minimisation strategies amongst small businesses within the clothing industry.

In direct response to the above threats, Clothingco developed a new distribution strategy which consolidated a move away from volume supply to boutiques, and retailers, and had the effect of reducing substantially its wholesaling activities generally. In 1990 for example, Clothingco was wholesaling domestically to 16 organisations, in 1992, this had been reduced to 10, in 1994 to 8 and in October, 1995 to only 4. (Interview Chris Stuart, Consultant to Clothingco, 29th November, 1995) Table 5.4 illustrates this
distribution strategy. Concurrently, Clothingco expanded its own retail outlets, and in 1992, both its Kingston and Southgate retail outlets were established.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. Distribution Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>16</td>
</tr>
<tr>
<td>1992</td>
<td>10</td>
</tr>
<tr>
<td>1994</td>
<td>8</td>
</tr>
<tr>
<td>1995</td>
<td>4</td>
</tr>
</tbody>
</table>

Table 5.4 - Number of Outlets Indicating Distribution Strategy Adopted by Clothingco between 1990 and 1995

The ability of Clothingco to take its products to its customers and exert a great degree of control over its distribution outlets has insulated the organisation from the vagaries of being reliant upon third party retailers. This again differentiates Clothingco from the bulk of small businesses within the clothing industry which as discussed in Chapter Four, have become victims of the concentration in retail ownership, and are dependent upon retailers, or wholesalers and, as a result are forced into pervasive cost minimisation strategies as an instrumental survival strategy.

Whilst the concentration in retail ownership has not been instrumental in refocussing Clothingco’s corporate concerns around the concept of cost minimisation, the economic recession as mentioned in Section 5.2, has exerted a major influence in this area. With the onset of the recession, and the birth of more cautious consumers, Clothingco considered and then developed an explicit cost management strategy in recognition that buyers are not prepared “to pay any price even when they are happy with the other characteristics of the product.” (Interview Company Secretary, Clothingco, 4 July, 1995). This took the form of a penetration pricing strategy which focussed on the pricing of Clothingco’s garments at a level below that of its main identifiable competition. As mentioned, this strategy proved to be a sound policy in recessionary times allowing Clothingco to maintain its market
shares for a number of years throughout the recession with one of the main competitive advantages identified in the Business Plan as:

“A very high score on the value for money scale in relation to the principal local competitors.” (Clothingco Business Plan, 1992: Part D, Section 4.7:13)

The strategy was facilitated by a number of reorganisation strategies aimed predominantly at cutting the costs of operation and making the firm as flexible as possible in its capacity to respond to fluctuations in demand. Some typical costs cutting measures regarded as important to Clothingco in the facilitation of corporate cost minimisation strategies have included:

- Eliminating inefficient, basic non elaborated lines (with a preference to outsource these instead),
- Reducing stockpiles of raw materials by utilising Just In Time techniques,
- Internal reorganisations to reduce fixed overheads,
- Strategies to reduce rework and wastage, and to a lesser extent,
- automation. (Interview Company Secretary, Clothingco, 4 July, 1995; Interview Chris Stuart, Consultant to Clothingco, 10 July, 1995)

Table 5.5 indicates the range of strategies that have been considered and utilised by Clothingco to attenuate costs.

Predominantly, however, and similar to the bulk of small business in the clothing industry, key strategies to rationalise and minimise costs have targeted the reduction of labour input costs. This represented an obvious and pragmatic choice for the management of Clothingco, in recognition that expenses relating to labour have been the most important contributor to cost and have consistently comprised approximately 60% of total business costs, throughout the 1990s. (Interview Company Secretary, Clothingco, 4 July, 1995). Strategies to reduce the cost of labour inputs have involved the utilisation in a large measure of numerical flexibility strategies in the form of
trimming the size of the labour force, and the use of casual and contract labour. These measures will be discussed more fully in Section 5.6

<table>
<thead>
<tr>
<th>strategy</th>
<th>little importance</th>
<th>some importance</th>
<th>moderate importance</th>
<th>important</th>
<th>very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elimination of unprofitable lines</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
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<tr>
<td>Reduction in fixed overheads</td>
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<td></td>
<td></td>
<td></td>
<td>X</td>
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<tr>
<td>Reduction in labour resource inputs</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in material resource inputs</td>
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<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Increased automation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Reduction in waste/rejects</td>
<td></td>
<td></td>
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</tbody>
</table>

Table 5.5 - Cost Minimisation Strategies Adopted by Clothingco Throughout the 1990s

Largely therefore, as a result of the recession, and falls in consumer demand, Clothingco began to compete upon a spectrum of issues, including price which management regarded as part of an overall strategy to profile its enterprise as a leading fashion manufacturer/retailer which produces and sells quality products at a price regarded as "right" by customers.

Clothingco's strategic price consciousness driven by the recession, does bear some similarities with the cost minimisation strategies adopted by many smaller down market producers. Yet there exist some major and significant differences. These being firstly, the cost minimisation strategies adopted by Clothingco for the most part of the recessionary years, have been utilised to allow the generation of cash flow necessary to fund the expansion of its business. (Interview Chris Stuart, Consultant to Clothingco, 24th September, 1995) On the contrary, cost minimisation as a strategy has been adopted by the majority of smaller manufacturers, as a short term survival strategy to stay afloat, and maintain some semblance of profitability. As discussed in Chapter Four, the luxury of expansion in the most dire and difficult of trading periods was inconceivable.
Secondly, Clothingco, for the large part of the 1990s, has been predominantly an up market productivity enhanced producer and whilst competing on a spectrum of issues, including price, its main business strategy has been to produce a quality, differentiated product which is capable of commanding a premium price, although not an excessive one. As research findings presented in Chapter Four have discerned, the majority of small business are still operating in the mass produced down market sector of the market, where price control is the predominant business strategy.

The facilitation of Clothingco’s corporate needs as a qualitative flexible employer which, throughout the 1990's has also increasingly become cost conscious, has required the pragmatic use of various labour flexibility vehicles and strategies. The manner in which these have been chosen and shaped to facilitate the meeting of Clothingco’s corporate strategies and goals is discussed in Sections 5.4 and 5.5. Management’s perceptions regarding the contextual flexibility offered by the CTA, and the key constraints acting upon the implementation of strategic choice with respect to preferred labour flexibility strategies and vehicles will also be examined within the parameters of these sections.

5.4 LABOUR FLEXIBILITY STRATEGIES AND VEHICLES ADOPTED BY CLOTHINGCO TO FACILITATE FLEXIBLE, PRODUCTIVITY ENHANCEMENT CORPORATE STRATEGIES AND TO A LESSER EXTENT COST MINIMISATION.

The labour flexibility strategies adopted by Clothingco have been structured to fit, facilitate and enhance its business strategies and reflect the broad spectrum of issues upon which the organisation competes both in terms of their qualitative and quantitative nature. In this respect, not only has Clothingco, developed flexibility strategies which have been orientated towards the facilitation of its predominant corporate strategies revolving
around innovation, differentiation, quality and responsiveness, but throughout the 1990s quantitative strategies have also been utilised by Clothingco which reflect a more recent preoccupation with price control. Table 5.6 illustrates the range of flexibility options available to Clothingco and the degree to which these have been utilised. Each of these flexibility variables and the manner in which they have been utilised by Clothingco, to facilitate its prevailing corporate business strategies will now be discussed. Numerical flexibility strategies are discussed in Section 5.6

<table>
<thead>
<tr>
<th>Option</th>
<th>Done</th>
<th>Considered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional</td>
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<td></td>
</tr>
<tr>
<td>Multi-skilling</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Career Progression</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Job redesign</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Improved communications</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Numerical</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retrench</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Use of contract labour</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Use of casual labour</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Work Time</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flextime</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexible hours</td>
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<td>(informal)</td>
</tr>
<tr>
<td>Banked hours</td>
<td>x</td>
<td>(limited and informal)</td>
</tr>
<tr>
<td>Wages</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skill based</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance based</td>
<td>x</td>
<td>(limited on basis of individual merit)</td>
</tr>
<tr>
<td>Profit sharing</td>
<td></td>
<td></td>
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<tr>
<td>Process</td>
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<tr>
<td>Joint Consultative Committee</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Grievance procedure</td>
<td>x</td>
<td></td>
</tr>
</tbody>
</table>

Table 5.6 - Flexibility Options Utilised by Clothingco Throughout the 1990s

5.4.1 Functional Flexibility.

The most important flexibility variable to Clothingco throughout the large part of the 1990s has been functional flexibility. (Interview CEO, Clothingco, 4
July, 1995). Management has acknowledged that functional training and multiskilling of staff has been a necessary investment to facilitate the meeting of strategic business concerns which focus predominantly upon quality and uniqueness. This is supported by the following extract from Clothingco's business plan.

“Since these unique products are the basis of the organisation’s competitive edge, it is necessary that we upgrade the formal development of the workforce skills in order to facilitate the growth of the business.” (Clothingco Business Plan, 1992: Part G, Section 2:2)

The importance that Clothingco attaches to these functional flexibility strategies in meeting their corporate goals accords positively with Curtain and Mathews' views that organisations engaged in enhanced flexible production are more likely to value and seek labour flexibility strategies which enhance the long term productivity enhancement corporate strategies, through functional means in the form of multi skilling, training, job enrichment, job redesign, and communication improvements.

Functional flexibility is, however, a very necessary flexibility variable, for Clothingco by virtue of its small size and not just owing to the fact that it is a flexible, productivity enhanced producer. As stated by the Chief Executive Officer:

“Being small we need functional backup. If somebody is sick, we need to ensure that that job is covered by available staff.” (Interview CEO, Clothingco, 4 July, 1995)

These findings converge substantially with Buultjens research identified in Chapter Three, which indicated that functional flexibility was also the most important flexibility variable for the small businesses that comprised his research sample, regardless of whether they could be classified as “flexible manufacturers.”
Clothingco's commitment to a high degree of functional flexibility is evidenced by the implementation of numerous measures such as training, multi skilling, career development and strategies to increase communications throughout the 1990s. These measures and the precise manner in which they have been functionally utilised to meet Clothingco's corporate strategies concerned predominantly with productivity enhancement, quality and responsiveness and, to a lesser degree price control, will now be discussed in detail below.

Firstly, as mentioned, the management of Clothingco has been committed to extensive, on going, on the job training for all its employees. In line with this commitment, it has been the normal practice of management to have all staff trained in the specialist skills necessary to facilitate the production strategies. This range of trainable skills is vast and includes creative design, cutting, pattern making, machining, applique layout, applique, sewing and shop duties, as indicated by the Skills Audits 5.7 and 5.8. Jobs are rotated and where possible have been redesigned to allow workers to undertake whole tasks. This has led to better quality outcomes for Clothingco since employees possess a higher level of worker responsibility for completed garments, understand the total production process, check their own work, can see the impact of their own work, and receive recognition for the completed job. (Interview Production Manager, Clothingco, 5 January, 1995) Not only has this practice therefore facilitated Clothingco's business strategies which aim to promote a quality product, but because it has reduced the number of reworks, cost savings have also accrued, thereby dually facilitating corporate cost minimisation concerns.

In addition, because Clothingco's training strategies have been aimed at promoting a high degree of multi skilling this has facilitated other needs relevant to flexible production by allowing a faster and more flexible response to customer orders resulting from the ability and willingness of employees to undertake a wider range of tasks. In this respect, the objectives of Clothingco's multiskilling program have been to create a pool of cross trained
staff able to create a depth of functional backup in all key areas with the objective of reducing key person dependencies. (Interview Chris Stuart, Consultant to Clothingco, 24th September, 1995) This objective is expressed in Clothingco's HR/IR plan below.

"The task is to have the right blend of staff and multi skillling to provide a comfortable level of backup in all functions." (Clothingco HR/IR Plan, 1992: Part E, Section 8:16)

A comparison of Skills inventory 5.7 and 5.8 below illustrates the progression of skills acquisition amongst Clothingco's operators over an 11 month period from September 1994 to July 1995 and provides clear evidence of a strong managerial commitment to skills development. Operator A for instance has acquired a 25% increase in skill levels over the period, Operators D, F and H have acquired a 50% increase, Operator N a 100% increase and Operator G a 200% increase over the same period. Table 5.8 also indicates that as at July 1995, all key skills are backed up by at least one other person with the exception of applique sewing, a specialised skill which is however, functionally backed up by the skills of the owner/manager.
### Table 5.7 - Skills Register as at September, 1994

| Operators        | A | B | C | D | E | F | G | H | I | J | K | L | M | N | O |
|------------------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Pattern Making   |   | X | X |   |   |   |   |   |   |   |   |   |   |   | X |
| Cut Basics       | X | X | X |   |   |   |   |   |   |   |   |   |   |   | X |
| Cut Orders       |   |   |   | X |   |   |   |   |   |   |   |   |   |   | X |
| Sew Basic        | X | X | X | X | X | X | X | X | X |   |   |   |   |   |   |
| Sew Level 2      | X |   | X | X | X | X |   |   |   |   |   |   |   |   |   |
| Sew Level 3      |   | X |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Level Garments   | X | X |   |   |   |   |   |   |   |   |   |   |   |   | X |
| Finish Button    | X | X |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Hole             |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Patching         |   |   |   |   |   |   |   |   |   |   |   |   |   |   | X |
| Patching Fantasy | X | X |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Applique Layout  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Applique Sewing  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Belt / accessories| X |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Shop Duties      |   |   |   |   |   |   |   |   |   |   |   |   |   |   | X |
| Strip            | X | X |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Despatch         |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |

### Table 5.8 - Skills Register as at July 1995

**Note:**
* For ease of comparative analysis only those operators employed over the full 11 month period have been included.  
X - Denotes skills possessed as at Sept 94  
# - Denotes additional skills acquired over the 11 month period Sept 94 to July 95.  
Adapted from Skills Audits undertaken by the management of Clothingco.
The competencies acquired as a result of management's commitment to training and multiskilling enable a worker to progress from one job classification to another and where possible pursue a career path of progressively higher skills levels. Competencies acquired also allow for the horizontal movement of operators between blue collar and white collar job. It is this integration that allows Operator O, for instance, to pursue both a production and retail career simultaneously as at July 1995. See Table 5.8.

As a result of this dedication to training, the Chief Executive Officer, regards the skill levels of both its operators and management as "very good." (Interview CEO, Clothingco 4 July, 1995). This is in contrast to findings of TCF Future Strategies Committee which found the existence of little technical knowledge, virtually no training in the majority of small business surveyed within the clothing industry, with the prevailing tendency instead to buy in the expertise they may need through more cost effective means with an emphasis upon contract labour, or outsourcing. (TCF Future Strategies Committee, 1994: iv7).

Whilst Clothingco's training strategies have aimed at developing a highly skilled workforce needed to facilitate qualitative flexible production, other aspects of its functional flexibility strategies have also been aimed at increasing communications within the organisation. This has been undertaken in recognition that the demands of flexible production also require a truly co-operative committed workforce, who are not only able, but willing to undertake work as directed, and who in the words of Mathews "have a common interest in the enhancement of productivity and efficiency." (Mathews, 1994:266)

Clothingco's objectives in increasing communication within its organisation has been to develop this co-operative culture discussed by Curtain and Mathews, based on integration and mutual commitment which nurtures a close relationship between management and employees and seeks to
overcome the traditional barriers of "Us and them". (Interview CEO, Clothingco, 5 January, 1995)

Communication skills have also been regarded by the management of Clothingco, as a key strategy in strengthening the direct relationship between employees, and their functions as well as achieving corporate goals relevant to flexibility, and long term viability. This is evidenced by the following extract from Clothingco's business plan.

"Communication skills are seen as essential to the viability and flexibility of the company and to contribute to better integration between design, production and marketing and management teams." (Clothingco Business Plan, 1992: Part G, Section 8.8)

In order to maximise communications and optimise talents throughout the organisation, as well as to enhance the co-operative, commitment culture that was sought within Clothingco, a Joint Consultative Committee (JCC) was established in November 1994. (Interview Chris Stuart, Consultant to Clothingco, 24th September, 1995) This consisted of 2 managerial representatives and 3 employee representatives directly elected from each of the following functional areas - cutting, sewing, and retail. Clothingco's workforce were totally non unionised and as a result, there was no provision for union representation upon the committee. As at July, 1995, management regarded procedural flexibility, in the form of direct, union free communication with its employees as its fourth most important flexibility variable. Despite this priority ranking behind three other key flexibility variables, open negotiation and exchange with their workforce, precluding union intervention, was generally valued very highly by management and explicitly sought after. (Interview Company Secretary, Clothing Co, 4 July, 1995)

Fundings received under the ATFIC program were used to both establish the committee and train participants, utilising the services of consultants from the NSW Chamber of Manufacturers. (Interview Chris Stuart, Consultant to
Clothingco, 24th September, 1995) The committee was to have an ongoing pivotal role in improving liaison and two way exchange of information on the whole range of issues of strategic importance that confront the company and employees including quality, product leadership, work methods, procedures, payment systems, safety, planning and scheduling. It was also envisaged that the committee would be used as the vehicle to establish the formal negotiation framework which would facilitate an enterprise agreement if Clothingco decided to proceed down this path. (Interview Chris Stuart, Consultant to Clothingco, 24th September, 1995)

Clothingco’s positive commitment and ability to set up a formal ongoing JCC represents a marked divergence from the views of Rimmer, Isaac and Barrett discussed in Chapter Three, who argued that a generalised procedural immaturity amongst small businesses, both in terms of their abilities and willingness to establish the ongoing infrastructure such as this, could be regarded as an important reason explaining why small businesses have not embraced enterprise bargaining fully. The influence of government assistance to Clothingco in establishing this committee, however, must be acknowledged as a very strong incentive that attenuated the cost constraints that other small organisations would normally have to incur. The Company Secretary admitted that without this financial assistance, there was every possibility that they would not have proceeded with the establishment of the JCC. (Interview Company Secretary, Clothingco, 4 July 1995)

In summary, therefore, Clothingco’s functional flexibility strategies have formed part of a strategic approach to employment relations, which aimed to predominantly achieve the following:

- Increase the flexibility of internal labour allocation,
- Provide for backup amongst functions,
• Increase employee performance through the development of a skilled and committed workforce who have been afforded a more complete understanding of their work, job variety and personal development.

• Promote good employer-employee relations by utilising both functional and procedural flexibility strategies to improve communications.

All of the above strategies have been considered advantageous by the management of Clothingco, in terms of their ability to facilitate corporate strategic concerns. In support of the hypothesis therefore, Clothingco's functional strategies throughout the 1990's have been strategically chosen to build upon the skills and commitment levels of its workers and developed as one of the dominant mechanisms to facilitate Clothingco's corporate embracement of flexible, quality production emphasising customer service, quick response, and to a lesser extent cost minimisation.

Table 5.6 reveals that other flexibility variables have also been sought and/or utilised by Clothingco to facilitate the achievement of corporate strategies and goals. The wages and working time flexibility strategies utilised by Clothingco throughout the 1990s will now be discussed.

5.4.2 Wages Flexibility.

Clothingco's functional flexibility strategies have been accompanied by remuneration based upon and reflecting skills levels and competencies, which as at July 1995, management regarded as its third most important flexibility variable. Together functional and wages flexibility strategies have been used synergistically at Clothingco to improve both the morale and the commitment of employees again in recognition that this can result in strategic advantages at the corporate level. This is supported by the following quote which presents clear evidence to suggest that skills based reward systems have been valued by management as instrumental in contributing to
Clothingco's corporate strategies focussing upon quality and customer service.

"Training and multi skilling, when accompanied by remuneration reflecting skills and competencies, opens up opportunities for improved quality, less absenteeism, and greater morale amongst our employees. This can only have beneficial implications in terms of our product and for our clients." (Interview Company Secretary, Clothingco, 5 January, 1995)

The skill based pay of employees at Clothingco is based upon the Clothing Trades (Federal) Award (CTA), with operators paid according to the skill based classification structure set out in Clause 7 of this award. As at July 1995, employees at Clothingco, possessed 3 different skills levels and undertook the following production tasks appropriate to these award based skill levels.

**Level 2 junior** - involved in the production of basic items such as pants, tops, skirts.

**Level 3** - involved in the production of more complex tasks such as semi structured Jackets, tailored pants and fitted skirts.

**Level 4** - Employees at this level exercise the skills and knowledge equivalent to that of a qualified tradesperson and are involved in the production of Bridalwear and Tailored Jackets. (Interview Production Manager Clothingco, 4 July 1995; Clothing Trades Federal Award, Clause 7A:2)

At Clothingco, similar to other organisations bound by the CTA, a worker can therefore proceed from one job classification to a higher one by increasing competencies. Successive classifications which carry higher or broader competencies, then attract pay premiums.

The management of Clothingco. recognises and is largely satisfied with the flexibility offered by the award in the area of skills based pay. These views
support and converge substantially with those expressed by both TCFUA and CTFIA representatives in the peak industry level interviews in Chapter Four, that a substantially reconstructed award does provide a great deal of flexibility in this area.

The CTA however, does not deal with other types of wages flexibility which management has viewed as possessing the potential to increase motivational levels and thereby result in strategic advantages at the corporate level. Similar to other small businesses as identified in the AWIRS and ACCI studies discussed in Chapter Three, management has informally introduced performance related reward systems on the basis of individual merit for a limited number of their staff, as indicated in Table 5.6. However, it has been the intention of management at Clothingco since 1992 to introduce a system of performance based pay generally throughout the organisation. This would take the form of excellence awards, rewards for non abuse of sick leave, management of unplanned absences and profit sharing. (Interview Chris Stuart, Consultant to Clothingco, 24th September, 1995). These rewards and incentives have been explicitly stated in Clothingco’s business plan as “a key element of the total HR strategy and an important reason to motivate staff to increase performance and to accept an enterprise agreement.” (Clothingco Business Plan, 1992: Part G, Section 11:11)

In recognition of:

- The contribution that these types of rewards systems could make to the achieving of its corporate objectives, and

- The limitations of the CTA in offering scope for the introduction of these reward systems,

the management of Clothingco in November 1994, again utilising the funding and consultancy assistance afforded to it by the ATFIC program, began the process of the development of key performance indicators as a prelude
towards both the implementation of generalised formal rewards systems and enterprise bargaining. (Interview Chris Stuart, Consultant to Clothingco., 24th September, 1995) This is discussed in Section 5.4.4

5.4.3 Working Time Flexibility.

In addition to the utilisation of functional, procedural and wages flexibility, the demands of flexible production also require a hugely flexible working hours schedule. In recognition of this, the management of Clothingco has considered a number of measures designed to promote working time flexibility which, as at July 1995, management regarded as its second most important flexibility variable. (Interview CEO, Clothingco, 4 July, 1995)

Similar to the other types of flexibility sought, Clothingco’s working time flexibility strategies, can also be regarded as a facilitative tool that have been functionally sought and where possible implemented to meet corporate strategies. Clothingco’s focus in the introduction of working time flexibility has been firstly on maintaining strengths in quick response and customer service by allowing for the expansion and adaption of hours to meet customer requirements. This is supported by the following comments provided by the Chief Executive Officer.

“If we are to provide a decent level of customer service, we need to be able to move our employees to where we want them, when we want them.” (Interview CEO, Clothingco, 5 January, 1995)

Secondly however, the management of Clothingco have acknowledged that the introduction of elements of working time flexibility would enable Clothingco to accommodate fluctuations in workload in a timely, cost effective manner by enabling employees to work increased hours when demand is high and reduced hours, as demand subsides. (Interview Company Secretary, Clothingco, 5 January 1995) For this reason, the management of
Clothingco has favoured the introduction of flexible working hours which would allow for cost savings by reducing overtime, and penalty rates, coupled with the introduction of other working time flexibility concepts such as banked hours and time off in lieu of overtime.

However, management has felt thwarted in its ability to introduce the range of working time flexibility measures that it considers necessary to encourage the flexible, cost effective response it seeks. In particular, the CTA is perceived as highly restrictive in allowing for the adjustment of hours of work, dealing ostensibly, as it does only with standard hours, penalty rates and overtime. The following comments expressed by the Company Secretary reveal an explicit disenchantment and disgruntledness with the award in the area of working time flexibility.

"The award in this area was written for the 1920. Yet this is such an important type of flexibility to us, needed to accommodate variations in demand. It desperately needs amending." (Interview Company Secretary, Clothingco. 5 January, 1995)

These views align very closely with those expressed by Michael laccarino of the CTFIA discussed in Chapter 4, who stated that the feelings of most small employers within the clothing industry is that the award provides little opportunity to promote working time flexibility. Both these perceptions, collectively represent a marked divergence to the view expressed by the TCFUA also in Chapter 4, that the CTA generally does not impede flexibility and in fact "A little manufacturer can do virtually anything within the terms of the award."

In addition, whilst the management of Clothingco recognises that the EFA Clause within the CTA, may provide an avenue to promote some working time flexibility concepts, similar to other small businesses within the clothing industry, as discussed in Chapter 4, Clothingco has been intimidated by the stringent requirements attached to this EFA Clause. In particular it has been
deterred by the compulsory role for the union in the negotiation process. As a result, and reflecting strongly the views expressed by Michael Iaccarino in Chapter 4, the management of Clothingco regards the CTA as procedurally restrictive in this respect. Because of the perceived constraints associated with the clause, management has not ventured beyond a consideration of its use, throughout the 1990's. (Interview Company Secretary, Clothingco, 5 January 1995.)

In order to overcome the restrictions inherent in the award in this area, Clothingco has however, throughout the 1990's utilised a number of informal agreements to promote working time flexibility by introducing a degree of flexitime, informal walking around and smoko times, and aspects of banked hours in order to provide flexibility for staff to attend to family commitments and personal business. See Table 5.6. Management believes that these innovations have had the effect of increasing motivation and commitment levels amongst staff, again resulting in strategic advantages at the corporate level. (Interview CEO, Clothingco, 4 July 1995).

The management of Clothingco attributes the effective utilisation of these informal agreements predominantly to the good relations existing between management and staff, good morale and a strong work ethic in which employees identify with the aims and objectives of the company. This has been nurtured by the daily involvement of the owner/manager through all stages of product development from design, pattern making, garment manufacturer and interface with retail clients. According to the Chief Executive Officer, Clothingco prides itself on the fact that this co-operative culture has resulted in no industrial action and only one disciplinary action against a staff member since the inception of the company in 1988. For these reasons, management has felt that the development of a grievance procedure at Clothingco is unnecessary, as is indicated in Table 5.6. More importantly, union intervention in such a compliant, sympathetic environment is perceived very negatively by management as unwelcome interference. (Interview CEO, Clothingco, January 1995) It is this same small business culture which has
been identified in Kitay and Sutcliffe's research discussed in Chapter Three, that nurtures the unitaristic, compliant, harmonic environment needed for the successful and durable utilisation of informal agreements amongst smaller businesses as opposed to larger.

Whilst culturally providing the right environment for the nurturing of these agreements, the agreements themselves, however, have not promoted the degree of working time flexibility required by Clothingco. Their recognised illegality has been the restraining impediment preventing management from introducing the full range of working time innovations including flexible working hours and banked hours on an extensive scale, which they consider important to the facilitation of corporate business strategies.

In view of the importance that management has attached to this flexibility variable, in the facilitation of its corporate strategies relating to both productivity enhancement and cost minimisation, coupled with the perceived contextual restrictions inherent in the CTA and the illegalities associated with informal agreements, the management of Clothingco seriously considered and began the process of preparation for and implementation of, an enterprise agreement in November 1994. An EFA was regarded as the most appropriate vehicle to formally promote the functional, working time, procedural and wages flexibility needed to facilitate its broad business corporate strategies. This is now discussed in Section 5.4.4.

5.4.4 Enterprise Bargaining as a Vehicle to Promote Clothingco's Corporate Strategies.

A managerial enthusiasm for enterprise bargaining as a vehicle to promote labour flexibility is evident at Clothingco as far back as 1992 where a clear commitment to enterprise bargaining is identified in the following extract from Clothingco's business Plan.
“Management believes that it will be in the best interests of the firm and their employees to develop and introduce an Enterprise Agreement as the basis of their Industrial Relations Strategy over the next 12 months. After careful analysis of the fundamental needs of the organisation, it is believed that the advantages offered by this innovation will considerably improve the efficiency of the firm and its utilisation of resources.” (Clothingco H.R/I.R Plan, 1992: Part G, Section 2:2)

The main benefits identified by the management of Clothingco as flowing from an enterprise agreement can be summarised as:

- To overcome rigidities in work practices.
- To increase the flexibility needed to accommodate a flexible manufacturing system and meet sales objectives with particular emphasis upon formalising multi skilling, training and career progression and payment arrangements, improving co-operative employee relations and promoting flexibility in operating hours.

(Clothingco HR/IR. Plan, Part G, Section 2:2; Interview Company Secretary, Clothingco, January, 1995)

An analysis of these objectives and organisational issues clearly indicates a managerial acceptance of the potential and salience of enterprise bargaining as a vehicle to formally establish the guidelines needed to promote the functional, working time, procedural and wages flexibility necessary to facilitate corporate demands for quality, and productivity enhanced flexible production. In this respect, Clothingco’s reasons for the acceptance of enterprise bargaining are in Accord with Matthews’ views that organisations engaged in sophisticated productivity enhanced flexible production are likely to accept the virtue of enterprise bargaining as a vehicle to facilitate such business strategies by providing a formalised mechanism to promote training, active skills formation strategies, wages structures and extensive consultation. Such a vehicle would in turn harness the highly trained, flexible and co-operative workforce necessary for the achievement of corporate strategies. Clothingco’s rationale for the introduction of an enterprise
agreement also provides further convincing support to the hypothesis that its labour flexibility vehicles are functionally chosen to facilitate its prevailing corporate strategies and objectives.

Management's acceptance of the capacity and appropriateness of enterprise bargaining, as a labour flexibility vehicle which could promote and enhance corporate strategies, extended beyond a mere intellectual recognition and assent. This is evidenced by the fact that a positive strategy of implementation was explicitly developed in 1992 and became strategically part of Clothingco's HR/IR Plan. The elements of this implementation strategy are outlined below.

- Use resources of Chamber of Manufactures and Department of Industrial Relations to research Enterprise Agreements.
- Undertake analysis of employee conditions vs real needs of the business.
- Negotiate and consult with staff on their needs.
- Design a flexible labour management strategy.
- Seek external Industrial Relations advice from suitable consultants
- Prepare and draft a preliminary Enterprise Agreement.
- Review the draft agreement with management and staff. REVISE as necessary.
- Develop a strategy and timetable for the installation of the agreement.”

(Clothingco HR. IR. Plan ,1992, Part G: 2)

Preparation for the implementation of the enterprise agreement began at Clothingco in earnest in November 1994. Again, utilising the funding and assistance afforded by the ATFIC program, consultants provided by the NSW Chamber of Manufacturers, assisted in the preparatory bargaining processes, including, identification of: objectives, possible clauses in the agreement, award inflexibilities, the development of key performance indicators, and
training of employees and management. (Interview Chris Stuart, Consultant to Clothingco., 24th September, 1995.)

Whilst preliminary preparations were underway however management became excessively concerned about the possibility of union intervention. This was driven and fuelled by the negative publicity surrounding what became known as "The Asahi Decision", in which an order to "bargain in good faith" with the union, was imposed by the AIRC upon a small non unionised workplace on 19 December, 1994, during the course of developing an EFA. Whilst this decision ran counter to Federal IR legislation regulating EFAs, and upon appeal, was overturned by the full bench on 1 March, 1995, it aroused powerful anti union sentiments from the management of Clothingco and amidst proclamations that they could not risk union involvement, implementation of the agreement was disbanded. These fears were expressed to the researcher in July 1995 with the following comments by the CEO.

"It was a hell of a risk and one which actively outweighed the benefits. We could not risk being ruined by union involvement." (Interview CEO, Clothingco, 4 July 1995)

These fears are further described and explained by Chris Stuart in the following comments:

"It was clear that management was extremely concerned that union intervention would adversely affect their business by tying them up for long periods of time in justifying their actions. They claimed that they had close friends and colleagues whose businesses had been brought to a standstill by union action." (Interview Chris Stuart, Consultant to Clothingco, 29th November, 1995)

Although Clothing Co had developed an excellent working relationship with their own staff, underpinned by unitarism and commitment, this relationship
had not been nurtured with TCFUA. It was a strong desire therefore, to avoid union involvement which acted as the major deterrent and constraint resulting in an abandonment of Clothingco’s plans for implementation of an enterprise agreement as indicated by Table 5.9.

The evidence presented in this chapter and the previous, suggests that both Clothingco and other small businesses within the clothing industry (as portrayed by both the TCFUA and CTFIA representatives), lack a positive synergistic relationship with the TCFUA, and resulting from this, consciously avoid any union interface which may have the effect of exposing them, destroying their anonymity and/or regulating them. The low trust that this negativism engenders between the management of small business and the TCFUA was also identified by Brendan Soragon in Chapter 4, as constituting a major impediment to the implementation of enterprise bargaining generally amongst small businesses within the clothing industry.

<table>
<thead>
<tr>
<th>Reasons for Rejecting Enterprise Bargaining in Clothingco</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fear of Union involvement</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Time - <em>Barrier only</em></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Lack of bargaining and consultative infrastructure and skills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfied with the Flexibility of Award</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Ability to utilise Informal Agreements</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Confused with Legislative and procedural requirements - <em>Barrier only</em></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Table 5.9 - Reasons for Rejecting Enterprise Bargaining

Clothingco’s experiences therefore reinforce the pessimistic evidence provided by both the industry representatives in Chapter Four, who suggested that for many small businesses in the clothing industry, a major
constraint limiting their strategic choice in the area of enterprise bargaining is a perceived fear of union involvement.

Whilst this finding may not be surprising, it could well have wider implications, for it is this same reactivity, negativism and defensiveness towards unions that has been identified by Costa and Duffy as generally embedded in the culture of small businesses. This same pervasive reticence amongst small businesses to relinquish any autonomy or prerogative to an outside body has similarly been identified by Barrett in Chapter Three, as having possible limiting implications for the generalised spread of EFAs. The entrenched negativity exhibited towards the TCFUA by the management of Clothingco may also provide support to the views of Gahan, Harley and Bramble (Pages 63-64) who argued that Post Fordist production systems, similar to other systems, fail to overcome the inevitable and entrenched antagonism which exists between labour and capital. Such systems are thereby equally ineffective in promoting the genuine, collaborative workplace ethos necessary to facilitate enterprise bargaining.

Perhaps the key implication of these findings for the hypothesis is that labour flexibility vehicles strategically chosen, must not only be viable in terms of an organisation’s corporate objectives, but must also be industrially acceptable. For Clothingco, whilst enterprise bargaining in the form of an EFA, had the potential to provide a useful vehicle to facilitate and enhance its corporate strategies, it was not considered a viable industrial strategy in view of the philosophical aversion that Clothingco, harboured towards the TCFUA. Rather, it presented as an option which was considered too risky and radical to even the most embattled of small businesses. Labour flexibility vehicles chosen to functionally facilitate corporate strategies must also therefore be seen in the context of constraints upon execution of strategy.

Other barriers to enterprise bargaining cited by the management of Clothingco, confirm literature discussed in Chapter Three, regarding small business reticence generally to proceed with enterprise bargaining. These
are identified in Table 5.9 as time constraints, and confusions engendered by perceived legislative complexities governing enterprise bargaining. Management admitted that they were struggling to come to terms with the complex procedural requirements governing enterprise flexibility agreements in the federal sphere and that this was a time consuming process. These constraints were identified by the Company Secretary as a limiting factor in the implementation of an EFA at Clothingco, although not the reason why implementation was curtailed. (Interview, Company Secretary, 5 January, 1995)

The above findings offer firm support to the views Sloan, Shaw and Callus who, as discussed in Chapter Three, argue that the procedural requirements for enterprise agreements are restrictive, confusing, dissuasive and time consuming for small businesses. Management's perceptions are also in accordance with Buultjen's view, similarly discussed in Chapter Three, that smaller employers, particularly those who do not belong to an employer association, are likely to find legislative complexities, highly threatening. Further confidence in the correctness of Buultjen's views is provided by the fact that Clothingco's Company Secretary had an extensive background in work areas which required him to develop skills and competencies in understanding and interpreting legislation. (Interview Company Secretary, 5 January, 1995). If a man who was practiced and in many ways felt comfortable with legislation, found the new IR legislation confusing, then a legislatively naive manager, as may well be the case in many small businesses, would be likely to find this same legislation much more threatening.

The Chief Executive Officer did admit, however, that the use of consultants in the above procedures attenuated to an extent, the above time constraints and legislative confusions. This is evidenced by the following comments.
"It's hard to find the time to do these things and the legislation turns me off totally. I understand very little of it, but that's what consultants are used for."

(Interview CEO, Clothingco, 5 January 1995)

Management also admitted that restrictive hurdles relating to time, and legislative and procedural confusions represented only relatively minor obstacles. Neither of these barriers represented a threat to the cultural integrity of the organisation and could be easily be overcome, if commitment to enterprise bargaining was strong. They did not therefore constitute reasons why implementation of the agreement was abandoned.

Lack of bargaining infrastructure, did not represent a hurdle to implementation of the agreement in any way to Clothingco because an ongoing JCC had already been established at this stage and, as discussed, culturally Clothingco was more willing to allow its own employees to possess at least some degree of empowerment and input into decision making than it was the TCFUA. Again, Clothingco's experiences in this respect, represent a marked divergence with the earlier literature, discussed in Chapter Three, which portrays the majority of small businesses as procedurally immature in terms of the infrastructure necessary to facilitate enterprise bargaining.

Also diverging from earlier cited literature, costs associated with bargaining and implementation of the agreement were not regarded as a major constraint to Clothingco. This can however, be accounted for largely by the fact that the funds provided to Clothingco under the ATFIC programs could be and were used legitimately (until the process was abandoned), for the following enterprise bargaining procedures:

- Identification of Performance indicators.
- Establishment of a joint consultative committee.
- Training of committee members.
- Implementation of rewards systems.
• Drafting of the agreement. (Interview Chris Stuart, Consultant to Clothingco, 29th November, 1995)

Clothingco was hence able to divert these expenses that many other small businesses engaged in enterprise bargaining, would normally have to incur.

Clothingco’s decision not to proceed with enterprise bargaining was also unrelated to a general satisfaction with the flexibility offered by the existing CTA, as indicated in Table 5.9. Whilst the CTA was perceived as providing a large degree of flexibility in terms of functional flexibility, the management of Clothingco, viewed the award as offering little guidance with respect to working out specific details relating to the implementation of training, and upskilling arrangements needed to promote functional flexibility. (Interview Company Secretary, Clothingco., 5 January, 1995) In addition, as discussed throughout this chapter, although management was generally satisfied with the flexibility offered by the CTA with respect to skills based pay, the scope for the introduction of broad performance based reward systems within the award system was limited. More importantly the CTA was viewed by management, as rigidly restrictive in terms of promoting:
  . working time flexibility, particularly flexible working hours paid at standard hours.
  . procedural flexibility independent of TCFUA intervention.
  . numerical flexibility in the form of the right to hire and fire staff, without “the union somehow getting drift of it”. (Interview Company Secretary, Clothingco, 5 January 1995) Management’s impressions regarding the degree of flexibility offered by the CTA on these key flexibility variables is summarised below in Table 5.10.
<table>
<thead>
<tr>
<th>Flexibility Variable</th>
<th>Perceived Degree of Flexibility offered by CTA.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional.</td>
<td>Provides a high degree of flexibility except with respect to specificities regarding training/upskilling arrangements.</td>
</tr>
<tr>
<td>Working Time.</td>
<td>Highly inflexible and restrictive particularly with respect to flexible working hours and aspects of flexi time.</td>
</tr>
<tr>
<td>Wages.</td>
<td>Flexible with respect to skills based pay. Inflexible with respect to performance based payments.</td>
</tr>
<tr>
<td>Numerical.</td>
<td>Inflexible and inhibits right to hire and fire without TCFUA intervention.</td>
</tr>
<tr>
<td>Procedural.</td>
<td>Inflexible largely due to stringent requirements attached to the EFA Clause preventing direct, union free negotiation with employees.</td>
</tr>
</tbody>
</table>

Table 5.10 - Management of Clothingco’s Perception Regarding the Flexibility Offered by the CTA.

The use of informal agreements were utilised by the management of Clothingco to overcome working time inflexibilities. However, these agreements could only be regarded as partially successful. This was due largely to their illegality engendering feelings of discomfort amongst management which in turn impeded them from introducing concepts such as flexible working hours and banked hours on the scale that was considered necessary to the facilitation of their corporate strategies.

An enterprise agreement was, therefore considered as an attractive, yet legal alternative, to overcome the rigidities associated with the CTA. These findings represent some divergence from Buultjen’s and Rimmer’s research as discussed in Chapter Three, which indicated generally, a high level of satisfaction amongst small businesses with the existing award system, particularly in the light of reconstruction, and identified this, coupled with the
ability of small businesses to increase enterprise flexibility through the use of informal agreements, as a convincing reason as to why small businesses have been slow to proceed with enterprise bargaining.

In restatement, the primary reason for not proceeding with enterprise bargaining at Clothingco was a perceived fear of union involvement. This represented a threat to the cultural integrity of the organisation, underpinned by unitarism, harmony and compliance. In view of this, such a fear understandably posed the most powerful aversion for Clothingco. Whilst the value of enterprise bargaining was evident to Clothingco and it was strategically chosen to the point of implementation as a vehicle to facilitate its corporate strategies relating to productivity enhanced, flexible production, acceptance of the TCFUA as a legitimate institution and forthcoming from such an acknowledgment, a positive working relationship was same, was culturally missing at Clothingco. Without this, an enterprise agreement, even in the form of an EFA, represented an industrially inappropriate mechanism to Clothingco which had limited capacity to promote the union free procedural exchanges management desired. As suggested by the views of the industry representatives in Chapter Four, these impressions appear to be shared by many small businesses, both up market and down market, within the clothing industry.

Adversarial IR attitudes implying a lack of trust towards the industry union amongst small businesses within the clothing industry, have been cited in Chapter Four, as largely being a function not only of unitarist managerial ideologies but a preoccupation with price control as the predominant business strategy adopted by small businesses within the clothing industry. This cost minimisation focus then forces IR into the distributive as opposed to the integrative arena and in so doing militates against the development of the co-operative approach and trust necessary for enterprise bargaining.
As well as stymieing this co-operative, integrative approach necessary to facilitate enterprise bargaining, it is this same pervading cost minimisation mindset as discussed in Chapter Four, which renders enterprise agreements, (emphasising as it does long term efficiency and productivity improvements,) corporately a less attractive vehicle in terms of its abilities to deliver the immediate short term cost minimisation results desired by struggling small businesses. Instead, small businesses within the clothing industry have resorted to the widespread use of contract labour as the preferred, more viable mechanism in terms of their strategic preoccupation with price control.

Whilst embracing a business strategy that has been directed predominantly towards, quality, and productivity enhancement throughout the 1990s, Clothingco, as discussed throughout this chapter, has in fact competed upon a broad spectrum of issues. Cost control and price competition have, since the recession become important externally driven concerns to the organisation. Clothingco’s increasing focus towards cost minimisation throughout the 1990s is illustrated by its strategic movement along the replication axis from productivity enhancement to cost minimisation as shown in Diagram 5.1. The diagram reveals that cost minimisation concerns increased throughout the period of the recession yet productivity enhancement was still regarded by management, as the major competitive strategy until July 1995. In accordance with Curtain and Mathews, this prevailing paradigm at the corporate level throughout the 1990’s informed the strategic choices made at Clothingco with respect to labour flexibility strategies and vehicles, towards the use of functionally based mechanisms and an acceptance, although not an embracement, of enterprise bargaining.

From September 1995 however, cost minimisation concerns became of paramount importance to Clothingco. Providing further support to Curtain and Mathews’ concepts, this new, prevailing orientation at the corporate level, again produced a shift in focus away from functional based strategies towards numerical based vehicles in the form of an extensive use of casual and contract labour. In view of this changed corporate emphasis towards cost
minimisation, enterprise bargaining as at October 1995 represented to the
management of Clothingco, not only an inappropriate industrial vehicle,
because of its potential to solicit union attention, but increasingly also, a
strategically inappropriate vehicle which had limited potential to
accommodate corporate cost control orientations.

The increasing use of casual and contract labour at Clothingco throughout
the 1990s as a reflection of a greater corporate preoccupation with cost
minimisation, is discussed in detail, in section 5.5.

<table>
<thead>
<tr>
<th>PEA</th>
<th></th>
<th></th>
<th></th>
<th>CMA</th>
</tr>
</thead>
</table>

Diagram 5.1 - Strategic Movement from PEA Towards CMA at Clothingco.

5.5 USE OF EXTERNAL, NUMERICAL FLEXIBILITY VEHICLES AT CLOTHINGCO TO FACILITATE INCREASING CORPORATE COST MINIMISATION ORIENTATIONS THROUGHOUT THE 1990s.

Clothingco’s labour flexibility strategies and vehicles have registered and
reflected a changed corporate emphasis towards cost rationalisation
throughout the 1990’s, with an increasing use of numerical flexibility
strategies, including a trimming of the size of the workforce and the use on a
wide scale of casual and contract labour. This is indicated in Table 5.11.

The management of Clothingco has been aware of its strategic options with
respect to the use of core versus contract labour from the early 1990s and
these options have been identified in Clothingco’s Business plan as:

Option 1 - All manufacturing in-house.
Option 2  All manufacturing contracted to Outworkers.
Option 3 - A judicious mix of Internal Production, together with partial contract out to Outworkers.
Option 4- Manufacture overseas.
(Clothingco Business Plan, 1992, Part E:5)

An analysis of Clothingco’s choice with respect to the above strategic options as vehicles to promote its manufacturing objectives, indicates a very clear strategic movement away from Option 1 towards Option 3 between the years 1992-1995 and finally from September 1995, towards Option 2.

As indicated by Table 5.11 at 1990, Option 1 was the preferred strategy with all Clothingco’s workforce comprising core employees, (both full time and part time), and all manufacturing undertaken in house. From 1992 until July 1995, Option 3 was chosen as the most judicious strategy, resulting both in a trimming of Clothingco’s workforce by approximately 23% from 26 in 1990 to 20 as at July 1995 and a significant increase in the relative proportion of casual (particularly) and contract labour. As Table 5.11 reveals, as at July 1995, approximately half of Clothingco’s workforce (excluding management) comprised the core of full time or permanent part time employees, and an almost equal proportion comprised the peripheral in the form of casual employees and to a lesser extent, contract labour.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Employees F/T</td>
<td>17</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Employees P/T</td>
<td>7</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Employees Casual</td>
<td>0</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Contract Labour</td>
<td>0</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26</strong></td>
<td><strong>20</strong></td>
<td><strong>15</strong></td>
</tr>
</tbody>
</table>

**Table 5.11 Longitudinal Analysis of Staff Categories and Numbers at Clothingco Between Years 1990-1995**

This increased utilisation of peripheral labour at Clothingco between the period of 1992 to July 1995 was an explicit planned prescription to which management had been openly committed to in the early 1990’s as evidenced by the following extract from Clothingco’s business plan.

"Growth will be underpinned by an increase in manufacturing resources, with the emphasis on flexibility to be achieved through the progressive utilisation of contracted manufacturing capacity. We plan to introduce a reallocation of manufacturing activity from 100% in house to a blend of in house, outworkers and cut, make and trim contractors." (Clothingco Business Plan, 1992, Part B:1:22)

Management viewed this move as having the potential to fulfil corporate objectives relating both to quality, flexibility and also, of increasing importance, cost effectiveness. This is evidenced by the following advantages identified as relating to this option:

- **Maximum flexibility** of response to short term demand.
- Straightforward work to be handled **cost effectively** by outworkers.
- In house production to handle the strategic, **top quality products** including all new designs and complex items. (Clothingco Business Plan Part E, 1992: Section 3:6; Interview Company Secretary, Clothingco, 4 July 1995)
When interviewed in July 1995, the Company Secretary rated numerical flexibility augmented by use of contract and casual labour, as its fifth most important variable and stated that the forward strategy would be "to limit capacity and absorb any increases in workload by the utilisation of contract labour." This strategy would not result in any retrenchments but instead could be regarded as a protective strategy which would provide a buffer to cushion the initial impact of any demand contraction upon the core workforce, and thereby attenuate any negative employment effects resulting from this. Enterprise bargaining, although not industrially acceptable, was still regarded at this stage, as a viable vehicle to facilitate corporate strategies, and also appropriate in consideration that a large proportion of Clothingco's workforce still comprised core employees.

However, in an very unprogrammed and unprecedented move in September 1995, the management of Clothingco, again slashed the size of their workforce and dramatically increased the utilisation of contract labour to the proportions shown in Table 5.11. Today, Clothingco's core workforce is comprised of only 2 full time employees, (excluding management), the peripheral is comprised of 4 casuals and 6 contract labour. These measures represent an implicit strategic move towards Option 2, that is, all manufacturing contracted out.

As at October 1995, therefore, numerical flexibility has become the most important flexibility variable to Clothingco, surpassing as it were functional flexibility which was of paramount concern throughout the preceding part of the 1990's until July 1995. Diagram 5.2 maps Clothingco's changing priorities in terms of the relative importance attached to both functional and numerical flexibility throughout the 1990s. Between the period 1990 to July 1995, there has been a consistent move towards increasing functional flexibility facilitated by the strategies discussed in Section 5.4.1. From 1992 onwards there has also been an increasing importance attached to numerical flexibility to the
extent that as at October 1995, this has become the primary consideration and most important flexibility variable to the management of Clothingco.

![Diagram 5.2- Relative Importance Attached to Functional and Numerical Flexibility by Management of Clothingco throughout 1990's.](image)

The changing priorities that management has attached to the full range of its key flexibility variables between July 1995 and October 1995 is illustrated by Table 5:12. As at July 1995, functional flexibility was the most important variable followed by working time, wages, procedural and numerical. As at October 1995, numerical flexibility became the most important variable, followed by functional, the order of the other variables remaining unchanged.
<table>
<thead>
<tr>
<th>Priority Ranking</th>
<th>July 95</th>
<th>Oct 95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional</td>
<td>Numerical</td>
<td></td>
</tr>
<tr>
<td>Working Hours</td>
<td>Functional</td>
<td></td>
</tr>
<tr>
<td>Wages</td>
<td>Working Hours</td>
<td></td>
</tr>
<tr>
<td>Procedural</td>
<td>Wages</td>
<td></td>
</tr>
<tr>
<td>Numerical</td>
<td>Procedural</td>
<td></td>
</tr>
</tbody>
</table>

Table 5.12 - Comparative Change in Priority Ranking of Flexibility Variables at Clothingco between July 95 and October 95

The increased use of contract labour from September 1995 onwards was regarded by the management of Clothingco as a cost effective way of achieving flexibility on the full range of the above variables. Numerical flexibility would naturally be increased, but management perceived the use of contract labour as also promoting functional flexibility in a cost effective manner because skilled expertise could be bought in and this in turn, would preclude the necessity for costly training. As stated by the Company Secretary:

"Highly skilled workers are important to us, but there is no shortage of skilled labour willing to work under contract in the Canberra area." (Interview Company Secretary Clothingco 30 October, 1995)

In addition, management perceived working time flexibility as being promoted through the use of contract workers because such workers are afforded a greater liberty to choose their own working time arrangements, within the constraints imposed by product deadlines. Management also recognised that a greater degree of wages flexibility could also be achieved through the use of contract labour. Whilst management conceded that contract workers must be paid according to the skill based payment classification in the CTA, they saw a greater scope to introduce for contract workers, payment by results
systems based on ordinary hours to complete a given article. (Interview Company Secretary, Clothingco, 30 October, 1995). Finally, the use of contract labour was regarded by management as having a strong potential to promote procedural flexibility at Clothingco because of its capacity to allow for direct negotiation between the parties, with a more limited likelihood of union intervention. (Interview CEO, Company Secretary, Clothingco, 30 October, 1995; Interview Chris Stuart, Consultant to Clothingco, 29th November, 1995). In summary therefore, management from September 1995 onwards began to perceive the use of contract labour as a procedurally non-threatening and cost effective vehicle to promote the flexibility it needed to facilitate its corporate strategies.

In fact, the numerical flexibility measures introduced in September 1995, can be regarded as a reflection of an increasing emphasis and attention to cost control at the corporate level by the management of Clothingco. This is evidenced by a number of factors. Firstly, these measures were implemented at a time when Clothingco’s profitability had been declining consistently over the last few years, due to the external influences of market changes and decreases in consumer demand that had been occurring recently over the past two years. As the Chief Executive Officer expressed in October 1995

“People have stopped buying, and as a result we have a huge stockpile which we cannot shift. Our sales have dropped by over 30% in the past 2 years.”
(Interview CEO, Clothingco, 30 October, 1995).

More specifically, the implementation of these measures in September 1995, coincided with the receipt of the findings of:

- A financial Impact study conducted by the consulting group Dun and Bradstreet which aimed to gauge the effectiveness of the strategic planning assistance provided to Clothingco under the National Industry Extension Scheme and
• A TCF Benchmarking Survey in which Clothingco had participated in, conducted by the consulting group Arthur Anderson.

The findings of both these surveys indicated that Clothingco's financial performance particularly in terms of its key financial ratios had lagged well behind the majority of other clothing organisations regarded by the survey as being within the top quartile of companies in terms of their earning capacity in the clothing industry. As a result of this survey, Clothingco’s declining profitability was brought acutely into focus and at the corporate level, management became anxious to improve key financial ratios and cash flows in the short run. It was reasoned that the most controllable and cost effective manner for this to be done was through both a reduction in fixed overheads by selling machinery on a large scale, and a reduction in labour costs by trimming the size of the workforce and increasing the use of contract labour. (Interview Company Secretary, Clothingco, 30 October, 1995)

These measures also coincided with other cost cutting strategies including the closing of Clothingco's Kingston retail outlet, and the moving of the Melbourne based retail outlet from Southport to Armidale where rents are significantly cheaper. Clothingco's product range was also substantially reduced between July and October 1995, with many low profit items removed, regardless of their turnover. (Interview Company Secretary, 30th October, 1995)

The increased use of contract labour can hence be regarded as comprising part of a battery of cost minimisation strategies which have been formulated in contingency style manner in reflection of Clothingco's present concern at the corporate level with cost rationalisation. The choice of contract labour as a practical and economical vehicle to facilitate corporate concerns for both flexibility but more importantly, cost minimisation is perhaps most cogently supported by the following comments made by the Company Secretary,
"Use of contractors allows us to have the skills we need when we need them, yet it is a cost effective way of doing it. Whilst we are still paying them the same rate of pay, we are not wasting our money on peripheral things like superannuation, workers compensation, and occupational health and safety. If we earn $5000 this week we want it to be spent in wages, material, rent and advertising, not on these peripheral things." (Interview Company Secretary, Clothingco, 30 October 1995.)

AND

"Surely the money is better in our own pockets rather than supporting the whole Queanbeyan business industry? The world changes and so must we. Today we are a cost effective, lean machine!" (Interview Company Secretary, Clothingco, 30 October 1995)

These comments suggest a bravado, or a complacency which belie feelings of sadness truly felt by a civic minded management, who had prided themselves both upon “building this business out of nothing,” and their constructive employment policies as reflected in their good communication with staff, their concern to maintain good morale and a demonstrable commitment to training and development. The findings indicate that for Clothingco, the move to contract labour, of the proportions stated, was unavoidable in the light of their falling profitability levels and cash flow problems emerging from a decline in demand. The desire to survive and prosper has been the driving force to find a more cost effective way to promote the flexibility they needed.

In support of the hypothesis and the concepts advanced by Curtain and Mathews, Clothingco’s increased use of contract labour as the predominant labour flexibility vehicle has simply registered and reflected a greater preoccupation at the corporate level with cost minimisation. By October 1995, this represented the preferred vehicle, perceived as superior to an enterprise
agreement, because of its capacity to offer short run cost rationalisation gains and importantly because it represented an industrially more acceptable vehicle which had a greater potential to avert union intervention. Management’s perceptions in this latter respect have however, proved to be ironic, as the wholesale move towards contract labour at Clothingco to such proportions, has attracted a large degree of union attention. (Interview CEO, Clothingco, 30 October, 1995)

In this respect, today, Clothingco bears many similarities to other small businesses within the clothing industry, including those operating in the lower value added end of the market. This is so in a number of respects. Firstly, Clothingco today is, in the words of management “very small and very focused” but also like so many other small businesses identified in the peak industry interviews (Chapter Four), has turned to the use on a large scale of contract labour as a vehicle to promote flexibility and to reinforce the centralised business strategy of cost attenuation. Whilst Clothingco must still be regarded as competing on a spectrum of issues including productivity enhancement, the prevailing and dominant corporate strategy in the form of cost minimisation has for now at least “crowded out” the adoption of other strategies and vehicles which may have had a greater potential to facilitate productivity enhancement, yet did not prove cost effective. Clothingco’s experiences in this respect also provide pessimistic support to the TCFUA research discussed in Chapter Four, that found many up market producers are resorting to the use of contract labour as a cost attenuation strategy.

The way ahead for Clothingco now is also very uncertain and management freely admits that “We have no idea where we are likely to be this time next year.” (Interview Company Secretary, Clothingco, 30 October 1995). These comments convey further similarities to other small businesses within the clothing industry that were identified in Chapter 4 as possessing a limited, myopic view of the future spawned from their need to survive in the short run and which in turn militates against the capacity for rational planning and the setting of coherent long term objectives. Given this limited cost minimisation
mindset it is not unreasonable to expect that for now, Clothingco like other small businesses would choose the labour flexibility vehicle that supports its corporate objectives in the most cost effective manner and the one which will offer the most immediacy of results, in the form of contract labour.

5.6 CHAPTER SUMMARY.

The story of Clothingco is a sad one. A vertically integrated, up market, flexible producer, Clothingco throughout the 1990's had predominantly sought to maximise efficiency and competitive advantage by the adoption of a corporate strategy geared towards productivity enhancement. Choice of labour flexibility strategies and vehicles were informed by this prevailing corporate orientation and reflected a reliance upon strategies which sought to build upon the skills of workers and mobilise the commitment of employees in the pursuit of good co-operative employment relations. This was achieved largely through the predominant utilisation of functional mechanisms coupled with wages and procedural strategies. Management also generally endeavoured to increase the flexible response of the organisation where possible, by the introduction of working time flexibility.

As a result of perceived inflexibilities and competitive restrictions inherent in the CTA, coupled with the illegalities associated with informal agreements, an enterprise agreement in the form of an EFA was considered by management. This was seen to be the most appropriate vehicle to promote the types of flexibility that were needed to facilitate corporate strategies. By December 1994, preparation and implementation of the agreement was however curtailed, in the recognition by management that an EFA was unlikely to promote the union free negotiations and exchanges which procedurally, were preferred. Specifically, management feared TCFUA intervention in some form during either the negotiation stages or certification stages of processing the agreement. This fear did not subside during 1995 and increasingly, enterprise bargaining became to be regarded by management as an industrially
inappropriate vehicle which could not provide the procedural, union free flexibility that management required.

Coupled with an increasing corporate preoccupation towards cost rationalisation, particularly in the latter half of 1995, management also began to perceive enterprise bargaining as an inappropriate vehicle in terms of its abilities to facilitate more urgent and immediate cost minimisation concerns at the corporate level. Instead, and in accordance with Curtain and Mathews, prevailing cost minimisation orientations at the corporate level shaped the choice of labour flexibility vehicle at Clothingco towards an increasing use on a large scale of peripheral labour, which from September 1995 onwards, was reluctantly regarded by management as the superior and preferred vehicle to drive its corporate objectives.

The evidence presented in this chapter suggests therefore, that the management of Clothingco, throughout the period of the 1990's has selected its labour flexibility mechanisms so that they are consistent with and can accommodate prevailing corporate strategies and orientations. However such choice of labour flexibility mechanism has also been informed by management's desire to select an industrially acceptable mechanism which would support the unitarist, union free commitment culture that management had nurtured at Clothingco.

In the light of the above findings, two major reasons why enterprise bargaining was not chosen, at Clothingco can be identified. These are firstly, the fact that enterprise bargaining became to be regarded by management as a strategically inappropriate vehicle in the light of a increasing corporate refocus towards cost minimisation. Secondly, an inability to countenance the possibility of TCFUA intervention by management, rendered enterprise bargaining an industrially inferior vehicle in that procedurally it did not necessarily represent a union free option. Such a negativism towards the TCFUA was borne of the interaction between a managerial adherence to a unitarist ideology and an increasing cost minimisation, distributive focus.
throughout the middle years of the 1990s, which compelled management to give priority to controlling labour costs.

The implications of these findings in terms of the hypothesis and future research directions will be discussed in the following Chapter.
Chapter Six

6 - CONCLUSIONS
6.1 FINDINGS.

This research aimed to investigate the impact of external environmental forces upon small businesses within the Australian Clothing Industry with a view to testing the hypothesis advanced that:

The labour flexibility strategies and vehicles adopted by small businesses within the Australian Clothing Industry are functionally chosen to facilitate broad corporate and business strategies.

The broader implications for the spread of enterprise bargaining as a labour flexibility vehicle amongst smaller workplaces within the clothing industry has been compositely developed and evaluated in the course of testing the above hypothesis and investigating the related research questions.

The research focus was justified on the grounds that much of the existing literature which sought to explain small business reticence to engage in enterprise was general in nature and possessed a limited capacity to explain strategic choice at the industry and in particular, the organisational level. Such an analysis the researcher has contended, required a more focused investigation of specific contextual factors including environmental influences and the broad business strategies that have been developed by organisations to meet these challenges. Labour flexibility vehicles including enterprise bargaining, introduced to facilitate corporate strategies, could then be regarded as an interactive function of the broad corporate orientations of the organisation.

Consequently, the research has described and analysed the experiences of Clothingco over a period of 5 years. Specifically, the research has attempted to provide a rich, indepth and accurate assessment of the strategic assessments and readjustments (at both the corporate and industrial relations level) that have occurred at Clothingco throughout the 1990s. The
implications for the use of enterprise bargaining at Clothingco have been evaluated within the parameters of this investigation. The findings from this case study were corroborated with data gathered from industry level interviews with representatives from the TCFUA and the CTFIA, in order to provide a more balanced picture of the strategic responses amongst small businesses generally within the clothing industry. Beyond the case study findings and the perceptions of these industry representatives, there has however, been no attempt to generalise the findings.

Throughout the research key concepts advanced by Curtain and Mathews have been both tested and applied. These being, that organisations will structure their labour flexibility strategies and vehicles according to their strategic positioning along the continuum from productivity enhancement through to cost minimisation as corporate approaches to achieving efficiency. The dominant corporate strategy will then inform industrial relations choices in terms of choice of labour flexibility vehicle.

The evidence provided by the case study demonstrates a large degree of support for aspects of the concepts advanced by Curtain and Mathews. Firstly, the functional flexibility strategies adopted by Clothingco throughout the early to middle years of the 1990s provide positive support to Curtain and Mathews’ concepts that the use of functionally based flexibility strategies in the pursuit of a skilled, co-operative, committed workforce are likely to be utilised by those organisations wishing to facilitate a corporate strategy based upon productivity enhancement. Clothingco’s increasing use of contract labour in reflection of an increasing corporate preoccupation with cost minimisation, also provides particularly strong support to Curtain and Mathews’ concepts that organisations which pursue a competitive strategy based upon cost minimisation are likely to shape their labour flexibility vehicles toward the use of numerical mechanisms such as contract labour, preferred because of its capacity to offer short run cost savings. This same burgeoning use and sometimes misuse of contract labour has also been identified in the peak level interviews, as the preferred labour flexibility
vehicle amongst the small businesses generally within the clothing industry which function largely from a short term, cost minimisation perspective.

The findings however, provide substantially less support for Mathews' concept that those organisations which adopt productivity enhancement approaches are more likely to utilise enterprise agreements as the superior vehicle to formally promote the types of flexibility needed for the achievement of corporate strategies revolving around long term efficiency and productivity enhancement. Whilst many organisations may be intellectually aware of the benefits and the soundness of enterprise bargaining, the evidence suggests that a powerful additive is necessary before implementation can really be considered. This additive takes the form of a positive acceptance of the TCFUA and where possible, a positive working relationship with same.

For Clothingco this was certainly missing. The management displayed a strong unitarist philosophy and could not accept the legitimacy of TCFUA involvement in their business. Management found the idea of countening TCFUA intervention so unthinkable that plans to implement the EFA which had been partially negotiated in 1994, were disbanded. This was the case, even though enterprise bargaining represented at that stage an attractive mechanism which had the potential to facilitate Clothingco's corporate strategies. These findings suggest that, although Clothingco had embraced for a large part of the 1990's a corporate strategy based largely upon productivity enhancement, this had not resulted in the mature, integrated approach to industrial relations Curtain and Mathews envisaged for such an organisation. Rather, an underlying distributive approach to industrial relations characterised this productivity enhanced producer throughout the 1990's which prevented the development of a genuine participative workplace environment. These findings provide strong support to the views of Gahan, Harley and Bramble who have argued that Post Fordist production methods, driven by the commitment to acquire profits, are unlikely to be really effective in promoting true worker autonomy and in the securing of mutual advantages.
for both capital and labour. Contrary to Mathews' views, such corporate orientations geared towards productivity enhancement may not therefore, be necessarily well placed to procedurally facilitate a model of enterprise bargaining which is premised upon the idea of empowerment and the achievement of joint, mutual gains.

The perception of both the TCFUA and CTFIA representatives discussed in Chapter Four, also support the contention that this same distributive approach to IR, characterised by a lack of acceptance of the TCFUA culturally permeates the attitudes of small business management generally in the clothing industry. Such an attitude in turn, pervades their negative attitudes toward enterprise bargaining and agreements.

The research findings provide a deal of support to the hypothesis in as much as the evidence presented does portray many small businesses as selecting their labour flexibility vehicles to fit with and facilitate their corporate strategies. However, both the case study findings coupled with the perceptions of the industry representatives suggest that implementation of preferred vehicles is unlikely unless the vehicle is also perceived as an industrially acceptable mechanism which will support or at least not harm the cultural integrity of the organisation.

The real value of the findings, however, lies in the broader implications that they may hold for the spread of enterprise bargaining within the clothing industry. For the evidence suggests that if small businesses within the clothing industry:

- Pursue relentless cost minimisation approaches and
- Exhibit a cultural inability to countenance the TCFUA.

then enterprise bargaining may well not flourish within the clothing industry.

The perception of both the industry representatives is that cost minimisation approaches have been adopted by many small businesses within the clothing
industry, in an implicit contingency style manner and can be contextualised in an economic and structural environment full of turbulence, unpredictability, aggression, and no doubt pain. Most small businesses are grappling with a severe economic recession, the increased concentration in retail ownership and the greater international exposure forthcoming from the TCF plan. Within this scenario, the evidence provided by these representatives suggests that the majority of small businesses have shown themselves to be incapable of demonstrating the vigour, commitment, maturity and forward thinking ideas to undertake restructuring towards PEA. Given this mindset, they are possibly incapable of experimenting with IR novelties such as enterprise bargaining which require the above mentioned attributes and a focus upon long term sustainable growth, rather than short term, ephemeral gain.

It would seem however, that even survival cannot be guaranteed for those organisations which have embraced productivity enhancement approaches. For Clothingco, the very type of organisation targeted by the TCF plan to be encouraged as a “winner”, is now adopting predominantly cost minimisation corporate approaches, largely facilitated by the use of numerical flexibility vehicles. Similar to other small organisations in the clothing industry, the way ahead for Clothingco is unclear for it has not become the vibrant, flexible, healthy organisation envisaged by management and explicitly sought after. TCFUA literature discussed throughout this research, confirms that Clothingco is not an isolated case in this respect and considerable evidence suggests that many up market producers are in fact predominantly using cost minimisation approaches and resorting to contract labour as the preferred facilitative vehicle.

Given these environmental scenarios, coupled with the negative perceptions of small business, it is perhaps understandable why short term gain as evidenced by cost minimisation approaches have been cited as the norm within the clothing industry. According to both industry representatives, the counterpart of these cost minimisation approaches has been the development
of an adversarial, distributive mindset amongst small businesses within the clothing industry and a conception of IR which largely revolves around the implementation of strategies to resolve issues relating to labour costs. Given these attitudes, the benefits of enterprise bargaining in terms of the spirit and intent of the principle upon which it was introduced ie “the actual implementation of efficiency measures designed to affect real gains in productivity” is likely to be disregarded. Instead an increasing use of contract labour amongst small businesses will continue to register a strong corporate emphasis towards cost minimisation.

The natural corollary of this is that there is little incentive to identify common interests with the TCFUA. Yet positive relations in this respect, supported by open, and honest communication have been identified by Mathews and the TCFUA as necessary to the successful utilisation of enterprise bargaining and agreements. Instead, the perception of both the industry representatives is that cost minimisation approaches have reinforced an already entrenched anti union sentiment which exists amongst the management of small businesses in the clothing industry who are still dominated by a reluctance to divulge any information, or form tenuous liaisons with any body that may have the capacity to regulate them. Quite simply, as stated by the CTFIA representative, “Small businesses want to manage their strategic and other issues relating to their businesses, in freedom.”

Both the case study findings and the evidence presented by the TCFUA and CTFIA representatives also suggest that this entrenched desire to resist forming any liaison with the TCFUA is not just a function of organisations pursuing cost minimisation approaches. As mentioned, Clothingco, throughout the 1990s pursued predominantly a strategy based on productivity enhancement, yet exhibited this same entrenched dislike of unions. This was borne of a unitarist managerial philosophy which sought to avoid rather than entertain the TCFUA. Their commitment to enterprise bargaining as a facilitative tool to enhance corporate productivity enhancement concerns, was
simply not strong enough to condone the possibility of union intervention. This was so despite the fact that Clothingco:

- Was a vertically integrated, up market producer and at the time, not driven predominantly by cost consciousness.
- Had ample incentive to utilise enterprise bargaining in view of the perceived inflexibilities associated with the CTA relating to functional, working time, wages and procedural variables, and the discomfort management felt with respect to the illegalities inherent in informal agreements,
- Had the luck and the resources to overcome many of the barriers cited in the literature as imposing hurdles to other small businesses wishing to undertake enterprise bargaining, including inadequate bargaining infrastructure, cost restrictions, and to a lesser extent, time constraints, and legislative confusions.

Yet all the luck and resources in the world could not change the fact that the TCFUA was perceived as somehow having aims and agendas at odds with Clothingco and to strike a liaison with the enemy would certainly threaten the cultural and pragmatic integrity of the organisation.

However, the evidence presented in this research clearly suggests that for enterprise bargaining to flourish in the clothing industry, this cultural inertia exhibited by small businesses like Clothingco, may well have to be shifted away from adversarialism towards collaboration. Although mindful of the need not to generalise these findings as being representative of small business in Australia as a whole, the literature discussed in Chapter Two, suggests that this same fear of union involvement is embedded within the culture of small business generally and this may continue to act as a major retardant in the growth of enterprise agreements. This barrier would also extend to EFAs (should they be retained under a federal liberal regime), which as a flexibility option, do not totally preclude union intervention.
6.2 IMPLICATIONS FOR FUTURE CONSIDERATION AND RESEARCH.

This research has identified two compelling reasons why small businesses within the Clothing industry might resist embracing enterprise bargaining. These being:

- Cost minimisation approaches *may* render enterprise bargaining unattractive as a vehicle to facilitate these corporate persuasions.
- Industrially, enterprise bargaining *may* be perceived as an unusable vehicle if small businesses harbour a negative cultural attitude towards the TCFUA.

The research’s strength lies in these areas that have been highlighted and which could be monitored and addressed in future research. In this sense it has as it were, established a partial framework for systematically analysing the spread of enterprise bargaining within the clothing industry.

As discussed in the methodology, the research, does not claim comprehensiveness and the scope of its data sources has been limited to a single case study and the perceptions of industry representatives from as it were, “both sides of the fence”. There has been no attempt to statistically justify the findings. Future work should aim to comprehensively and statistically justify the results found in the research through a more comprehensive survey of workplace industrial relations structures, practices and attitudes generally amongst small businesses in the clothing industry. Such research could investigate any changes in small businesses attitudes with respect to enterprise bargaining. In particular, future research, would be well placed to gauge the full impact of EFAs after they have been in place for some time, and to monitor any discerning changes in the feelings and responses of small businesses towards same.
Alternatively should the Liberal government’s proposal for workplace agreements be legislated to replace EFAs in the non unionised sectors, future work could gauge the spread of these amongst small businesses. A rapid spread of these agreements may further support the view that small businesses do prefer a totally union free, procedurally less threatening option when choosing labour flexibility vehicles.

Other fruitful areas for future research may also be to investigate how enterprise agreements, could be used to promote the long term viability of the clothing industry by providing the formalised framework that structures business choices away from cost minimisation towards productivity enhancement utilising a managed decentralised approach. In this sense, enterprise agreements could act as the initiator and the catalyst for change and restructuring of corporate strategies. This differs from the concept of enterprise agreements, presented within this research, as a shaped response initiated to facilitate and sustain already existing corporate approaches. This model is depicted in diagram 6.1.

Diagram 6.1 - Structured Enterprise Agreements to Drive Corporate Productivity Enhancement Responses
If such agreements could be negotiated with unions which would allow for proper training, upskilling arrangements, a high level of wages and working conditions, this may well force employers to develop the quality culture based on innovation and superior product with the required focus on long term sustainable interests.

An investigation of the usefulness of these agreements to regulate outwork provides another area for further attention in future research. The use of outwork has been identified by the CTFIA within the parameters of this research, as a valuable adjunct to factory staff necessary both to promote flexibility and meet seasonal variations in workload. If properly administered by devices such as enterprise agreements, which could work towards ensuring that minimum standards apply to outworkers as much as factory based workers, then this system could certainly provide mutual benefits for both sides. The previous federal Labor government’s $33 million development package for the TCF industries announced in the Federal Budget of 95/96 included a commitment to undertake research into contracting out (PM Press Office, 1995:3). If a federal Liberal government commits to these investigations, the use of enterprise agreements as a mechanism to ensure that minimum standards are not contravened for contract labour would be worth exploring.

Yet the trust needed to procedurally facilitate these agreements and render them durable is unlikely to be forthcoming liberally in view of the essentially static and adversarial culture that exists amongst small businesses in the clothing industry. Government funding directed at small businesses to assist in the restructuring process may have the capacity to structure trust between the TCFUA and employers by making this a demonstrable condition of receipt of funding. Similar to the IICS, this could involve the compulsory participation of the TCFUA in the formation of strategic business plans, with an emphasis upon the building of long term relationships to the benefit of all.
However, it is likely, that an explicit, collaborative framework may have to be socially constructed, in order to structure trust broadly and generally amongst businesses. In this respect, a participative, industry level framework similar to those introduced in many industries for award restructuring purposes, may work well to provide skeletal enterprise agreements which could then be comprehensively added to at individual workplaces. The intricacies, feasibilities and practicalities of how such a framework could be applied in what is essentially a highly competitive, laissez faire, unregulated and invisible industry, again must be left to future work.

The above mentioned collaborative framework should also extend to the development of co-operative networks with retailers, suppliers and between small businesses themselves in recognition that consensual networks such as these may well bind businesses together and result in superior, long term solutions to the betterment of all parties.

In this respect, future work could investigate:

- The manner in which these co-operative networks have been responsible for the success, vitality and world class performance of overseas clothing industries particularly the Italian.

- The degree to which these concepts have been applied in practice amongst the larger organisations within the Australian clothing industry.

- How exactly supporting industry specific infrastructure can be used to develop these concepts amongst the smaller businesses within the clothing industry.

Given the absence of vertical integration within the clothing industry, an investigation of how these co-operative networks can be developed in particular between small businesses and retailers must be justified as necessary for the growth of enterprise bargaining and important for the future
viability of the industry. The need for this becomes heightened, in view of both the literature and the research evidence presented within this thesis, which suggests that less than ethical retailers, must partially bear the blame and responsibility for the proliferation of cost minimisation approaches amongst small businesses within the clothing industry. The recent agreement between the retailer TARGET and the TCFUA (PM Press Office, 1995:3), designed to prevent the exploitation of workers involved in the manufacturing of TARGET garments represents a deed of co-operation and good corporate citizenship which could be studied in future research and presented as a model for other retailers and small businesses to follow within the industry.

Since the challenge in the clothing industry is thereby to create an environment which fosters productivity enhancement, flexibility but also co-operation, future work could also address how co-operative relations between parties can be established as key benchmarking elements for those organisations seeking best performance. Optimal performance then could be assessed not only in terms of key processes such as production, management, quality, service and innovation but also in terms of co-operative relations with suppliers, unions, retailers and customers.

Scanning the above mentioned avenues for further work, it could be summarised that future research should continue to investigate the manner in which a culture based upon both quality and trust can be appropriately developed and nurtured amongst small businesses within the Australian Clothing Industry. Specifically, future research might well investigate how enterprise agreements could be utilised more pro-actively to both encourage and provide the necessary structure for small businesses to gain a new perspective in terms of their approaches to competitive advantage. In this respect, away from distributive, adversarial cost minimisation approaches towards long term productivity enhancement requiring a more integrative approach towards other small businesses, unions, retailers, suppliers and customers. These future directions are justified in recognition that the cut throat, competitive environment that characterises the clothing industry is
unlikely to forge a sustainable future for small businesses, nor cement the long term viability of the industry as a whole. Indeed the evidence suggests that many participants may need to gain new perspectives in terms of their approaches to competitive advantage and their cultural interrelationships with other players in the clothing industry. Only when this is achieved, can they reasonably lay any claim to a stake in the future of the Australian Clothing Industry.
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Appendix 1.
Base interview questions utilised for interviews conducted with Brendan Soragon, TCFUA.

Appendix 2.
Base interview questions utilised for interviews conducted with Michael Iaccarino, CTFIA.

Appendix 3.
Semi-structured interview instrument utilised for interviews conducted with the management of Clothing Co.

Appendix 4.
Semi-structured interview instrument utilised with the management of Clothing Co to determine perceived flexibility associated with the CTA.
BASE INTERVIEW QUESTIONS - BRENDON SOROGAN TCFUA.

(1) What avenues are being used amongst small businesses within the clothing industry to achieve labour flexibility? viz.

Applying the award.
Use of Informal agreements.
Enterprise bargaining.
Use of contract labour

(2) Why do you think small businesses choose the flexibility measures that they do?

(3) What types of organisations are utilising eb as a vehicle to promote labour flexibility within the clothing industry? (e.g. large, exporters, change oriented, unionised plants etc)

(4) Is enterprise bargaining well utilised amongst small businesses within the clothing industry. If not, why do you think small businesses has been reluctant to utilise enterprise bargaining as a strategy to promote labour flexibility?

(5) What has been the influence of the TCF Plan upon the corporate business strategies developed by small businesses to meet competitive challenges e.g. the move to higher value added production, export orientation, commitment to continuous improvement, best practice, or use of cost minimisation approaches?

(6) What other contextual/environmental factors impacting upon the clothing industry are likely to influence choice of labour flexibility mechanism amongst small businesses?

(7) What influence have these broad corporate strategies and orientations had upon the choice of labour flexibility strategies developed by small businesses?

(8) What are the various government assistance schemes, that are available to organisations within the clothing industry?

(9) What other forms of government assistance are generally available to organisations within the clothing industry in order to promote workplace change and/or promote eb? e.g. Best Practice Demonstration Program, ATFIC, ITAB.

(10) Have these forms of assistance been readily available and utilised well by small businesses within the clothing industry?
(11) What influence have these various assistance programs had upon choice of flexibility vehicle amongst small businesses?

(12) What influence do you think the TFCUA may have had upon choice of flexibility vehicles adopted by small businesses? Note in terms of: - historical reactive stances, its commitment to re-establish and revitalise the clothing industry, commitment to strategic unionism.

(13) What changes were made to the existing TCF award during restructuring?

(14) What influence has a substantially reconstructed award had upon choice of labour flexibility mechanism amongst small businesses within the clothing industry?
BASE INTERVIEW QUESTIONS - MICHAEL IACCARINO, CTFIA.

1. Approximately what percentage of the total workforce in the clothing industry would be employed by small businesses.

2. What contribution are small businesses making to production/output in clothing industry?

3. How has small business been affected by the following changes in the external environment:
   - the concentration in retail ownership,
   - the recession,
   - the effects of the TCF Plan,
   - others?

4. How have the above influenced the corporate business strategies developed by small businesses in order to meet competitive challenges. e.g. Has there been a move to higher value added production, export orientation, commitment to continuous improvement, best practice, or more survival mode strategies in the form of cost minimisation?

5. What avenues are being used amongst small businesses within the clothing industry to achieve labour flexibility? viz.
   - Applying the award.
   - Use of informal agreements.
   - Enterprise bargaining. (eb)
   - Use of contract labour

6. What influence have corporate strategies and orientations developed as a response to changes in the external environment, had upon the choice of labour flexibility strategies developed by small businesses?

7. How well utilised is enterprise bargaining amongst small businesses in the clothing industry?

8. What types of organisations are utilising eb as a vehicle to promote labour flexibility within the clothing industry? (e.g. large, exporters, change oriented, unionised plants etc.)
9. If enterprise bargaining has not been well utilised amongst small businesses within the clothing industry, why do you think that this is the case?

10. What are the various government assistance schemes as developed under the TCF Plan, that are available to organisations within the clothing industry?

11. What other forms of government assistance are generally available to organisations within the clothing industry in order to promote workplace change and/or promote eb? e.g. Best Practice Demonstration Program, Assistance to Firms Implementing Change. (ATFIC), schemes administered by Industry Training Advisory Boards. (ITABS)

12. Have these forms of assistance been readily available and utilised well by small businesses within the clothing industry?

13. What influence have these various assistance programs had upon choice of flexibility vehicle amongst small businesses?

14. Does a substantially reconstructed CTA provide a sufficient level of flexibility to small businesses?
Appendix 3
Clothing Co
The Company

A1 Indicate whether your firm is:
   Listed on the Stock Exchange
   Unlisted (privately owned)
   Unlisted (subsidiary of Australian firm)
   Unlisted (subsidiary of foreign firm)

A2 How would you classify your product range

A3 Are you an exporter

A4 If A3 is Yes then what percentage of sales were exported in:
   1994/5
   1989/90

A5 Number of employees at the end of the financial year

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<td>Contract Labour</td>
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Current skills levels?

A6 Approximately what percentage of your total costs are attributable to labour

A7 During the last five years have you received any funding from government programs

A8 If Yes to A7 then
   What programs
   What conditions and pre-requisites were attached to the funding
   What requirements and outcomes
   What impact regarding:
      Corporate and change strategies
      Way work is structured
      Growth
      Profitability
      Human Relations Plan
      Employment opportunities

A9 How many product lines does your company market
   (1-15) (6-10) (11-20) (21-50) (more)
A10  Product variations per product line  
(nil) (1-15) (6-10) (more) 

A11  Do you market/sell your own labels 

A12  How many buyers do you sell to 

A13  Which process best describes your operations 

<table>
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<th>large batch</th>
<th>flow process</th>
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A14  How would you describe your process characteristics 

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<td>1994/5</td>
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</tbody>
</table>

A15  Of the equipment currently used by your organisation, what is the age of 
The oldest 
The newest 
Average age 

A16  At what end of the market do you perceive yourselves
Corporate Strategies

C1   Do you have a Corporate or Business Plan

C2   If Yes to C1 then
     What topics does it cover

     Who prepared it

     Is it written

     When was it last updated

C3   Do you have a Human Resource Plan

C4   If Yes to C3 then
     What does it cover

     Who prepared it

     Is it written

     When was it last updated

C5   How are you aiming to achieve
     Efficiency

     Flexibility

C6   What corporate strategies have you employed to meet the challenges of the
     external influences of:
     Recession
     TCF Plan - Reduction of tariffs
     Concentration of retail ownership
     Market changes

C7   Were these strategies covered in your Business Plan

C8   Did you consider
     Return to core business

     Eliminating inefficient lines

     Importing base material only
Off shore sourcing

Move to higher value added products
Refocus business on specialised lines or products

Export orientation

Internal reorganisation to promote cost efficiencies
Trimming labour force

Continuous Improvement Programs
Best Practice approach
Expansion into other lines
Restructure

Alter work methods
Investment in technology
Labour flexibility
Quick response / improved service to customers

C9  What changes have you made in relation to any of the above in the last 5 years

C10  What was the rationale for the changes

C11  What is more important to you: (rank all three)
    Cost Leadership
    Market Leadership
    Product Leadership

C12  What importance do you place on the following to achieve COST LEADERSHIP

<table>
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<tr>
<th>strategy</th>
<th>little importance</th>
<th>some importance</th>
<th>moderate importance</th>
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<tr>
<td>Reduction in resource inputs</td>
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<td>Increased automation</td>
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<td>Reduction in waste/rejects</td>
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C13 What importance do you place on the following to achieve MARKET LEADERSHIP

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C14 What importance do you place on the following to achieve PRODUCT LEADERSHIP

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In order to achieve labour flexibility -
What have you done
What else did you consider

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Rank the above in order of importance

To what extent does your organisation provide company sponsored training for your employees to improve:

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<tr>
<td>Improved communications</td>
<td></td>
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</tbody>
</table>
Vehicles to Promote Flexibility

D1 What is the award covering your workplace

D2 Do you base wages and conditions on the award

D3 How effective is the existing award in allowing you to promote flexibility
   (Show Sheet??)

D4 Have you considered Enterprise Bargaining as a vehicle to promote flexibility

D5 If yes to D4 why was it rejected
   Fear of union
   Cost
   Time
   Award requirements for EF Agt
   Lack of bargaining and consultative mechanisms and experience
   Nature of workforce
   Satisfied with award
   Confused with legislative and procedural requirements

D6 What informal agreements exist between you and your employees

D7 Have you considered contract labour to increase numerical flexibility and reduce costs

D8 Are you aware of any government funding to reduce your costs in Enterprise Bargaining
Appendix 4
## Public Holidays and Leave

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<td>Use of other leave to care for dependants</td>
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## Interview Instrument - Clothing Co
### Flexibility Offered by CTA

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## Skill Development, Education and Training

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| Working arrangements |  |  |
## Remuneration

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**Other Issues**

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Choice of Labour Flexibility Vehicle Within the Australian Clothing Industry - A Case Study

L. M. Bain

Master Of Commerce (Hons)
1996

UWS Nepean
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List of Abbreviations


ACCI: Australian Chamber of Commerce and Industry.

ACIRRT: Australian Centre for Industrial Relations Research and Teaching.

ACCIS: Australian Chamber of Commerce and Industry Survey.

ACTU: Australian Council of Trade Unions.

AIRC: Australian Industrial Relations Commission.

ATIFIC: Assistance to Firms to Implement Change.

AWIRS: Australian Workplace Industrial Relations Survey.

CAI: Confederation of Australian Industry.

C.E.O: Chief Executive Officer.

CMA: Cost Minimisation Approach.

CTA: Clothing Trades Award (Federal).

CTFIA: Council of Textile and Fashion Industries of Australia.

HR: Human Resources.

IR: Industrial Relations.

IICS: Incentives for International Competitiveness Scheme.

J.I.T: Just in Time.

JCC: Joint Consultation Committee.

NIES: National Industry Extension Scheme.

N.W.C: National Wage Case.


REP: Restructuring Efficiency Principle.

SEP: Structural Efficiency Principle.
TCF: Textile, Clothing and Footwear.

TCFDA: Textile, Clothing and Footwear Development Authority

TCFUA: Textile, Clothing and Footwear Union of Australia.
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SUMMARY.

Existing theories and literature seeking to explain small business reticence to engage in enterprise bargaining, at times adopt a generalised approach which precludes or at least limits their relevance and ability to explain small business choice at the industry and even organisational level. Such explanations cannot be detached from the external contextual framework in which an organisation operates and its own, often unique, strategic corporate response to the environmental influences which are challenging it. Labour flexibility vehicles including enterprise bargaining, if chosen to facilitate broader corporate strategies, can thereby, be regarded as functionally dependent upon and interactive with the corporate orientations and objectives of the organisation which in turn are environmentally influenced and shaped.

The Australian Clothing Industry provides the focus for this research wherein key changes in the external environment including a concentration in retail ownership, a severe economic recession and a dismantling of tariff barriers under the TCF Plan, have impacted exogenously upon small businesses and cumulatively rendered many of them in an extremely vulnerable, if not perilous position. Industry level interviews conducted throughout this research provide evidence to suggest that many small organisations have responded reactively to these pressures by adopting short term, cost minimisation corporate strategies which in turn have shaped a choice towards the widespread use of contract labour as the labour flexibility vehicle offering the most cost effective results.

The research principally however, provides a focused description and analysis of the experiences of Clothingco, a small, up market, vertically integrated clothing manufacturer and retailer, which has undergone various strategic readjustments at the corporate and industrial relations level
throughout the 1990s, in response to externally driven pressures. The research presents firm evidence to suggest that Clothingco has selected its labour flexibility mechanisms so that they are consistent with, and able to accommodate prevailing corporate strategies and orientations. Its strategic corporate readjustments throughout the 90s, which can be perceived as falling along the continuum of cost minimisation to productivity enhancement, have in particular registered differing choices with respect to labour flexibility vehicle and strategies. In the light of the findings, the research reveals two major reasons why enterprise bargaining was rejected as a preferred labour flexibility vehicle at Clothingco. These are identified as: an increasing corporate focus towards cost minimisation throughout the 1990s, coupled with an inability by management to countenance union intervention in enterprise bargaining procedures. The interaction of both these factors, rendered enterprise bargaining from the point of view of management, both a strategically and industrially inferior labour flexibility vehicle to the use of contract labour. The research's strength lies in these areas which have been highlighted and which can be monitored and tested more comprehensively in future research.