

The process and impact of workplace change: a business unit in the NSW public hospital sector

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Abstract

Over the last decade most of the debate regarding workplace reforms in the health sector has tended to centre on funding and activity levels and their impact on outcomes. Yet there has been little analysis of either the mechanisms by which these reforms have been introduced or their impact on the work life of employees. It is the intention of this paper to analyse the mechanism used to implement workplace change and the impact of that change on employees using a case study method.

The paper will firstly identify the various mechanisms by which workplace change may be introduced and provide a brief background on the case study unit. The following sections will discuss the development and implementation of a performance management system, using an informal workplace consultation and negotiation mechanism. The final section will explore the impact of the change mechanism by analysing the objectives of the organisation. The paper, in conclusion, will argue that while the mechanism and the introduction of this instance of workplace change did not in the long term achieve the desired objectives as a specific management tool it has had an ongoing impact on managers, employees and the workplace.

The paper draws on evidence from related literature, analysis of primary documents and 10 semi-structured interviews. Data collection, including the interviews with employees and managers, was conducted primarily during the second half of 2001, as part of a broader research project on bargaining structures and workplace change.

The implementation of workplace change

The spectrum of mechanisms utilised to introduce or facilitate workplace change range from managerial prerogative (unilateral) through informal consultation and negotiation, to formal recognised bargaining arrangements such as enterprise agreements and awards (collective, collaborative). In each, the extent and type of employee involvement defines the mechanism. The argument for the introduction of changed work practices in the health sector, as in other sectors and industries, has been to increase flexibility and improve productivity and cost-effectiveness of the organisation. The impact of such changes has varied for the parties. Health sector organisations have been able to meet these objectives with increases in patient activity and productivity; however, the corollary for employees has often been working harder and longer (Allan, O'Donnell & Peetz 1999).

The mechanisms of workplace change in the NSW health sector

The NSW public health sector has experienced considerable workplace change over the last decade. For case study evidence of workplace change in the health sector, see Allan 1997; Braithwaite 1997; and O'Donnell 1995. Compared to the radical reforms experienced in other states, the changes in NSW have been incremental in nature (Stoelwinder & Viney 2000).

The sector has experienced significant productivity growth over the decade with increasing activity levels, a 23 per cent increase in inpatient and 50 per cent increase in outpatient activity over the period 1991/2 to 1998/99 (Bray & White 2002). Aggregate NSW Health Department data for the same period indicate that bed occupancy rates have increased from 77.7 to 84.8 per cent across the public health service. However, by the end of the decade, some individual Area Health Services (AHSs) were experiencing bed occupancy rates as high as 96.6 per cent (Allen 2001). In addition to more patients being treated during this period, the average length of stay for patients has decreased (Bray & White 2002).

There are three main processes by which wages, work organisation and working conditions are regulated: collective bargaining resulting in awards or enterprise agreements, more informal processes of collective consultation and bargaining, and managerial unilateralism. While these three processes are not mutually exclusive they differ according to several dimensions including their level, status, scope, coverage and the actual parties who are making decisions (see Clegg 1976; Macklin, Goodwin & Docherty 1993; and Bray & Waring 1998; White & Bray 2001).

The most formal mechanism used to implement workplace change in the sector is the making and enforcement of awards, which are written documents that prescribe legally binding minimum terms and conditions of employment. Awards in the sector are mostly occupation-based, but they cover all hospitals within the jurisdiction of the Health Department; that is, they are statewide. This means that the parties involved in negotiating awards are the Health Department, aided by AHS personnel who may participate in the employers' negotiating committee, and state-level officials of individual occupational unions. At times, however, award negotiations – especially over wage issues – are even more centralised. The NSW government has negotiated framework agreements with the NSW Labor Council to regulate wage increases across the entire NSW public sector. This was the case with the most recent bargaining round with 'whole-of-government' agreements negotiated by the Carr Labor government after its election in 1995 (O'Donnell 2000).

Apart from wages, awards in NSW public hospitals regulate a wide range of issues including hours of work, allowances and wage loadings, the provision of meals and accommodation, appointment and promotions procedures, union rights and grievance procedures (White & Bray 2001). However, despite the increasingly wide scope of these awards, there are few provisions that directly regulate the work effort side of the labour exchange – a key issue given the developments described below. Interestingly, this contrasts with trends in other states. For example, a maximum workload formula was recently inserted into the Victorian nurses' award (Blair 2000).

Supplementing the operation of awards in NSW hospitals is a second mechanism represented by more informal collective bargaining and collective consultation. The bargaining agents (parties) involved vary in terms of the level of managers in AHSs and/or hospitals and their counterpart union representatives, whether they are full-time officials or workplace delegates, or non-union employee representatives. The outcomes of these processes may be site- or ward-based written agreements, organisational policies, or unwritten modes of operation. The incidence of this process depends mostly on the power of local unions (which varies considerably across regions, hospitals and even wards) to demand consultation and joint decision-making.

The third mechanism for introducing workplace change in the NSW public health sector is managerial unilateralism. Few Australian awards or collective agreements explicitly address managerial prerogatives. Rather, in the absence of award prescription and in situations where unions are not powerful enough to force employers to negotiate either formally or informally, many aspects of work and employment are determined by management exercising what is often considered to be its legal right to direct employees regarding tasks to perform and how to perform them.

A detailed and definitive account of the incidence of these three mechanisms for implementing workplace change in NSW public hospitals during the 1990s does not exist, and possibly cannot be constructed. However, several observations can be offered.

First, the persistently strong role of occupationally based statewide awards in this sector is relatively unusual in Australia given the widespread growth of 'enterprise bargaining' during the 1990s (Bray & Ostensfeld 1999). Apart from the preferences of both the Health Department and most unions for regulation in the form of awards, the key factor explaining the arrangement is the NSW government. The more conservative Greiner government that held power during the first half of the 1990s embraced enterprise bargaining, but efforts to

decentralise bargaining in this way in the NSW public sector (including public hospitals) in the 1993-1996 period were not totally successful, and the Carr Labor government that took its place reversed the trend back towards centralisation (McCallum 1998, White & Bray 2001).

Second, the main industrial issue in public hospitals during the 1990s – at least at the level of award regulation – was wages. The scope of public hospital awards (that is, the range of issues addressed) did not change much during the decade. Indeed, an analysis of provisions in the awards covering the three major groups of employees – nursing, health & research, and medical – does not reveal any significant change to provisions over the period of the 1990s. There were, of course, some minor exceptions. For example, existing NSW Health Department policies on training and family-carers' leave were inserted as provisions into some awards in the most recent round of awards. However, these exceptions were few in number and minor in nature since they often simply reproduced existing conditions.

Third, given the widespread evidence of workplace change in the sector (Bloom 2000; Braithwaite 1997) and the absence of regulation of these changes either by award or formal agreement, it becomes obvious that new work practices in public hospitals must have been introduced by some other mechanism. The following case study is an attempt to explore workplace change implemented with employee involvement, which increasingly appears to be the most common form of workplace change.

The case study unit

The case study under investigation concerns the introduction of a performance management system in a pathology business unit (hereafter Cenpath), located within an AHS in NSW. Cenpath was established in 1990, centralising public pathology services across the AHS, and has grown rapidly over the last decade. Cenpath had an annual turnover in excess of \$20 million, consisting of 80 per cent hospital-based work and 20 per cent referred from the community (AHS 1998/9 Annual Report). Within the context of rapid growth, a key priority of the strategic plan was to "...focus on the customer through better service, faster turnaround times and quality clinical advice" (AHS Annual Report 1993/4).

According to the mission statement, the Cenpath workforce and its development are important to the organisation. Over the period of the workplace change, Cenpath had a workforce of approximately 300-320 employees (approximately 280 FTE) that was, and continues to be, occupationally segregated, thus forming an interesting but not numerically representative cross-section of the health workforce. The largest contingent of the workforce comprises technical, scientific (clinical support services) and administrative employees.

Workplace change – the introduction of performance management

By the late 1990s the NSW health sector had experienced a broad and growing emphasis on the management of performance. During the 1990s health sector accreditation standards increasingly focussed on improving performance. Earlier in the decade, the NSW Premier's Department issued guidelines on performance management, which applied directly to Senior Executive Staff. These guidelines also signalled an intention to extend performance management to all public sector employees.

Within this context, both Cenpath and the AHS determined in 1997 to introduce performance management. Prior to this instance of change, the AHS had made several attempts to introduce and maintain a variety of performance management initiatives, but with very little success (AHS Annual Reports). One of the reasons identified for the failure of prior initiatives was inadequate training. In accordance with the 1995-1999 corporate plan (1997 revision) on improving 'how we manage', the AHS Executive made the decision to implement a revised performance management system across the whole area. The next step was to determine how to implement the workplace change.

The AHS Executive, aware of previous failed attempts to comprehensively introduce a performance management system, decided to implement the (revised) system through informal workplace consultation and negotiation. The process by which the decision was made and the reasoning behind it were relatively

straightforward. On the surface it appeared that the decision to use informal workplace consultation and negotiation was by default. The AHS and Cenpath needed to achieve successful implementation, given the number of previously unsuccessful attempts using an exclusively managerial unilateralist approach.

As there was no intention to link performance management to award conditions, such as wages, it was not thought necessary to negotiate with unions. As well, the AHS Executive was aware that they needed to achieve employee support and 'ownership' to succeed and so selected the mechanism of informal consultation and negotiation. With a view to achieving their objectives, the AHS Executive established a full-time position of Performance Management Project Manager. The appointee, in consultation with managers and employees, was responsible for the development and implementation of the AHS performance management system. The first phase of the project was then to implement the performance management system at a number of pilot sites. The Project Manager, in consultation with the AHS Executive, decided on a working party approach.

Cenpath volunteered as a pilot site and, with the assistance of the Project Manager, a Cenpath working party was established in May 1998. The process of inclusion on the working party was not entirely systematic, but rather was modelled to suit the needs of Cenpath management. One management interviewee advised that some working party members were individually invited (or targeted) to participate. This was either because of their position, ability to influence others on the issue or because of their perceived enthusiasm (or lack of it) for performance management, which could be minimised or overcome by inclusion on the working party. The remainder of working party members were selected from a general expression of interest. There was no formal nomination or election process of representatives to the working party from key stakeholder groups. While members of the working party may have been union members themselves, there was no invited or dedicated union presence on the working party.

Developing the Performance Management Model

Consisting of eight members, the working party was a combination of staff and management, representing either occupational groups (eg, medical practitioners), individual occupations (eg, technical assistants) or departments. Some working party members represented both an occupation and department. With the facilitation of the Project Manager, the first task of the working party was to define the objectives of the project. However, despite the extensive consultation, there were a number of understandings and recollections of these objectives. For example, when asked about the main objectives of the project, interviewees responded with the following:

"...[to improve] communication and managing poor performance..."

"...[to] motivate, so people could realise their goals and achievements and also to be able...say the things that they didn't feel confident with and get training..."

"...It was going to be a way of giving people a pathway for career development...it was also going to be a management tool for increasing productivity and work satisfaction by helping people achieve more and have access to more learning and training resources...It was also going to be...a fairer way of managing people who were performing poorly or under-performing to what was expected of them..."

In addition to these direct comments, interviewees also suggested that important reasons for introducing the performance management system included the recognition of employee efforts and to formalise employee feedback processes. Others mentioned the need to increase the skill base of employees, especially multi-skilling of base grade positions. Perhaps most interestingly, an interviewee mentioned the need to change the culture of the workplace, especially in terms of managerial practices and on-the-job training.

Throughout the development process, but especially at the beginning, members of the working party regularly consulted with their departments to advise of progress. Working party members have identified that this consultation was undertaken for a number of reasons, for example:

"...[to determine] how they [staff] felt about it previously, what they thought needed changing...people...had been...very cynical because it hadn't worked before...they did give a lot of suggestions, which I took back to the meeting...[previous attempts had]...left a bad taste in their mouths, so we knew it was going to be hard work from then on..."

Compared to the early stages of development, the next stage of the process, the development of the actual performance management documentation, was less open and consultative even if it was not exactly pre-determined. The Project Manager, with the intention of promoting a competency-based model, presented the working party with several carefully selected performance management models of varying lengths and degrees of complexity. The working party concurred with the Project Manager on the suitability of a competency-based model and sought out further examples of such models. While there was consultation and feedback, relevant unions or representatives were not involved. At the organisational level the project had been discussed with unions during a regular staff consultative committee, but at the Cenpath level, a management interviewee indicated that workplace delegates were given the opportunity to comment on the final model but chose not to.

Implementation and impact

The model that was eventually selected as most appropriate was a competency-based model sourced from a nearby local council, which was customised to meet the needs of Cenpath. Before attempting to measure the impact, or the perceptions of the impact, of the introduction of the (revised) performance management system it is first necessary to identify the outcomes of the working party. A performance management model was developed, in consultation with employees and managers, and implemented. A (revised) policy was documented and an information pamphlet was distributed to all Cenpath employees. A three session training program was introduced, which has subsequently been extended into an AHS organisation-wide training program, records indicating that almost all Cenpath managers (including line managers) attended. Yet both management and employee interviewees noted, which was supported by an AHS review of the training sessions, that the training was inadequate.

While the introduction of a performance management system at Cenpath was a success according to the above outcomes, the ability to sustain the performance management system has been less of a success. Initially, with a strong commitment from both AHS and Cenpath Executive the incidence of completed performance management reviews was high, almost 100 percent in the first year. Although, management interviewees did indicate that there were the “usual pockets” of resistance to the change. Since the success of the initial year, there has been a declining incidence of completed performance management interviews, every interviewee indicated that there had been a significant and continuing erosion in completions, in some departments to the point of non-existence. The interviewees cited several reasons for this progressive decline, the most common of which were lack of management, in particular Executive, commitment and time and workload pressures. Interviewees suggested that after the extensive consultation process, the decline, and in some cases disappearance of performance management, coupled with the previous failed attempts has resulted in employees being cynical about this type of change and any perceived benefits that were identified from the objectives of the project. While the working party devoted considerable time and effort in the initial stages of the project to defining the objectives of the project, the interview data suggests a lack of clarity. In the absence of a clear and consistent objective, the objectives identified from the interview data, as discussed above, will be used to measure the impact of the change on employees.

It is important to note that since implementation, Cenpath has experienced substantial growth, both in services and revenue. All employees and managers interviewed have directly and indirectly referred to the increasing workloads and the pressure to do more work with fewer resources. During this same time period, Cenpath and the AHS have experienced a strong, and perhaps contradictory, management emphasis on improving workplace safety and quality standards that may also have contributed to the impact on employees. These issues are discussed below.

Firstly, interview data indicates that in some departments, there was an improvement of communication and employee-management relations, however, it was only while there was a commitment to the performance management system. Interview data suggests, in some departments, that improved communication from the increased levels of feedback and recognition is continuing since the introduction and despite the decline in incidence. Secondly, the interview data also suggests that Cenpath has become more proficient at managing poor performance generally and, as a result, management no longer relies as heavily on the performance management system as a mechanism for addressing poor performance issues in the workplace.

Thirdly, skill base and, fourthly, career development were objectives that most interviewees, both managers and employees, mentioned as a high priority and expected to increase with the introduction of the performance management system. Most interviewees indicated that these objectives were not achieved. The reasons given for not achieving these objectives were increasing efficiency measures and workloads. Most interviewees either directly or indirectly referred to the increasing workload pressures, for example:

“...we were under huge pressure, and still are really, to increase productivity, reduce costs, increase income, do more and more work with less and less people...We are doing more and more work with less and less money...”

As a result of the inability to provide for career development or skill development opportunities, the performance management system did not impact on the fifth objective - that is, motivation of employees - other than through the direct recognition of employee efforts in the workplace. The interview data is divided in terms of whether recognition alone was a sufficient reason to implement and sustain a performance management system and the associated workload.

Finally, and perhaps the most interesting, yet the least expressly mentioned, objective of the performance management system was to change the workplace culture of Cenpath. While there has not been a significant change in the culture of the organisation that is directly attributable to the introduction of performance management there have been flow-on effects that may have contributed to changes in workplace culture. For example, one interviewee mentioned that the competency-based model had influenced the way in which managers mentored or provided on-the-job training to base grade positions.

In addition to these specific and identified objectives, each interviewee was asked to directly comment on the effects of the workplace change in relation to career progression, terms and conditions of employment, work practices and processes. There was a clear response that the implementation of the change had not had any effect on career progression or the terms and conditions of employment because the performance management system had not been linked to the award for pay increases or to any other form of non-award incentive or bonus scheme. This response was expected for two reasons. Firstly, and obviously, the change had not been implemented through health sector awards. Secondly, NSW Health Department policy does not permit over-award payments as it is a breach of the Accounts and Audits Determination, which may be regarded as corrupt conduct in accordance with the *Independent Commission Against Corruption Act, 1988 (NSW)*.

Most interviewees did comment that there had been an increase in accountability through improved and objective documentation processes and the assessment of performance on a regular basis. Some did note that the improved documentation might have been attributable to other measures such as the increased emphasis on safety or quality. It was noted that since the introduction the commitment to performance management had declined as other issues had taken precedence and as workloads had increased. Interviewees also consistently commented that they felt that there had been inadequate training and support to allow them to effectively conduct performance management interviews.

In summary, the interview evidence indicated that the main impacts on employees were improved feedback, increased accountability and, in some cases, minor or short-term increases in skill base, particularly where there was a commitment to implementing and sustaining performance management. The ability for employees to develop skill levels or undertake further training or career development through this type of workplace change has been impeded by the existing conditions of work intensification. Notably, even some managers interviewed indicated that their commitment and ability to undertake performance management of staff under their direct supervision has been, and continues to be, prevented by issues of higher priority, such as meeting budgets, and increasing workloads.

Conclusion

In this case the mechanism used to implement performance management was not entirely informal workplace consultation and negotiation. The process included aspects of managerial unilateralism. The interview data indicated that the decision to implement performance management across the organisation was non-negotiable. It did not include any form of union or external representation at the decision making stage, although unions were advised of the intention to implement through an existing organisation-wide joint consultative committee.

On the other hand, the process of implementation and the outcome of the performance management model appeared to be, within reasonable limits, open for discussion and consultation with employees. However there were a number of factors that limited the long-term success of the performance management system.

Firstly, the majority of Cenpath managers and employees had, and continue to have, a background in 'hard' factual sciences and, at the time were, and continue to be, working in an environment of intense pressure to achieve timely and clinically accurate outcomes. Many of the working party members, due to work commitments, were unable to attend all of the working party meetings. In such an environment it is unlikely that working party members had either the time, or the expertise, to effectively influence the outcome of the consultative process or the long-term success of the implementation.

Secondly, there is the issue of the guidance and the dynamics of the working party. The Project Manager and the AHS and Cenpath Executive were all aware of the pressure to successfully implement a performance management system and to achieve employee 'ownership' of the system. The understood 'brief' of the working party was to achieve the development and implementation of a performance management system. Within the context of time pressures and a lack of expertise, the leadership of the Project Manager was of considerable benefit in achieving successful implementation of the project. While the leadership was beneficial, within this context it may have influenced the level of consultation and employee involvement. On the other hand, without the facilitation of the Project Manager, the project would not have reached the implementation stage, succeeded in the short term, or achieved some of the indirect objectives.

Thirdly, in the absence of clear and consistent management objectives, it is difficult to assess the impact of the workplace change implemented at Cenpath. Relying on the objectives gathered from interview data, the impact of the performance management system was assessed. The performance management system was a success as a specific management tool in the short-term, with almost 100 per cent of employees receiving feedback on their performance in the first year. In the long-term the initial success has declined because of conflicting budget and workload pressures. Interestingly, the majority of interviewees suggested that implementing the performance management system by a formal bargaining mechanism such as awards, and linking it to wages or other conditions, may have improved the chances of long-term commitment and success.

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