

# Australian Manufacturing Workers' Union

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3rd May, 1999

## **EMPLOYEE SHARE OWNERSHIP IN AUSTRALIAN ENTERPRISES.**

Herewith please find enclosed the AMWU'S submission to the Committee. The main points of this submission are:-

- (a) The incidence of such employee share ownership schemes across the AMWU's coverage.(as surveyed)
- (b) Proposed code for the implementation of employee share ownership schemes.
- (c) Strength, weaknesses and outcomes of schemes surveyed.

## <sup>j</sup> **INCIDENCE OF EMPLOYEE SHARE SCHEMES.**

The enclosed circular was distributed throughout. this organisation on or about 9 April, 1999 with an attached form (copy enclosed).

To date there have been the following responses:-

1. BHP Newcastle,
2. BHP Wollongong,
3. BHP Whyalla,
4. BOC Gas Cringella (Wollongong)
5. W.A. Newspapers, OsbornePark (Perth)
6. Southcorp Films & Laminations Nunadawanding (Melbourne).
7. Amcor Box Hill Vic. & Australia Wide.
8. Snowy Mountains Engineering Corporation Ltd.

The share offer to BHP employees was at the time the late Mr Holmes aCourt sought control of BHP.

Employees were advised by middle to Senior management that the initial share offer of 1000 share @ approximately \$7-00 per share could be paid off with interest free loans & the employee would receive gratis 100 shares. The employees at Newcastle were advised by Newcastle management that taking up the share offer was "like a form of Superannuation" (*Source Steven Skelton AMWU Conveynor BHP Newcastle Long Products 29 April, 1999.*)

The employee if s/he leaves BHP has to sell the shares back to BHP. This is not the case at *Amcor -Source Lorraine Cassin AMWU Organiser Victoria formally AMCOR employee. 30.4.99.*

The share issue to staff at Snowy Mountains Engineering Corporation Ltd was part of the sale process when sold by the Federal Government to staff as part of an In House Buy Out. (*Source -Nina Churchwood Canberra Resource Officer.*)

The share issue at W.A. Newspapers was negotiated as part of a site agreement by the Union - (*Source Gany Bucknell W.A. Printing Division Secretary 29 April, 1999*)

## **PROPOSED CODE FOR IMPLEMENTATION OF SHARE SCHEMES.**

The AMWU's most recent National conference noted the world wide emergence of new forms of work organisation designed to overcome the inflexibility and inadequacies of traditional Tayloristic management systems.

This has resulted in many members being exposed to more sophisticated human resource strategies in conjunction

with teamwork, increased training, decision making by employees, improved consultation and new technology. In conjunction with changed work organisation and job design some members are facing increased pressure to accept new and non traditional reward systems such as:

Employee share ownership plans. (ESOPs)

That Conference declared that "non traditional" reward systems by themselves will not fundamentally contribute to improvements in members' pay and conditions.

ESOPs like other non traditional reward systems such as:

- \* skill based, (pay for knowledge);
- \* Gainsharing;
- \* Merit pay;
- \* Annualised hours/salaries;
- \* Performance pay;
- \* Bonus systems;
- \* Hay points systems

are a means of distribution not wealth creation.

International experience indicates that they may be useful in reinforcing the fundamental changes to work and management systems required to overcome the oppressive unproductive culture of Taylorism.

The AMWU Conference determined that:

1. The introduction of new forms of work organisation, based on the removal of Taylorism and the introduction of work teams, with improved consultation and worker decision making is supported.
2. Acceptance of "Non Traditional" reward systems which reinforce the removal of Taylorism, increase members disposable income and are introduced by consultation with, and with the agreement of the AMWU and its members is subject to the following:

Conference notes the growth of ESOP's both overseas and in Australia, and that many companies are using these schemes in an attempt to increase the loyalty of workers to their employer and marginalise or exclude the influence of Unions.

When ESOP's are proposed the following criteria should apply:-

1. ESOP's should not be introduced unless modern work organisation & consultative processes are in place.
2. Details of the employer's competitive strategy, quality improvement programs, customer satisfaction criteria, markets & historical share performance should be available to AMWU members (employees).
3. Members to advise AMWU officials when a company seeks to introduce a share ownership plan.
4. ESOP's to be ratified or otherwise by AMWU National & State Councils.
5. Employee Shares including Capital gains not to be part of an employee's wage package.

### ***STRENGTHS, WEAKNESSES & OUTCOMES OF EMPLOYEE SHARE SCHEMES.***

Except for the AMWU Delegate at BOC Gas @ Wollongong all respondents to the questionnaire indicated the presence of the share scheme had not changed the dynamic of workplace relations one iota nor had any of the share schemes had an observable impact on productivity. To quote the *AMWU Convenor at Newcastle* "I'd trade my shares for more Superannuation) tomorrow, I own a couple of thousand its not a drop in the bucket""When the shares were plummeting no one was working any harder; I could sweat blood on the shopfloor- me as an individual I couldn't affect the share price"

*and Lorraine Cassin re AMCOR "management kept reminding us we were part owners & to work better (when there was a dispute) but the Union membership didn't care - It was the issue we were disputing over that mattered."*

Whilst the AMWU Delegate at BOC Gas stated that the employees were happy with the share issue

*"as the shares keep going up, & in the early stages people were made to feel part of the company, but really it is a great place to work & shares is not a major reason to stay - the Super(annuation) fund is a major reason to stay – you put in 3% & BOC puts in 13% & the fees are negligible & Long Service Leave is at an all up rate which we (the Union) negotiated. I personally would place more emphasis on the Super than the shares."*

In fact ALL survey respondents placed greater emphasis on:-

Job Security, superannuation greater than the Superannuation Guarantee Levy, Long Service greater than the norm, more flexible working patterns to enable more interaction with the family including the option of child care facilities at work or near to work.

All respondents indicated that employees now talked about their share price, "*someone is reading the paper*" and at BOC:- "*we can get an update every week at work on the computer*",. *but we can't affect the share price, only Management can and yet (at AMCOR Boxhill & in Sydney) Management make bad decisions - bad offshore investments in Europe so dividends & share returns are down & we have to wear job losses to compensate*" and

*(BHP Newcastle)- 'you ask how are we suppose to improve the share price when you have people like Prescott making those decisions & then he also walks away with \$10 Million out of our Superannuation fund!'*

Yours Faithfully

Mr Davis Oliver  
Acting National Secretary.

Name of Enterprise having employee share ownership scheme:

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Organiser responsible.....

Any comment regarding the operation of the scheme eg.

1 Amount per employee?.....

2. Has stock risen/fallen?.....

3. Was it part of a collective bargain?.....

4. Has the presence of the scheme changed the dynamic of workplace relations?  
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5. Has the scheme had an observable impact on productivity?.....

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6. Any other comments?.....

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**PLEASE RETURN TO SALLY TAYLOR NRC BY 19 APRIL, 1999**