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Declaration

I hereby declare that the submission of the thesis entitled, **Public Sector Reform Agendas and Outcomes for Trade Unions: The case of local government reform in Victoria, 1992-99**, for the degree of Doctor of Philosophy is the result of my own work. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person nor material that has been accepted for a degree or diploma by any university or institution, except where due acknowledgment is made in the text.

**Full Name:** ROBERT MICHAEL CONNOLEY

**Signed:** ..........................................................

**Date:** ..........................................................

Abstract

From the early 1980s, Western governments, led mainly by those in the United Kingdom, have pursued public choice ideas in managing their public sectors, often targeting the monopoly position of public sectors in delivering public goods and services and also the influence and position of public sector trade unions. This policy approach also underpinned the reforms to local government in Victoria, Australia that occurred between 1992 and 1999. The Victorian State Government pursued an agenda of reform aimed at reducing costs in local government, reducing the size and scope of local government in delivering public goods and services and also seeking to reduce the perceived high level of influence of trade unions. On the basis of a literature review of the experiences of public sector reform in the United Kingdom during the 1980s, this study sought to test two propositions about public sector reform agendas and trade unions, using the Victorian local government reform as the primary research context. This was an important research gap since trade unions were a major target of the reform agenda and little research information existed as to how the reform agenda impacted on local government trade unions. Although the Victorian State Government did not possess direct legislative power over trade union behaviour, a reform agenda similar to that imposed by the governments in the United Kingdom, could inflict negative outcomes through the consequential changes resulting from competition in the delivery of local council services. The first proposition was that public sector reform agendas underpinned by public choice ideas sought to inculcate competitive practices in the provision of local government services and consequently reduce trade union influence and position in local government. The second proposition was that the level of success achieved by governments on these dual objectives was determined in part by the responses taken by trade unions to the reform agenda and on the extent to which local councils adopted a competitive culture.

Five major research questions and a number of sub-questions were developed from the literature to test these two research propositions. In addition, models of effects on trade unions arising from public sector reform and on trade union responses were developed. The models were important for visually showing the areas of impact on trade unions and the level of impact caused by the reform and to identify the options available and responses undertaken by trade unions during this period. An analytical framework was also established and served as a template for organising and recording findings in this study.
The analytical framework served to show the main causal links between the reform agenda and outcomes for trade unions. The study adopted features of both positivist and interpretive methodological approaches to address these research questions. A positivist approach was applied in the development of research protocols to ensure researcher independence. In addition, the information collected was matched to the models of union behaviour and to the relevant elements in the analytical framework. The study also adopted features of an interpretive approach in respect of using small samples and in gathering data through interviews with key informants from three case study organisations, one trade union and two local councils.

The information collected on the research questions enabled conclusions to be reached on the two research propositions. The findings supported the first proposition and confirmed previous research studies in the United Kingdom that showed how governments are able to target trade unions in indirect ways through the consequences of the promotion of competition in the delivery of local government goods and services. The study identified the negative effects arising for Victorian local government trade unions in areas of access and influence on government policy decision making, membership levels, bargaining outcomes and relations within and between trade unions. The findings gathered in this study also supported the second research proposition. The level of success by the Victorian State Government in achieving local government reform objectives was in part limited by the responses taken by trade unions and also by the extent to which local councils adopted competitive practices. These findings have contributed important insights into local government reform and trade unions, which had not previously been addressed by researchers. The study has also contributed models of union behaviour and an analytical framework for addressing contemporary public policy issues and trade unions. The amalgamation of local councils planned by the Queensland State Government provides a similar research context in which to further test the usefulness of the models of union behaviour and the analytical framework. In addition, the return of the Australian Labor Party to Federal Government, and their aim of dismantling the previous Liberal-National Party’s WorkChoices industrial relations legislation, provides a context for testing these models and framework under conditions where more direct legislative changes affecting union rights to organise and bargain are pursued.
List of Publications by Researcher Relevant to this Thesis


Acknowledgements

Many people have supported me in preparing this doctoral thesis. My utmost thanks go to Dr Dennis Howard for his wisdom, advice and humour in supervising this thesis. Additional thanks go to Associate Professor Allan Ellis for his valuable advice and insight. Thanks also go to Dr Keith Abbott, Associate Professor Kevin O’Toole, Professor Malcolm Rimmer, and Dr Andrew Vandenberg. Obviously this thesis would have been impossible without the extensive cooperation of the Australian Services Union and particularly the two branches at the time of interviewing: the Municipal Employees Union Branch (MEU) and the Victorian Services and Energy Branch (VSEB), and Corangamite and Moyne Shire Councils, who provided interviews and source material. Thanks are also extended to the personnel in local government, particularly in the two rural case councils where I had a great opportunity to listen to their stories. Largely unlimited access given by those approached which made the task of reporting on this feature of local government an enjoyable one.

Most thanks go to my wife, Kathy, and to my sons, Michael and Tim, for their continuous support and endless patience and encouragement in helping me through the thesis. I have also drawn inspiration from Charmaine, who continually inspired me with her support and messages and it is to you that I dedicate this thesis.
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<tr>
<td>ALP</td>
<td>Australian Labor Party</td>
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<tr>
<td>ACTU</td>
<td>Australian Council of Trade Unions</td>
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<td>ASU</td>
<td>Australian Services Union</td>
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<tr>
<td>AWU</td>
<td>Australian Workers Union</td>
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<tr>
<td>CA</td>
<td>Certified Agreement</td>
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<td>CCT</td>
<td>Compulsory Competitive Tendering</td>
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<td>COHSE</td>
<td>Confederation of Health Service Employees</td>
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<tr>
<td>CSC</td>
<td>Corangamite Shire Council</td>
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<tr>
<td>DSO</td>
<td>Direct Service Organisation (In-house unit)</td>
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<td>EBA</td>
<td>Enterprise Bargaining Agreement</td>
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<td>ERC</td>
<td>Evatt Research Centre</td>
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<td>GMB</td>
<td>General, Municipal and Boilermakers Union</td>
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<td>LAWA</td>
<td>Local Area Work Agreement</td>
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<td>LGB</td>
<td>Local Government Board</td>
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<tr>
<td>MAV</td>
<td>Municipal Association of Victoria</td>
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<td>MCC</td>
<td>Melbourne City Council</td>
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<td>MEU</td>
<td>Municipal Employees Union</td>
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<td>MOA</td>
<td>Municipal Officers’ Association</td>
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<td>Moyne Shire Council</td>
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<td>NALGO</td>
<td>National and Local Government Officers Association</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>Office of Local Government</td>
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<td>Productivity Commission</td>
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<td>United Kingdom</td>
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<td>Victorian Commission of Audit</td>
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<td>VDP</td>
<td>Voluntary Departure Package</td>
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<td>VSEB</td>
<td>Victorian Services and Energy Branch</td>
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Chapter 1: Introduction

1.1 Introduction

Local government originated in Victoria in the 1830s and forms the third level of government in Australia, after the federal and state governments (McNeil 1997; Worthington and Dollery 2001). By the early 1990s, local government had remained virtually ‘untouched’ by the public sector reforms being implemented in other tiers of Australian government and that of many overseas Western governments (Jones 1993; Worthington and Dollery 2002).

At the same time as the Australian federal and state governments were cutting back in size and scope through funding cuts and the introduction of competition in the delivery of public goods and services, local government was expanding (Jones 1993). Service provision had extended to include the provision of recreational and community-based services and consequently employment and expenditure was also increasing (ABS 1992a; Fraser 1992). One leading researcher in local government commented that under such conditions local government thought it possessed ‘significant control over its own destiny’ (Jones 1993).

This perception quickly changed when the Coalition parties (the Liberal Party and the National Party), headed by Jeff Kennett, convincingly won the October 1992 Victorian State election. Local government was accused of being ‘slow to rein back current expenditures in response to the recession and had resisted attempts at reform’ (Institute of Public Affairs 1993, p. iii). In the next seven years, the Kennett government set about implementing the most extensive privatisation and public sector reform program so far witnessed in Australia, reforming the state’s public sector functions, a significant part of which involved reform to the organisation and operation of local government (Fairbrother, Svenson and Teicher 1997; Worthington and Dollery 2002).

Local government was subject to a large scale reform agenda that resulted in the reduction in the number of local councils from 210 to 78, expenditure reductions of up to 20 per cent and revenue freezes, employment decreases and the introduction of fixed-term employment contracts for senior managers, and the implementation of Compulsory Competitive Tendering (CCT) (Barnes and Dollery 1997; Chapman, Haward and Ryan 1997). Key
objectives of this reform agenda involved the introduction of competition in the delivery of local government goods and services and, as a consequence, the reduction in the influence and position of local government trade unions in local government (Kennett 1992b; Maclellan 1996d; Stockdale 1992b).

The central concern of this study is to investigate two propositions concerning public sector reform agendas and trade unions. Firstly, that public sector reform agendas underpinned by public choice ideas sought to inculcate competitive practices in the provision of local government services and consequently reduce trade union influence and position in local government. Second, that the level of success achieved by governments on these dual objectives was determined in part by the responses taken by trade unions to the reform agenda and on the extent to which local councils adopted a competitive culture.

The study presents evidence that the Kennett government’s reform agenda resulted in a reduction of local government trade union influence in policy determination at the state government level and contributed to large declines in trade union membership levels and restricted union bargaining outcomes between 1992 and 1999. However, the study also found two factors were central in denying the Kennett government a greater level of success in achieving their trade union objective. Firstly, the responses taken by trade unions were found to have influenced the extent of change resulting in local government and consequently reduced the severity of the challenges posed by the reform agenda. Second, local councils did not adopt competition in the delivery of their services to the extent that seriously eroded trade unions’ influence in this tier of government.

Before setting out the organisation of the study, some preliminary comments about the nature of public sector reforms pursued by western countries generally, and the United Kingdom (UK) in particular, are described. This review is necessary to provide background understanding to the international and domestic policy environment in which the Victorian local government reform agenda was implemented. This section will be followed by others which outline the research problem, the justification for examining this problem, the special terms and the research methodology used in this study, the main limitations and assumptions of the study, and an outline of the remainder of the study.
1.2 Background

From the 1930s until the late 1970s most western governments pursued policies associated with the public finance school (Buchanan and Musgrave 2000: see also public goods school Abelson 1987; Rimmer 1993; Dollery and Wallis 2001). A key premise was that governments should play a central role in facilitating, producing and allocating goods and services to the community ‘on the belief that the market is inherently unstable’ and prone to failure (Barr 1987, p.54). Proponents of this school of thought argued that relying upon markets is likely to lead to unacceptable social and economic inequality (Rimmer 1993).

The public finance school itself was built on Keynesian notions of demand management as the most appropriate means by which the state might regulate and maximise national economic performance. Keynes (1936) had argued that when economies moved into recession, the private sector was prone to invest less, which in turn led to less consumption and fewer jobs, and even less reason for businesses to invest.

Keynes proposed that in order to keep people fully employed, governments needed to stimulate the economy (or ‘pump prime’) through publicly funded consumption and investment spending, even if this meant running budget deficits. Conversely, in periods of high economic growth the tendency towards damaging inflation required governments to regulate its incidence through raising taxation and interest rates to reduce the availability of credit (Keynes 1936). The ascendency of these ideas over much of the post-war period saw western governments actively intervening in the economy and markets being subject to increasing regulation (Krieger 1986).

The policy approach was supported by three key assumptions about the management and operation in the provision of public goods and services (Stewart and Walsh 1992). Firstly, it was appropriate for the public sector to directly provide the majority of public goods and services in the economy. Second, that the control of labour within the public sector was best met through organisational hierarchies where those at the top had the power to direct those below, without fear or favour. Third, the public provision of goods and services was best standardised and made available to all throughout the community. The end result was the development of large public sectors in most countries, often employing more than one-third of the national workforce, most of who were covered by trade unions capable of wielding considerable policy influence (Ferner 1987).
If this represents the policy landscape in the western world over the early decades after the Second World War, it was one that began to change significantly over the course of the 1970s (Wolf 1988). The failure of the Bretton Woods international monetary system from the late 1960s, combined with oil crises through the 1970s and a maturing baby boom generation entering the labour market for the first time presented a series of problems for western governments. Most western countries were unable to stem the decline in economic growth and redress the twin problems of high inflation and unemployment (stagflation) that had commenced during the 1970s using Keynesian-prescribed policies (Hughes 1994).

A major part of the problem was perceived in terms of unsupportable budget deficits, which were being fuelled by the growing costs of providing public goods and services (Hughes 1994; Rimmer 1993). Numerous reports prepared by the Organisation for Economic Cooperation and Development (OECD) also reinforced a sense of growing failure with public provision of goods and services, including public sector unresponsiveness and inefficiency (OECD 1979, 1982a, 1982b, 1985). The OECD also questioned the long-term viability of government social service spending at past levels (OECD 1981).

During the 1980s, the application Keynesian demand management policies began to loose ground to Friedmanite monetary policies. Governments in most of the advanced industrial countries tried to slow the growth of their public sector and reduce the size of their fiscal deficits (Aulich 1997a). These governments increasingly sought to place a greater emphasis on the role of markets in providing goods and services, by relinquishing ownership of business enterprises and deregulating markets (Jones 1993).

Notions of state responsibility for the provision of public goods were downplayed in favour of giving citizens a greater say in the access and delivery of public goods and services (Abelson 1987). Economists increasingly rejected many of the propositions advanced by the public finance school, advocating a central role for the market via the public choice theory (Rimmer 1993).

Public choice theory is a branch of economics that developed from the study of taxation and public spending. Although emerging in the 1960s with the publication of *The Calculus of Consent: Logical Foundations of a Constitutional Democracy* by Buchanan and Tullock...
(1962), more widespread public attention and appeal was gained in 1986, when James Buchanan was awarded the Nobel Prize in economics. Buchanan received the award for his development of the contractual and constitutional bases for the theory of economic and political decision-making, which was based on the 1962 work with Tullock.

Public choice theory made extensive use of neo-classical economic theory, which assumes that within decision making processes, individuals seek to maximise their utility by behaving in a rational and self-interested manner (van Winden 1988). The public choice school asserts that the personal motives and monopoly powers of bureaucrats, particularly in their role of implementing policy, leads to oversupply and inefficiency in the public sector (Buchanan and Tullock 1962).

Proponents of this theory argue that bureaucrats do not have effective incentives to achieve productive efficiency and by pursuing goals such as budget maximisation, tend to increase output, which may not serve the best interests of the community (Aulich 1999b, c). Albin (1992) described the welfare of managers as being more closely aligned to the status and character of their agency, and bureaucrats have an incentive to maximise their budgets because their salaries are tied to the size of budgets. Securing higher budgets was perceived as improving the prestige of individual bureaucrats (pp.6-7).

Public choice proponents also criticised the existence of interest groups, who possessed strong incentives to lobby governments to implement specific policies that would benefit them at the expense of the general public (Albin 1992). The public choice school assert that the selfish motives and monopoly powers of bureaucrats, particularly in their role of implementing policy, leads to oversupply and inefficiency in the public sector. Proponents argue that bureaucrats do not have effective incentives to achieve productive efficiency and by pursuing goals such as budget maximisation, increase output, which may not serve the best interests of the community (Kouzmin, Leivesley and Korac-Kakabadse 1997). Public choice theorists claim the cumulative historical effect of the actions of public sector trade unions has been able to expand the level and breadth of government provision of services that need not be provided by governments at all (Rimmer 1993).

The introduction of competition into the delivery of public services was viewed as the main ingredient necessary to create incentives for public sectors to operate more efficiently
Bureaucratic methods for the provision of government produced goods and services needed to be replaced with market driven methods. They advocate that governments should introduce competition into the delivery of public services (Boyne 1998a, p.709). Competition was necessary to refocus governments toward adopting an ‘enabling’ role, where the government funded the delivery of public goods and services, and private sector organisations would compete to provide these goods and services (Osborne and Gaebler 1992; Ridley 1988).

The first major practical example of public choice policy ideas occurred in the early 1980s after the Conservative Party, under the leadership of Margaret Thatcher (1979-1990), gained power in the UK (Alford and O’Neill 1994). Thatcher’s style of leadership and the policies she promoted became known as *Thatcherism*. This was a loose term, which encompassed her beliefs in the key elements of public choice, particularly in limiting the role of governments in economic life and promoting private enterprise in delivering public goods and services (Heffernan 1996).

When Thatcher entered office in 1979, part of her government’s program sought three major outcomes, cost decreases and efficiency improvement in the public sector, the reduction in the size and scope of the public sector, and the reduction in influence and power of public sector trade unions (Ascher 1987; Foster 1991; MacInnes 1987 Painter 1991). Thatcher possessed a deep-seated opposition to trade union power (Tebbit 1983). Although the anti-union stance took aim at union power across the economy as a whole, it had a special resonance within the public sector (MacInnes 1987; Paddon 1993).

Unions were claimed to hold of two kinds of unwarranted political power. The first kind of power stemmed from the influence of union leaders upon public policy, through the dense network of corporatist institutions in UK and the practice of governments (both Conservative and Labour) of consulting trade unions before major policy decisions were implemented. Thatcher and her Conservative Party held strongly to the belief that trade unions had distorted the labour market through strong national collective bargaining activities and the subsequent pay gains secured added to the fragile budgetary conditions (Howell 1998).
The second form of power was more indirect, but at least as effective. This power was displayed through industrial actions, particularly during the 1970s, helping in the electoral downfall of both the 1970-1974 Conservative government of Edward Heath and the 1974-1979 Labour government of Jim Callaghan (Howell 1998).

The Thatcher government administrations applied a series of policy instruments including public sector funding cuts, the expansion of private-sector management approaches, the selling-off of public instrumentalities, and the use of market or pseudo-market mechanisms for the delivery of public goods to attain their expected outcomes. Markets for many public services were constituted by separating policy making from policy execution (or service provision). Government monopolies over service provision were subsequently abolished or undercut with the introduction of privatisation and competitive tendering (Laffin 1989).

CCT was a primary policy instrument introduced into local government in 1980 to align this tier government with the aims of Thatcher’s New Public Management (NPM) reform programme (Ascher 1987; Boyne 1998a, b; Walsh 1989). NPM was described as possessing at least three salient characteristics: A belief in the superiority of market forces and competitive mechanisms; an awareness of the shortcomings of traditional bureaucracies; and an assumption that management is management, no matter what form it takes allowing private sector management approaches to be incorporated into the public sector (Dollery and Lee 2003). CCT along with other policy instruments such as rate freezing and funding cut backs (Foster 1993) formed a significant policy regime aimed at reducing local government costs and reinforce local government’s subordination to national interests and policy intentions (Painter 1991). The CCT policy was implemented through three pieces of legislation between 1980 and 1992, including the Local Government Planning and Land Act 1980, the Local Government Act 1988 and the Local Government Act 1992. The legislation imposed mandatory requirements on local councils to place specified services to a competitive tendering arrangement.

The perceived success of this reform agenda proved influential in other Western governments during the 1980s (Abelson 1987; Hughes 1994). Australians have elected a succession of reformist Commonwealth governments that have sought to improve the economic performance of the Australian economy by increasing its flexibility and removing structural constraints on the efficient use of scarce resources. In Australian federal politics
fiscal policy was reined in so as to reduce the incidence of budget deficits, whilst monetary policy took on greater importance with the Reserve Bank being given greater responsibilities to control inflation (Fairbrother et al. 1997; Kouzmin, Korac-Kakabadse, and Jarman 1996). Numerous government royal commissions criticised the over-bureaucratization of state agencies and their indifference to their customers/clients (Coombs 1976; Wilenski 1977; Reid Report 1983). In the late 1970s the Liberal-National party Coalition federal government made strenuous efforts to discipline public sector labour. The Australian Labor Party government (1983-1996) also explicitly campaigned on public service reform in the 1983 election (Australian Labor Party 1983).

This issue of public sector reform grew in importance under the ALP-led Federal governments over the latter part of the 1980s as a legacy of almost two decades of uncertain national economic growth and a growing questioning of conventional demand management policies by all Australian governments (Dixon and Kouzmin 1994; Manning, 1988). Australian public sector restructuring began under the ALP-led Federal government in the 1980s with an attempt to ‘internationalise the economy by floating the dollar and reducing tariffs’ and then an effort to ‘make the public sector more efficient with a concentration on performance and results’ and ‘more responsive to political demands’. This process included ‘alternative means of delivering services’, with ‘markets and competition introduced where appropriate into policy arenas where bureaucracies had previously dominated (Wanna and Weller, 2003, p.79). With the demise of the market failure paradigm in favour of the government failure model and its emphasis on public choice theory, many public sector monopolies were wholly or partly privatised, including the Commonwealth Bank, Qantas, Telstra, the ANL shipping line, defence industries, airports, and public land holdings. This process continues to the present time and remains incomplete, with Australia Post still wholly government owned and Telstra only incompletely privatised (Dixon and Kouzmin 1994; Dixon, Kouzmin, and Korac-Kakabadse 1996; Dixon, Kouzmin, and Korac-Kakabadse 1998).

Dixon and Kouzmin (1994) also summarised how the reform developments impacted on managers in the Australian public sector. These included more accountable as a result of being more closely and more publicly scrutinized; less discriminatory in their personnel management decisions; more participative in their decision-making styles; as a result of legal and organisational requirements to develop consultative structures and processes; more
efficient and effective in their use of resources; as a result of being subjected to greater pressure from market forces; and, more customer-oriented; as a result of being confronted with greater pressure from market forces (pp.55-56).

By the early 1990s, there was a general consensus among the major political parties, senior public servants, and business leaders that Australia’s economic performance would benefit by introducing competition into the determination and delivery of public goods and services (Alford et al. 1994, p.10). The introduction of the National Competition Policy in 1993 became a central plank of economic policymaking and its ubiquitous effects have pervaded virtually all areas of contemporary Australian life (Dollery and Wallis 1999, p.3).

These reforms and those of the UK experience under Thatcher, which were underpinned by ideas associated with the public choice school held special favour within the Kennett government. A number of researchers claim the Kennett government was highly influenced by the Thatcher government administrations’ public sector restructuring agenda (Alford and O'Neill 1994; Deakin and Walsh 1996; Fairbrother, Svenson and Teicher 1997; Skulley 1999). The Kennett government was elected at a time when the Victorian economy was experiencing similar conditions to those that faced the Thatcher government in 1979 including high public sector debt levels, high unemployment, and a generally stagnant economy (Alford et al. 1994; Deakin and Walsh 1996; Kennett 1992). The Kennett government subsequently initiated an extensive public sector reform program, based on the UK experience (Ernst, Glanville and Murfitt 1997; Fairbrother et al. 1997; Paddon 1993). In addition, the main outcomes sought by the Kennett government were found to have been the same three pursued by the Thatcher administrations during the 1980s, including cost reductions and efficiency improvement in local government, a reduced local government involvement in the delivery of public goods and services and the reduction in the position and influence of trade unions (Kennett 1992b; Stockdale 1992b).

Although local government had traditionally been ‘the blind spot’ in Australian governmental arrangements (Munro 1997, p.79), reform was seen as inevitable under the new administration since local government was a ‘major industry with significant affects on other parts of the economy’ (Newnham and Winston 1997 p.120). Local government, during the Kennett government became subject to ‘far-reaching’ and ‘deep-seated’ change arising from boundary restructuring, a range of financial, electoral and management
reforms, and the introduction of CCT (Chapman 1997, p.10). By the late 1990s, the
government had transformed local councils into contract managers, and ‘their role as agents
of the state was entrenched’ (Munro 1997, p.80).

The study seeks to contribute to current research on how public sector reform agendas
attempt to undermine trade union influence and position in the public sector using the local
government reform in Victoria between 1992 and 1999 as the research context. In addition,
the study will analyse how trade unions responded to this reform agenda and assess the
overall outcomes on their influence and position. The next section outlines the research
problem of the study.

1.3 Research problem

The literature review in Chapter 2 described how the CCT policy ‘wrought an immediate
and intended effect on the position, organisation and effectiveness of trade unions in the
local government sphere and has subsequently influenced the industrial relations context’
(Foster 1993, p.49). UK public sector trade unions were found to have faced foremost
challenges in four areas including preserving their previous high levels of influence in
public policy, in maintaining high membership levels and good bargaining outcomes, and
also in retaining effective intra- and inter-union relationships (Ascher 1987; Colling 1993,

The literature review also reported that the overall impact in each of these areas was
influenced by the responses by trade unions to CCT and also ultimately by the extent to
which local councils had embraced a competitive culture (Colling 1993; Foster 1991, 1993;
Foster and Scott 1998; Rao and Young 1995; Shaw at al. 1994). However, while there has
been extensive research into the impacts of CCT on the influence and position of trade
unions in the UK, there is no clear evidence in Victoria.

On the basis of the background in section 1.2 above and the literature review in Chapter 2,
two propositions are to be tested in this study. Firstly, that public sector reform agendas
underpinned by public choice ideas sought to inculcate competitive practices in provision of
local government services and consequently reduce trade union influence and position in
local government. Second, that the level of success achieved by governments on these dual
objectives was determined in part by the responses taken by trade unions to the reform agenda and on the extent to which local councils adopted a competitive culture.

In order to test these two propositions, information is required on the reform agenda implemented by the Kennett government in Victorian local government between 1992 and 1999, on the consequential changes resulting in local government, and on the outcomes for trade unions operating in this tier of government. Five sets of research questions were formed from the literature review against which the testing of these propositions could proceed. These questions included:

**RQ1. What was the public sector reform agenda implemented in Victorian local government between 1992 and 1999?**

- **RQ1.1 What were the forces driving the need for local government reform?**
- **RQ1.2 How was the reform agenda developed and implemented?**
- **RQ1.3 What were the expected outcomes sought by the Kennett government through the implementation of local government reform?**
- **RQ1.4 What policies instruments were implemented in local government to achieve the expected outcomes?**

RQ1 seeks to describe the local government reform agenda implemented by the Kennett government between 1992 and 1999 through an analysis of four main parts that were found to comprise the public sector reform agenda in the UK. These four parts included the:

1. forces driving the reform (RQ1.1),
2. approach to developing and implementing the reform (RQ1.2),
3. expected outcomes sought by the government as a result of the reform (RQ1.3), and
4. major policy instruments that formed the agenda (RQ1.4).

The information gathered on RQ1 will also be analysed to identify the potential implications arising for Victorian local government trade unions and establish a basis for comparison with actual outcomes on trade unions, which is the central focus of RQ3.

**RQ2. What changes occurred in Victorian local government as a result of the Kennett government’s reform agenda?**
RQ2 seeks to provide information on the consequential changes in Victorian local government arising from the Kennett government’s reform agenda. Information is to be gathered on the changes to local government flowing from the five main policy instruments identified from RQ1 (RQ1.4). These policies instruments included:

1. council amalgamations,
2. financial savings,
3. local council management,
4. electoral changes, and
5. compulsory competitive tendering.

The information gathered will permit conclusions to be reached about the extent to which local government adopted competitive practices and set the context for identifying the effects on trade unions that is to be answered in RQ3.

The literature review in Chapter 2 also described how the local government tier did not transform to the extent desired by the Thatcher government administrations. UK local councils were found to have been influenced by local variants such as the political approach to change adopted by the council and regional characteristics like the extent of competition for the provision of council goods and service. The review described how some local variants had promoted a competitive culture in local councils, while others had hindered change at the local level. The assessment of local government changes in RQ2 will also seek to identify whether local variants influenced the extent of change toward competitive practices in Victorian local councils.
RQ3. How did the reform agenda effect trade unions in Victorian local government?

RQ3.1 What effect did the reform agenda have on the level of influence in policy determination and implementation?

RQ3.2 What effect did the reform agenda have on union membership?

RQ3.3 What effect did the reform agenda have on bargaining outcomes?

RQ3.4 What effect did the reform agenda have on intra- and inter-union relations?

RQ3 seeks to identify and describe the main effects arising from the local government reform agenda on Victorian local government trade unions. The model of effects on trade unions that was developed from the review of UK literature in Chapter 2 and reproduced in Figure 1.1 will be used to analyse the effects on Victorian unions. The model showed that unions are challenged in four main areas including:

1. the level of influence in policy determination and implementation (RQ3.1),
2. union membership levels (RQ3.2),
3. bargaining outcomes (RQ3.3), and
4. intra- and inter-union relations (RQ3.4).

A visual representation of the trend or direction of impact is also included for each effect. The primary purpose of each of the continuums is to provide a visual summary based on the perceptions of union officials interviewed in this study. The continuums are labelled at the extremes only ranging from the most negative, on the left-hand side, to least negative, on the right-hand side, in each of these four areas.
Figure 1.1: Model of effects on trade unions from public sector reform agenda

<table>
<thead>
<tr>
<th>Level of influence in policy determination and implementation</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership levels</td>
<td>Minimal</td>
<td>Extensive</td>
</tr>
<tr>
<td>Bargaining outcomes</td>
<td>Poor</td>
<td>Good</td>
</tr>
<tr>
<td>Intra- and inter-union relations</td>
<td>Poor</td>
<td>Good</td>
</tr>
</tbody>
</table>

Source: Developed for this study

RQ4. How did trade unions respond to the reform agenda?

RQ4.1 What stance did trade unions adopt in response to the reform agenda?

RQ4.2 Where did union action originate or be directed from?

RQ4.3 What internal and external actions were taken by trade unions?

RQ4 seeks to identify and analyse the response by trade unions operating in Victorian local government to the Kennett government’s reform agenda between 1992 and 1999. Analysis is undertaken on the basis of the model of trade union responses developed from the literature review in Chapter 2 and reproduced in Figure 1.2. The model of responses consisted of three main parts or components, including:

1. Union position/stance toward reform agenda (RQ4.1),
2. Initiation of/direction for union action (RQ4.2), and
3. Union actions (RQ4.3)

A continuum in each of the parts is also included to provide a visual summary of the union’s responses, as perceived by union officials. Information will be collected to determine what options were taken by trade unions and explore the reasons for their choice of option. The information gathered in RQ4 will also be analysed to determine whether union responses
influenced the extent to which trade unions were challenged in each of the four areas described in RQ3.

**RQ5. Was the Kennett government successful in attaining its third key objective: a significant reduction in trade union position and influence in local government?**

The object of RQ5 is to arrive at conclusions as to whether the Kennett government’s reform agenda was successful in achieving their union objectives. This is to be achieved by comparing the intended impacts of the local government reform agenda on trade union influence and position with the actual effects experienced by trade unions.

In addition to the five sets of RQs and the two models on trade unions and public sector reform (Figures 1.1 and 1.2), an analytical framework was also developed from the literature review in Chapter 2 and serves as a template for testing in this study. The analytical framework is reproduced in Figure 1.3. The framework consists of five main elements drawn from the RQs (local government reform agenda, local government change,
local variants, effects on trade unions and trade union responses) with the specific RQ identified in the framework alongside the relevant element.

The first element, ‘local government reform agenda’, comprises the four main parts of the reform agenda that are to be addressed in RQ1. The second element is ‘local government change’, and this represents the outcomes in local government arising from the five main policy instruments as identified in RQ1 (RQ1.4). This element corresponds to RQ2. The third key element is ‘local variants’ and this represents the factors that have shaped or influenced the extent of change in local councils as reported in RQ2. The fourth main element is the ‘effects on trade unions’ and is represented by the model of effects shown in Figure 1.1. This element corresponds to RQ3. The fifth element of the framework is ‘trade union responses’ and is represented by the model of responses as shown in Figure 1.2. This element corresponds to RQ4.

Key links between the elements are numbered (1 to 6) in Figure 1.3. The first link indicates that the Kennett government’s reform agenda will result in changes to local government (link number 1). These changes are reported in element 2 on each of the five main policy instruments. The second link reveals that the changes experienced in local government are also influenced by local variants, which can either promote change or hinder the extent of transformation in local government toward adopting competitive practices (link number 2). The third main link shows that the changes resulting in local government change will also have consequences for trade unions (link number 3). These consequences are represented by the model of effects, as reproduced in Figure 1.1. The consequential effects on trade unions will also result in trade union responses and this forms the fourth main link (link number 4). Union responses are represented by the model developed from the UK literature and reproduced in Figure 1.2. Union responses are acknowledged in the literature review as being influenced by local variants and also capable of influencing these variants and consequently influence the extent of change in local government. This forms the fifth main link (link number 5). The final link (link number 6) represents the central focus of RQ5, which is the comparison of expected outcomes in respect of trade unions sought by the Kennett government with the actual effects experienced by trade unions.
Figure 1.3: Analytical framework for analysing Victorian local government reform agenda and trade unions

Forces driving reform

Approach to implementing reform

Local Government Reform Agenda

1. Policies

2. Local variants

3. Local Government Change

4. Effects on trade unions

5. Responses by trade unions

6. Was the government successful?

Source: Developed for this study

This study is warranted for a number of reasons and this is explained in the next section.
1.4 Justification for the research

The Kennett government’s public sector reforms have drawn considerable research attention to the local government tier. Findings have been published on the administrative, cultural, employment and political impacts of the policy changes (see, for example: Aulich 1997a, b, 1999a, b, c; Barnes and Dollery 1997; Chapman et al. 1997; Costar and Economou 1999; Dollery and Marshall 1997; Dollery et al. 2003; Ernst et al. 1997; Kiss 1996; Kiss 1997; Murfitt, Glanville, and Ernst 1996; Worthington and Dollery 2002). In addition, Walsh and O’Flynn (2000) researched the employment and human resources effects of CCT drawn from an analysis of pay and employment arrangements negotiated in local area work agreements.

Although there are some brief accounts published on trade union responses to CCT in studies by Paddon (2001), Teicher, Testi, and MacArthur (1999), Teicher and Van Gramberg (2002), and by Van Gramberg, Teicher and Holland (2002), little research has been pursued into how trade unions were affected by the reform agenda. Consequently, no conclusions could be reached about the outcomes for trade unions in local government. This is an important research gap to address since trade unions are a major target of policy agendas underpinned by public choice ideas (Audit Review 2000a, p.13; Kennett 1992b, p.13). In addition, the research findings reviewed in Chapter 2 confirmed how the implementation of CCT in UK local government resulted in the reduction of union influence in policy, lowered membership levels and restricted bargaining outcomes. This study will contribute to answering this research gap by presenting evidence on the two propositions explained in section 1.3.

This study will also contribute to the general body of industrial relations and trade union literature. Researchers have acknowledged the difficulty in generalising about the behaviour and activities of trade unions, because they are diverse in membership and size and have a variety of objectives, interests and activities (Deery and Plowman 1985). There is relatively little systematic Australian data on the strategies pursued by individual unions (Hall and Harley 1997) and particularly about how trade unions operate in the public sector (Gardner and Palmer 1997).
Studies undertaken by Bramble (1995), Gahan (1996), Pocock (1995) and Watts (2001) have contributed insights into the Australian Services Union (ASU), although none of these studies centred on the union’s local government activities. Previous studies of local government trade unions are also highly partisan accounts of selected campaigns prepared by the original Municipal Employees Union (MEU) and Municipal Officers’ Association (MOA) and both were published before the election of the Kennett government (Best 1986; MOA 1970).

The current study has focused on the policy measures taken by governments that indirectly reduce the influence and position of trade unions. Indirect is a term applied by Foster (1993) to describe how the CCT policy in the UK affected trade unions as a consequence of changes to local government (p.49). However, the models and the analytical framework can also be used to investigate policy instruments which have a more direct impact on trade union power, such as those arising from changes in industrial relations legislation (Foster 1993). The introduction of the Workplace Relations Amendment (WorkChoices) Act 2005 by the Federal Coalition-led government, has presented opportunities to further test the models and analytical framework used in this study in contexts where unions face unsupportive government administrations.

WorkChoices has ‘severely curtailed what little opportunity trade unions have to instigate industrial action in support of employees’ (Riley and Sarina 2006, p.342). Union rights to entry have also been restricted and unions face increased legal sanctions (Hall 2006, pp.295-296). Moreover, transmission of business provisions, which were used successfully by the ASU during the later part of the local government reform agenda (Chapter 5), have been altered to the potential detriment of public sector trade unions. Under the previous Workplace Relations Act (1996), when new owners acquired a business they were required to maintain the current award and agreement terms and conditions, whether or not they employed existing employees. However, under the WorkChoices legislation there must be at least one employee transferred to the new business before the provisions of previous awards and agreements need to be carried across (Riley and Sarina 2006, p.354).

In addition, recent announcements by Australian Labor Party (ALP)-led governments in Queensland and the Northern Territory to reform their local government tiers has provided further avenues for testing the models and framework of this study in other Australian local
government contexts. The Northern Territory and Queensland governments have both announced policies to extensively amalgamate local councils under their jurisdiction (Northern Territory Government, Department of Local Government, Housing and Sport. 2006; Queensland Department of Local Government, Planning, Sport and Recreation 2007). These policy changes provide contexts for further research into how public sector reform agendas indirectly impact on trade unions.

Moreover, the return of the ALP to the federal government in November 2007 provides an opportunity for the testing the models and analytical framework under conditions where there is a more supportive government administration. The ALP had successfully campaigned during the 2007 election promising to abolish Australian workplace agreements and restore the rights of workers to join and be represented by a union (ALP 2007, p.101). The ALP also confirmed support for trade union rights to organise, to take action on behalf of their members and on behalf of workers generally, and to bargain collectively (ALP 2007, p.101).

To summarise, this study is justified on the basis that the research findings fill the gap in existing research on the Victorian local government reform agenda, 1992 and 1999 and will provide models and a framework for investigating the impacts on trade unions arising from more direct industrial relations legislation changes and for testing under governments more supportive of trade unions.

1.5 Definitions

While the terms used in this study are common in the literature on public sector reform and in industrial relations research, some major terms used in this study require further and specific explanation and definition. Other terms used more sparingly are defined within the study.

Compulsory Competitive Tendering (CCT) refers to a mandatory or legislatively imposed process by which a government organisation is required to expose service delivery activities to competition from external organisations (Murfitt et al. 1996).
Direct Service Organisations (DSOs) is a term used in UK local government and refers to the part of the local council workforce which provides services awarded through a competitive tendering contract. In Victorian local government, DSOs are referred to as in-house units.

Gain share (also known as profit sharing) refers to a group bonus plan that shares parts of the profit or gains made on tendered contracts among local government workers. In local government, workers often trade away a set of automatic wage increases for an unknown gain share amount that will be received after the tender contract has expired.

An in-house unit is a term applied in Victorian local government and refers to the part of the local council workforce which provides services awarded through a competitive tendering contract.

Local Area work Agreements (LAWAs) are a form of collective agreement which sets out employment conditions specific to a particular service of a local council and which has been placed out to competitive tendering arrangements.

Local government refers to a form of government in which responsibility for the regulation of certain matters within particular localities or local government areas is delegated by higher level governments to locally elected councillors. In the UK local government represents the second tier of government to the central government. Local government ‘makes up the third tier of government in the Australian federal system’ after the Federal (Commonwealth) and State governments (Worthington and Dollery 2001, p.2).

Local government consists of democratically elected local councils, which have ‘the powers that the Parliament considers necessary to ensure the peace, order and good government of each municipal district’ (Victorian Constitution Act 1975). The elected ‘members’, or ‘councillors’, are generally, empowered to make decisions on the nature and types of taxes and services that are to be provided within their legislative boundaries and within the ambit of state legislation (Boyd 1996, p.3).

The term, local variants, is applied in this study to indicate forces at work that influence or shape decisions about public sector reforms made by local councils. These variants are also
referred to as environment factors in organisational research studies (Porter 1980). Local variants include such factors the political status and type of local council, approach to CCT (the types of goods tendered and the level of support for in-house units), regional characteristics (industrial nature of council and the level of competition in the region) and the role of trade unions (Foster 1993; Rao and Young 1995).

The local government reform agenda refers to the period coinciding with the election of the Kennett government in October 1992 and ending with the election of the ALP government in October 1999. The reform agenda comprises four main parts including the factors driving the reform, the Kennett government’s approach to local government reform, the expected outcomes sought by this government, and the policies implemented in local government to achieve the expected outcomes.

The term, manual work (workers) is used in this study to refer to the work performed by blue-collar or outdoor workers. The term is mostly used in the UK literature to refer to workers who perform labouring tasks and operate machinery, such as in roads and parks and refuse collection services.

The term, non-manual work (workers) is used in this study to refer to the work performed by white-collar or indoor workers. This term is also mostly used in UK studies to refer to administration and clerical activities and supervision roles.

Policy instruments, as per RQ1, refers to the five main policy changes implemented by the Kennett government in local government between 1992 and 1999. These policy changes included council amalgamations, financial savings, local council management changes, electoral changes, and CCT.

Privatisation is an ‘umbrella term that has come to describe a multitude of government initiatives designed to increase the role of the private sector’ (Ascher 1987, p.4). Vickers and Yarrow (1991) identified three types of privatisation, the transfer of state enterprises operating in competitive product markets to the private sector, for example, state-owned car and aircraft companies, the privatisation of public monopolies such as water and electricity utilities and the contracting out of in-house services to the private sector, e.g. IT and facilities management.
1.6 Methodology

The central aim of this study is to investigate how public sector reform agendas, built on the principles of public choice, impact upon public sector trade unions and to what extent the impacts match those anticipated by governments. Two propositions were established to test in the Victorian local government context on public sector reform and trade unions. Five sets of research questions were also set out above in section 1.3 that would provide information to make judgements on these propositions. The approach in addressing those questions was to initially search the literature on public sector reform and trade unions. This literature review primarily concentrated on studies dealing with CCT and trade unions in local councils in the UK. There have been several studies undertaken in the UK addressing the effects of CCT on local government unions and also on reporting their responses. Arising from this review, models of the effects of reform on trade unions (Figure 1.1) and union responses (Figure 1.2) were developed. In addition, an analytical framework was established, comprising the components of the reform agenda and links to between the reform agenda and impacts on trade unions (Figure 1.3).

The present study is developed in line with a ‘Type Y’ approach (Lewins 1993, p.16), which is common in local government reform studies and also in industrial relations research (Aulich 1999c; Boxall and Haynes 1997; Ernst et al. 1997; Rimmer 1993). A ‘Type Y’ thesis was a term used to describe a study which aims to test theory, as opposed to theses aiming to construct theory, which Lewins refers to as a ‘Type X’ thesis (Lewins 1993, p.16).

The study has drawn upon features of both positivist and interpretive methodological approaches to answer the research questions in section 1.3. A positive approach was illustrated in this study by the development of research protocols to maintain researcher independence, and in ensuring the information collected could be matched to the models of union behaviour (Figures 1.1 and 1.2) and to the elements in the analytical framework (Figure 1.3) (Remenyi et al. 1998). Features of an interpretive approach were also used in this study as illustrated in the use of case studies and interviewing of a small sample of key personnel in trade unions and local councils (Easterby-Smith 1991; Remenyi et al. 1998).

A case study research strategy was deemed to be the best strategy to ‘see if the theory actually worked in a real life situation’ (De Vaus 2001, p.222). A case study approach was decided after consideration of Yin’s (1994) three main determining conditions including the
type of research question posed, the extent of control an investigator has over events, and the degree of focus on contemporary rather than historical events (Yin 1994, p.6). The research questions in this study are mainly explanatory as they are concerned with issues of how and why the local government reform agenda impacted on local government and trade unions operating in this tier of government, which favour the use of case studies (Yin 1994, p.6). Case study research is also more suited to studies on contemporary rather than historical events (Yin 1994, p.6). Public policy change and trade unions remains a topical and on-going area of research interest, as evidenced by the introduction of WorkChoices and recent announcements by other Australian state governments to reform their local government tiers along the lines commenced by the Kennett government. The case study approach also permits a more detailed examination of events and produces ‘rich’ and ‘meaningful’ data (Hartley 1994; Mitchell, 1983). Case study research has also been successfully employed in previous research on the local government reform agenda (Aulich 1997a, Ernst et al. 1997; Murfitt et al. 1996).

The selection of cases was deliberate and strategic (De Vaus 2001), with the selection based on those organisations that could provide convenient access whilst exhibiting the appropriate context to answer the RQs set out above in section 1.3. For this research, one case study was drawn from the local government trade union movement and two rural local councils selected. The case study trade union is the largest and longest serving trade union in Victorian local government, the ASU. Two branches of this union were investigated in this study, the MEU and the Victorian Services and Energy Branch (VSEB). This union had also been singled out by the Kennett government as exerting too much power in local government (Cooper 1994).

Corangamite Shire Council (CSC) and Moyne Shire Council (MSC) were the two local councils analysed in this study. The case study entities were chosen on the basis that they provided two contrasting approaches to the reform agenda. CSC adopted a compliance approach to CCT while MSC implemented a much more competitive, along the lines sought by the Kennett government. A multiple case design was also necessary here to provide a more robust analysis of the local variants influencing council outcomes (Buultjens, Howard and Moffat 2003; Foster 1991). The case studies permitted a more detailed examination of the types of factors influencing council decisions on CCT than possible using other research approaches (Foster 1991). These two councils were also chosen because the information
collected could contribute to the previous body of work on regional and rural council responses to CCT (Gibson, Cameron and Veno 1999; Tesdorf 1996). Both councils are located in the south west region of Victoria, which had not been researched to the depth undertaken in this study.

Data was collected from both primary and secondary sources to answer the research questions posed in section 1.3. These methods are consistent with standard research studies into local government reform and trade unions (Aulich 1999; Foster 1991; Colling 1994, 1995; Murfitt et al. 1996). At each of the case study organisations, the primary data was obtained through structured interviews, with questions were based on issues raised in Chapter 2. A protocol for recording and transcribing interviews was selected and this is described in Chapter 4. The interviews in the ASU focused on the effects of the local government reform agenda on the ASU and their responses, using the models developed from the literature review in Chapter 2 and reproduced in Figures 1.1 and 1.2. The interviews conducted in the two local councils centred on issues dealing with how the main policy instruments were implemented in the council, the local variants that influenced decisions on CCT in the councils, and on the outcomes from each of the five main policy instruments described in RQ1.

In addition, to the interview data collected, other documents were collected from the case study organisations and secondary data was examined to overcome the weaknesses of relying entirely on one set of data (Jick, 1979). The secondary data was sourced from statistical agencies (such as Australian Bureau of Statistics and Office of Local Government), previously published studies of local government change in Victoria, government reviews and from studies based on the experiences of public sector reform in the UK during the 1980s and 1990s. This information was necessary to answer the RQs.

This study presents evidence that demonstrates the reform agenda had negative outcomes for the ASU in each of the four areas identified in the model of effects (Figure 1.1). However, the overall or net impact in each area was less than what the Kennett government could have expected to arise from the reform agenda. The study identified the actions taken by the ASU in response, using the model of responses (Figure 1.2), had limited the negative impacts experienced by the ASU. The study also presents evidence that confirms the findings of Aulich (1997a, b, 1999c) and Martin (1999) and also other researchers (Ernst et
al. 1997; that the local government tier did not transform to the extent expected by the Kennett government. Local councils varied in their adoption of a competitive culture and remained the dominant source of delivery of local government services. Other forces, or local variants, had influenced decisions about CCT and this resulted in a more watered down transformation of local government and consequentially less pressure on trade unions.

1.7 Limitations and key assumptions of the research

Research in this study is concerned with the investigation of public sector reform and trade unions in Victorian local government, 1992 to 1999. The emphasis has been given to descriptive detail of the research questions, models of union behaviour (Figures 1.1 and 1.2) and an analytical framework (Figure 1.3), which were developed from a literature review of reform in the UK during the 1980s. In designing the research method, care has been taken to ensure validity and reliability, however research into social phenomenon of the type investigated here must invariably note some limitations and exceptions. In most theses methodological problems arise which cannot be entirely eradicated through the research design process. The study has identified the main limitations and took steps, through the triangulation of data from multiple sources, such as collecting multiple sources of data and to ensure they did not intrude to severely limit the effectiveness of the study (Ezzy 2001, p.295).

A major limitation is that the theoretical framework and models to investigate local government reform and trade unions relate only to the issue of CCT in the UK. The present study has investigated five main policy instruments as forming the local government reform agenda and thus extends the scope of concerns and analysis beyond those contained in the UK studies. However, this study identified many similarities between the Victorian local government reform agenda and of the Thatcher governments’ reforms during the 1980s to justify the testing of these models and framework. In addition, CCT was a principal policy instrument used by both governments to promote competition in the delivery of local government services and which could reduce trade union influence and position in this tier of government.

The model of effects of the reform on the ASU (Figure 1.1) also requires judgements to be made about the extent of impact sought by the Kennett government and those actually
experienced by the ASU. A major assumption in this study and based on the literature review in Chapter 2 is that governments influenced by public choice will seek the ‘worst-case’ outcomes for trade unions in each of the four areas of impact, including policy involvement, membership losses, bargaining outcomes and intra- and inter-union relations. Thus, in Figure 1.1, the expected outcomes are assumed to be toward the left-hand extreme of each of the continuums. In addition, the continuums are not precise measurements of the level of impact but rather a summary based on the perceptions of union officials of the direction of the level of effect and overall outcome arising from the reform agenda. The continuums could be developed as scales of the level of impact in future studies. This is discussed later in chapter 7.

A further limitation is recognised in the case study approach applied in this study. Case study results are usually tied to specific situations, so the results are not generalisable. In this study, only one case study was drawn from the local government trade union movement and two rural local councils chosen to test the framework and models. There are other trade unions operating in local government, and described in Chapter 4, however, the ASU is recognised as the largest trade union representing local government workers and was specifically targeted by the Kennett government (Teicher et al. 1999; Teicher and Van Gramberg 2002; Van Gramberg et al. 2002). Being the largest trade union organised in Victorian local government, the ASU would be expected to experience challenges in each of the four areas presented in Figure 1.1 and be the most suitable union for testing the applicability of this model. In addition, the model of union responses (Figure 1.2) would be best tested in the context of the main local government union (Foster 1991).

The study acknowledges that there is substantial diversity between local councils, in respect of population and physical size, the nature of services provided, the size of council budgets, employment, and the use of competitive tendering practices, as well as their respective approaches to the reform and experiences of the reform. This means that the findings gathered from Corangamite Shire Council and Moyne Shire Council cannot be generalised across the entire local government tier. However, the main purpose of selecting these two councils was on the basis of their differing approaches to CCT and further analysis of the types of local variants influencing policy outcomes. These approaches were also evident in other studies of CCT and assumed to represent the main two options taken by local councils (Aulich 1999c; Ernst et al. 1997; Murfitt et al. 1996).
A further limitation is the focus on interview data for addressing the research questions. Respondents may not provide accurate information for various reasons, including their level of responsiveness at the time of the interview, their motivations and because of unease with the interviewer. To address these limitations, the interview was conducted at the workplace of the interviewee and questions developed to complete the models and framework being tested in this study.

In addition, a limitation arises from the timing of the study. The data was collected after the Kennett government had lost the 1999 election and, as a consequence, the data gained through interviews are subject to all the foibles and failures that arise when people try to recollect the details and course of events that have passed. Where possible, the information gained from interview participants has been cross-checked with available documentation and information derived from secondary sources.

1.8 Outline of the thesis

This first chapter outlines the context for the local government reform agenda implemented in Victorian local government between 1992 and 1999 and the research problem. The justification for examining this problem, the special terms used in this study, the research methodology applied, the main limitations and assumptions of the study, and an outline of the remainder of the study are also described.

The next chapter reviews literature from UK research studies on CCT in local government and trade unions. Models (as reproduced above in Figures 1.1 and 1.2) are constructed from this review showing the effects of policy changes of this type on trade unions and their responses. The key sets of research questions are also arrived at from this literature review. In addition, an analytical framework is developed (Figure 1.3). This framework will serve as a template for testing the two main propositions on public sector reform agendas and trade unions (as identified above in section 1.3).

Chapter 3 reviews literature on the Victorian local government reform agenda and outcomes arising from the major policy instruments introduced as part of this agenda. A review of local government in Victoria pre-1992 is initially undertaken to identify issues such as
where this level government fits in Australian government and the roles and services undertaken by this tier of government. This is followed by a review of literature to address the four main parts of the local government reform agenda (as identified above in section 1.3). Important findings are also reviewed as to how policy changes affected the organisation and activities of local government. The information reviewed contributes to addressing RQ1 and RQ2 (as identified above in section 1.3).

Chapter 4 presents and justifies the methodology and methods used to conduct case study research for this study. The chapter describes how the study has drawn upon features of both positivist and interpretative methodological approaches to answer RQs 3, 4 and 5 and to test the propositions about local government reform and trade unions (as identified above in section 1.3). The case study strategy used in the study is explained and justified and the organisations investigated are briefly described. The chapter also explains how the data is mainly collected through interviews with individuals from these case organisations and how this information is analysed. The major limitations of the study are also explained as well as the steps taken to ensure they did not intrude to severely limit the effectiveness of the study.

Chapter 5 reviews literature on the origins and important structural and behavioural characteristics of the ASU and two branches of this union, the MEU and the VSEB. This is important background information for reporting the effects of the reform agenda and union responses between 1992 and 1999. Findings are presented on the effects of the local government reform agenda using the model (Figure 1.1) developed from the literature review conducted in Chapter 2. This is followed by the findings on union responses to the reform agenda using the model of union responses (Figure 1.2). The findings are analysed and contribute to answering RQ3, RQ4 and RQ5 (as identified above in section 1.3).

Chapter 6 presents findings on the outcomes of the local government reform agenda at a local council level. The chapter reports findings from two rural local councils, Corangamite Shire Council and Moyne Shire Council. The effects on the ASU and their responses are also reported from each case study. The chapter also draws out the importance of local variants in shaping local government change and also their impact on union responses. The findings collected in this chapter also analysed and contribute to addressing RQ3, RQ4 and RQ5 (as identified above in section 1.3).
Chapter 7 draws together the findings on each of the research questions and provides conclusions on the propositions set out above. Contributions to research and suggestions for further investigation, which have arisen from this study, conclude the chapter and the study.

1.9 Conclusion

This chapter has laid the foundations for the study. The chapter introduced the study, the research problem and research questions. The research was justified, key terms defined, methodology and limitations briefly described, and an outline of the remaining chapters provided. On these foundations, the study can proceed with a detailed description of the research. This is to follow in the next chapter.

Chapter 2 presents the literature review for this study. The review seeks to define CCT, and discuss how the policy instrument was implemented and also why the Thatcher government imposed CCT in the local government tier. In addition, the review aims to identify the effects of CCT on trade unions and their responses to this policy instrument.
Chapter 2: Literature Review: Compulsory Competitive Tendering and Trade Unions in the United Kingdom

2.1 Introduction

The previous chapter provided an overview of this study and outlined the central focus, which concerns public sector reform agendas and trade unions. This chapter reviews literature dealing with public sector reform, and specifically, the implementation of CCT in the UK local government tier between 1980 and 1997 and the impact of this policy instrument on trade unions and their responses to the policy.

The central purpose of this chapter is to establish the key research questions for testing the research propositions set out in Chapter 1. Even though the Kennett government extended their policies beyond CCT, a review of the UK experience envisages that models of union behaviour can be drawn from the literature and be tested in Victorian local government. In addition, an analytical framework is also to be developed from this literature review and serve as a template for illustrating the outcomes arising for trade unions from the local government reform agenda.

The UK influence on local government in Victoria has been evident in a number of ways, as illustrated in the use of like terminology such as ‘lord mayor’, ‘shire council’ and ‘town clerk’ (Jones 1993). The influence was further extended in the choice of policy instruments implemented in each jurisdiction. However, for the purposes of this study, there are two main reasons for examining the UK literature. Firstly, UK local government reform preceded and influenced the Victorian experience; an account of which can enrich understanding of Victorian developments (Fairbrother et al. 1997). Second, there have been several studies of the effects of CCT on local government unions and their responses, which is the central concern of this study (see: for example, Ascher 1987; Colling 1994, 1995; Foster 1991, 1993; MacInnes 1987).

The chapter begins with a definition of CCT and a description of how and why this policy instrument was implemented in the UK local government tier. This is followed in section 2.3 by a review of studies dealing with UK local council responses to CCT and the identification of other local variants which had influenced policy outcomes. Following this,
section 2.4 examines studies on the effects on trade unions arising from CCT, and from these, a model is established for testing in Victorian local government. The actions taken by UK local government trade unions are then described in section 2.5 and a model of union responses is similarly developed for testing in this study. The conclusion in section 2.6 brings the literature together and from this, five sets of research questions are presented to test the propositions set out in Chapter 1. In addition an analytical framework for analysing policy reform and trade unions is developed in this section.

2.2 Compulsory Competitive Tendering in the United Kingdom

This section examines the definition of CCT, how the policy instrument was implemented and why it was introduced in local government in the UK.

2.2.1 What is CCT?

CCT is defined refers to a process by which a public sector organisation, like a local council, is compelled (usually by legislation) to expose services to competition from external organisations (McDonald 2002; Murfitt et al. 1996). CCT typically involves three main stages (Parker and Hartley 1990).

The first stage is the development of a tender specification by the organisation seeking the services. The specification typically provides detail of the goods or services required to be delivered by a supplier and contain the criteria on which the potential suppliers will be judged.

In the second stage, potential suppliers are invited, often through advertisement, to submit a written tender bid. A tender bid will address the requirements set out in the tender specification and commonly consists of such matters as the experience and expertise of the supplier in performing the type of work, the cost of providing the service, relevant insurance coverage, and any other matters sought in the specification. In addition, other relevant matters could be asked, such as current insurance and compliance with relevant legislation.

In the third stage the bids are assessed against the pre-determined criteria and a decision is made on whom is to be awarded the service delivery responsibilities. These responsibilities are often contained in a contract between the funding organisation and supplying
organisation. The contracts would specify in detail the nature of, and the level of, services required and also provide remedial mechanisms for poor performance (Parker and Hartley 1990).

2.2.2 How was CCT implemented in UK local councils?

The introduction of competition in local government services was not a wholesale ‘hiving off’, nor was it privatisation in the sense of a permanent transfer of provision from public to private sector. Instead, the CCT policy enforced or mandated competitive tendering for a range of services as prescribed by the central government through a series of legislation (Foster 1993).

The Thatcher government viewed local councils as not being able to be ‘trusted to act in the most efficient manner’ (Davis and Walker 1997, p.49) and if they were left to voluntarily introduce competition it would be ‘variable and watered-down’ (Shaw et al. 1994, p.215). This view was held because competitive tendering had traditionally been an unpopular way to decide upon the provision of services amongst elected officials, management and unions (Colling 1993). As a consequence of these views, the policies of local councils were treated as ‘subordinate to those of the national government’ (Deakin and Walsh 1996, p.34).

The implementation of CCT in local government was pursued by Thatcher government administrations through a legislative program that spanned a twelve-year period (1980-1992). The first two pieces of legislation confined CCT to a designated group of manual or ‘blue-collar’ service activities like cleaning and maintenance tasks, while the third piece of legislation extended coverage to designated non-manual or ‘white-collar’ services, like accounting and information technology.

CCT was initially introduced in the Local Government Planning and Land Act 1980. The Act directed councils to tender an increasing proportion of local government building, highways and civil engineering services to a competitive tendering process over a five year period (Paddon 1993). The Act required local councils to tender at least 20 per cent of work in each of these areas, rising to 100 per cent over a five year period (Painter 1991a). The legislation also required any successful Direct Service Organisation (DSO) or in-house provider to obtain a 5 per cent rate of return on capital employed (Foster 1991).
Although the Thatcher government had hoped local councils would expand competitive tendering beyond these designated service areas, there was a reluctance of most local councils to do so (Domberger et al. 1986; Painter 1991a; Walsh 1989). There also remained some strong opposition in sections of local government, when this policy instrument was not being applied at the central government tier (Shaw et al. 1994).

In addition, local councils continued to be the main supplier of goods and services after the implementation of CCT. Parker (1990) reported, ‘by early 1985 only 41 of 456 councils in England and Wales had chosen to use private contractors for any of their main services’ (p.654). The relative looseness in tendering requirements had permitted councils to manipulate the legislation in ways that guaranteed the continuation of in-house or DSO provision (Colling 1994). This was illustrated in the way local councils had included requirements that a successful external provider had to employ local council workers in the tender specifications (Colling 1994).

The second piece of legislation dealing with CCT was the Local Government Act 1988. This Act extended the application of CCT to include the provision of refuse collection, building cleaning and street cleaning, school and welfare catering, grounds maintenance, and vehicle maintenance services. The legislation also enabled the UK Secretary of State to add more services to this list at any time (Painter 1991a). Similar to the 1980 legislation, local councils were required to tender at least 20 per cent of work in each of these areas, rising to 100 per cent over a five year period (Painter 1991a).

Part II of the Local Government Act 1988 detailed the factors that should or should not be considered in the evaluation of tender bids. A major change entailed the removal of the practice of ‘contract compliance’, or clauses that had previously required contractors to meet certain employment and/or non-commercial conditions (Ascher 1987). This meant local councils could not impose clauses that required external providers to pay existing nationally agreed wage rates or to use labour from the local community. In addition, local councils could not compel successful providers from using services from local businesses (Colling 1994).

The legislation also prohibited the restriction, distortion or prevention of competition. Additional conditions included the tightening of requirements for specifications, advertising
and how DSO bids were to be prepared (Painter 1991a). In addition, separate financial accounts had to be established for DSOs (Foster 1991). Local councils were also instructed to at least break even for building cleaning and make at least a 5 per cent return on capital employed for the other services (Pinch and Patterson 2000).

The third major piece of legislation dealing with CCT was the *Local Government Act 1992*. This Act extended the application of CCT to include a number of non-manual or ‘white-collar’ service activities such as libraries, theatre management, information technology services and personal management (Colling 1994). Similar to the previous legislation, these services were also to be progressively placed to competitive tendering arrangements, commencing with at least 20 per cent of the work in each of these areas.

### 2.2.3 Why was CCT implemented in UK local councils?

The Thatcher government was intent on limiting public expenditure, strengthening the role of markets, and promoting the concept of competition because of the growing public criticism of the performance and efficiency of local authorities (Foster 1991, pp.24-25). Local councils in the UK were depicted by the Thatcher government administrations as large, over-centralised bureaucracies, prioritising the interests of ‘producers’ rather than ‘clients’, and ‘cosy havens of labour inefficiency’. This behaviour had resulted in ‘high levels of public sector employment, inflexible employment packages and a high degree of trade union influence’ (Colling 1994, p.119). In addition, the Thatcher administrations perceived local councils as ‘embodying rival values’ to those underpinning national reform, and councils had used their relative autonomy from the central state to increase public expenditure or retain service provision (Painter 1991a, pp.192-193).

CCT was introduced into the local government tier as a major policy instrument to align local government with the broader public sector reform agenda, which was underpinned by ‘public choice’ ideas. The introduction of competition in local government was an integral part of the Thatcher conservative Party-led government’s public sector restructuring campaign aimed at attaining three main policy outcomes (Ascher 1987). These policy outcomes included cuts to the levels of public expenditure, a reduction in the size and scope of the public sector, and the reduction in the influence and position of public sector trade unions (Painter 1991a; Walsh 1989).
The *Local Government Act 1988*, in particular, meshed with the structure and operations of local government most favoured by ministers and central to public choice, that of, ‘the enabling model’ (Colling 1994, p.127). An ‘enabling model’ would be one where local councils would largely cease to provide public services directly and instead become largely residual bodies that coordinate and monitor services through a range of contracts (Colling 1994; Sachdev 2001). ‘A contract model would replace an administrative one in the public sector’ (Sachdev 2001, p.10). Deakin and Walsh (1996) also noted that:

‘… at the centre of the process of (public sector) reinvention lies the notion of redefining the state’s functions – separating out a “core” of policy making and direction and retaining only a minimal “periphery” of residual delivery functions that are defined as essential but cannot for whatever reason be discharged elsewhere. In principle, this process should transform the state, locally and centrally, into an “enabling” organisation, responsible for ensuring that public services are delivered, rather than producing them directly itself’ (p.33).

The Thatcher government expected local councils would progressively lose the ‘right’ to provide services to more efficient external private providers (Ascher 1987). The consequential transfer of functions to the private sector was seen as the most effective mechanism to reduce costs, reform management practices and also undermine the power of those interest groups maintaining government provision (Ridley 1988; Storey and Fenwick 1992).

A major aim of the reform agenda was to reduce the level of influence and position of public sector trade unions. CCT formed part of a ‘two-pronged political attack’ on trade union ‘power and organisation. The first involved the overt Conservative programme of legislative action through successive Employment Acts aimed at reducing the rights and immunities of all trade unions’ (Foster 1993, p.49). A chronological list of major legislation implemented by the Thatcher government affecting trade unions is presented in Table 2.1. Each piece of legislation, commencing with the 1980 Employment Act, sought to reduce trade union power by reducing their ability to organise and take industrial action and also introduced fines for ‘unlawful’ action (MacInnes 1987).
Table 2.1: Chronological list of legislation introduced by the Thatcher government affecting trade union influence and position

<table>
<thead>
<tr>
<th>Act</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>The 1980 Employment Act</td>
<td>• Restricted picket line numbers to only six.</td>
</tr>
<tr>
<td></td>
<td>• Made solidarity action illegal.</td>
</tr>
<tr>
<td></td>
<td>• Restricted the closed shop, which now had to be approved by 85% of the workforce.</td>
</tr>
<tr>
<td>The 1982 Employment Act</td>
<td>• Outlawed most forms of solidarity action including international solidarity with workers who are employed by the same multinational companies.</td>
</tr>
<tr>
<td></td>
<td>• A strike had to be wholly related to pay and conditions, dismissals, redundancies, sackings, disciplinaries or union membership. Workers could not strike for political reasons.</td>
</tr>
<tr>
<td></td>
<td>• Made trade unions legally liable to pay disabling damages from strikes.</td>
</tr>
<tr>
<td>The 1984 Trade Union Act</td>
<td>• Made it illegal to strike without a ballot and ordered unions to instruct their members that they are breaking their contract of employment if they vote in favour of strike action.</td>
</tr>
<tr>
<td></td>
<td>• Imposed on unions a ten-yearly ballot to decide whether to have a political fund.</td>
</tr>
<tr>
<td>The 1988 Employment Act</td>
<td>• Imposed postal ballots to decide on union executive elections or decisions on political funds.</td>
</tr>
<tr>
<td></td>
<td>• Made it illegal for unions to expel or discipline members who refuse to participate in industrial action after a legal ballot.</td>
</tr>
<tr>
<td>The 1989 Employment Act</td>
<td>• Restricted time off for trade union representatives.</td>
</tr>
<tr>
<td>The 1990 Employment Act</td>
<td>• Held trade unions financially responsible for walk-outs and unofficial action unless they publicly disowned a dispute.</td>
</tr>
<tr>
<td></td>
<td>• Allowed the sacking of stewards and key union members involved in unofficial action.</td>
</tr>
<tr>
<td></td>
<td>• Made all secondary action illegal.</td>
</tr>
</tbody>
</table>


The second attack was more indirect and arose from the consequences of CCT in local councils. The introduction of mandatory competition through CCT was a means of forcing local councils to abandon, what the Thatcher government perceived as excessively high pay
and over-generous conditions (Laffin 1989). Local councils would be forced to negotiate terms and conditions more suitable to the local market. This action would lead to a breakdown in nation-wide terms and conditions and undermine trade union power (Walsh 1989). The policy instrument also provided a means by which the Central government could enshrine and extend individual property rights into the local government sector (Fairbrother et al. 1997).

The next section reviews major studies dealing with how local councils responded to CCT and identify what other local variants, influenced the extent of change to local government (Colling 1994; Foster and Scott 1998; Reimer 1999).

2.3 Responses by local councils to CCT and other local variants influencing reform outcomes

Although local government had voluntarily been applying some form of market testing, this government tier had not, until 1980, experienced any mandatory imposition of competition in the delivery of its goods and services (Walsh 1989). Each of these legislations also did not discriminate between local council types. All councils, from large metropolitan to small rural ones, were required to implement the requirements of legislation. However, local councils are not a ‘homogeneous set since they manage a wider range of services in greatly varying contexts and with different organisational and political priorities to those of central governments’ (Foster 1993, p.51).

Three major studies dealing with the responses by local councils to CCT were reviewed in this chapter. The first study by Painter was conducted in 1991. Painter claimed that the way in which the competitive tendering legislation worked out in practice varied depending on the political affiliation of the local council. The differences between councils of different political complexions were ‘stark’, with Labour-controlled councils overwhelmingly opposing CCT and Conservative councils more enthusiastic privatisers.
Painter (1991a, pp.206-207) categorised political attitudes into four types:
1. new right;
2. non-committal;
3. in-house commitment; and,
4. in-house commitment without cuts.

The ‘new right model’ represented the ‘enabling’ approach sought by the Thatcher government. Not surprisingly, Painter found this approach more evident in Conservative Party-controlled councils.

The majority of councils were found to be located in the second category, ‘non-committal’. These councils did not have a ‘well-developed ideological commitment to privatisation’, nor did they determine to retain services in the public sector’ (Painter 1991a, p.206).

The third group, ‘in-house commitment’, comprised both Conservative and Labour councils. These councils ‘made an explicit commitment to retain services in-house, but were prepared to cut wages, conditions or jobs, if that was deemed ‘necessary’ to win the tender’ (Painter 1991a, p.206).

Labour-controlled councils mostly account for the fourth category of council attitudes to CCT, ‘in-house commitment without cuts’. These councils made a ‘political commitment to public sector provision’ and a ‘determination to enhance services, and to maintain employment levels, wages and conditions’ (Painter 1991a, p.207). Change and service improvement were to be brought about through negotiation with trade unions.

A second major study on the way councils’ approached CCT was conducted by Kerley and Wynn (1991). Their study focused on implementation of CCT in Scottish local councils. The researchers identified three types of responses namely ‘fear and loathing’, ‘confident comparison’, and ‘wary acceptance’ (Kerley and Wynn 1991, p.45). ‘Fear and loathing’ represented the initial reaction within many local councils. Councils in this category had perceived outsiders as being incapable of providing a decent local council service and would concentrate upon reducing wages and conditions to win local government tender bids.
However, Kerley and Wynn (1991) noted that many councils moved on from this attitude, particularly Conservative-controlled councils. These councils were found to have adopted a position of ‘confident comparison’. ‘Confident comparison’ was the term used to describe councils who had become more familiar with their competitors and local market and were positive of winning competitive tendering contracts. These councils also extended CCT to non-compulsory service areas.

On the other hand, Labour-controlled local councils moved from ‘fear and loathing’ to ‘wary acceptance’. This category represented those councils who maintained longer term opposition to CCT and proceeded to meet the absolute minimum requirements of the legislation (Kerley and Wynn 1991, p.45).

The third major study on council approaches to CCT was undertaken by Shaw, Fenwick, and Foreman, and published in 1994 (Shaw, Fenwick and Foreman 1994). Their study categorised council reactions to the imposition of CCT. Five main types of reactions were noted in the study including hostility, fear, pragmatism, neutrality, and enthusiasm (Shaw et al. 1994, pp.202-204).

‘Hostility’ was mainly expressed from Labour councillors, particularly in major urban councils. These councils viewed CCT as a ‘very clear political attack on the role of local government’ and their concerns over private intrusion into public service delivery were translated into a strong desire to maintain in-house workforces by winning contracts’ (Shaw et al. 1994, p.202).

The second response, ‘fear’, was evident in small rural councils. These councils were concerned about the burden on the organisation of having to comply with the associated specification requirements and the loss of local employment opportunities.

A third reaction was ‘pragmatic acceptance’ of CCT. Although there was not an ideological push by these councils, nor would they pursue such an approach if left to their own devices, council management accepted the need to ‘work within the rules’ (Shaw et al. 1994, p.203).
A fourth reaction, ‘neutrality’ was also more prominent in smaller rural districts, with a Conservative or Independent majority. Management and elected officials combined a selective commitment to in-house services (if they were seen to provide value for money) with support for selective use of competitive tendering where the process would assist council in lowering costs.

The fifth reaction was termed, ‘enthusiasm’. The authors found relatively few enthusiastic reactions to the virtues of CCT amongst local councils. Where there was clearly expressed support, it often came from Conservative local councillors (often with a business background) who perceived substantial cost savings to be produced from the application of CCT (Shaw et al. 1994, p.203).

The varied approach or response taken by local councils resulted in a gap between what was expected to be achieved by the Thatcher administrations and what they actually attained from CCT. CCT was expected to separate local decision-making from the provision of public goods and democratic structures, and instead to link the management process directly to the market (Lloyd and Seifert 1991). This type of separation promised ‘to fracture management structures and procedures and allow commercial values and practice to seep into the fabric of public service provision, displacing political mechanisms’ (Colling 1994, p.127). However, most local councils adopted less clearly defined structures, where higher levels of management had responsibility for both provider and client functions. This approach was termed, ‘twin-hatted’ arrangements (Kerley and Wynn 1991). Walsh (1992) also noted that a twin-hatted arrangement was implemented in most councils because a clearer separation had resulted in less trust between provider and client personnel in councils and had created ‘conflicts and confusions over roles’ (p.80).

In addition, many studies also reported that local councils remained the dominant provider of local government services even after CCT was introduced (Colling 1993, 1994; Escott and Whitford 1995; Foster 1991, 1993; Paddon 1993; Painter 1991a; Rao 1996; Reimer 1999; Shaw et al. 1994. For example, Painter (1991a) found that the proportion of services won by DSOs was 74.43 per cent. Paddon (1993) likewise found DSOs won 73.9 per cent (or 83 per cent of the total contract value) of contracts. Shaw et al. (1994) also noted award of the majority of contracts to DSOs (85 per cent of cases).
The success of in-house units or DSOs was further supported by three other main factors, or local variants (Foster 1993). Firstly, councils were found to want in-house provision to continue so as to provide local councillors with ‘a say’ in how services were to be delivered on a day-to-day basis (Kerley and Wynn 1991; Painter 1991a; Rao 1996; Reimer 1999). Elected councillors were also cognisant of the consequential employment losses arising from CCT if services were delivered by external contractors (Kerley and Wynn 1991, Walsh 1995). This was found to be mainly evident in Labour-controlled councils but also illustrated in rural local councils (Colling 1994; Shaw et al. 1994).

Second, the nature and level of competition from private sector providers impacted significantly on the level of DSO success (Paddon 1993; Painter 1991a). This was borne out in findings from a study undertaken by Escott and Whitford (1995). These researchers found DSOs were more successful in education catering and sports and leisure management, where competition was lower. Where competition from private sector providers was greater in the areas of building cleaning and refuse collection, DSOs were less successful (Escott and Whitford 1995). Studies by Reimer (1999) and Pinch and Patterson (2000) also confirmed that DSOs were more successful in some service areas where competition was low.

Competition also varied regionally, and this also influenced the level of DSO success (Painter 1991b). For instance, Escott and Whitford (1995) found that DSOs were more successful in Scotland than in England and Wales, often because there were fewer competitors in Scotland (Table 2.2). A study by Reimer (1999) also found that in-house tenders were more successful in northern parts of the UK (ranging from 84 per cent to 91 per cent), whilst in the south and in London, in-house success ranged from 58 per cent to 68 per cent. In addition, Pinch and Patterson (2000) reported that approximately 50 per cent of contracts were won by DSOs in the southern regions of the UK, while in the north-west, Wales and Scotland, DSOs were successful in winning over 85 per cent of tenders.
Table 2.2: Percentage of contracts (various services) won by in-house units, England and Wales and Scotland, 1993

<table>
<thead>
<tr>
<th>Contract</th>
<th>England and Wales</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building cleaning</td>
<td>45</td>
<td>81</td>
</tr>
<tr>
<td>Education catering</td>
<td>89</td>
<td>100</td>
</tr>
<tr>
<td>Refuse collection</td>
<td>70</td>
<td>86</td>
</tr>
<tr>
<td>Grounds maintenance</td>
<td>66</td>
<td>82</td>
</tr>
<tr>
<td>Other cleaning</td>
<td>70</td>
<td>100</td>
</tr>
<tr>
<td>Sports and leisure management</td>
<td>86</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Escott and Whitford (1995), pp. 11-12

A third main local variant influencing policy outcomes was found to be the role of trade unions. A stronger union presence was often associated with greater DSO success (Kerley and Wynn 1991). Shaw and colleagues (1994) also found that the level of competition from private contractors was lower against local councils where there was a perception of strong union presence.

As a consequence of the influence of these variants on local councils and on the extent of transformation in local government, the overall impacts on trade unions in local government were not as great as anticipated by the Thatcher (Foster 1993; Rao and Young 1995). The next section will examine the effects of CCT on trade unions.

### 2.4 Effects of CCT on trade unions

Trade unions were found to be well alert to the potential threats of CCT to them as representative bodies of local government workers (Ascher 1987; Foster 1991). A switch from in-house to external provision signalled the end of public sector employment for most of the direct workforce and ‘it was for this reason that unions fought contracting so bitterly’ (Ascher 1987, p.11). A report prepared by Sachdev (2001), *Contracting culture from CCT to PPPs: The private provision of public services and its impact on employment relations*, on behalf of UNISON summed up the overall feelings of trade unions after the CCT legislation was removed by the Labour government in 1997. UNISON was formed in 1993 when three previous public sector trade unions, the National Association of Local Government Officers (NALGO), the National Union of Public Employees (NUPE) and the Confederation of Health Service Employees (COHSE) merged and represents the main trade union operating in the public sector. Sachdev (2001) reported that:
… weakening trade unions was an explicit aim of CCT. CCT shifted the balance of power in the workplace towards management as it seriously weakened the effectiveness of trade unions, fragmenting union memberships and interests. The scope of trade union influence was often reduced to local operational matters. A shift of provision to the private services sector, where unions have traditionally been very weak, is likely to weaken unions further.’ (p.6)

The mere threat of privatisation implicit in the CCT policy induced an immediate and intended effect on the position, organisation and effectiveness of trade unions in the local government sphere and subsequently influenced the local government industrial relations context (Foster 1993). In this respect the research literature on CCT and trade unions has noted that trade unions were one of the main ‘losers’ under the CCT policy (Ascher 1987; Foster 1991, 1993; MacInnes 1987). This conclusion was reached on the basis of the consequential effects that the CCT policy had upon employment-related characteristics in the local government sector.

The main studies researching the effects of CCT on trade unions have identified that trade unions were affected by the Thatcher governments’ reform agenda in four main areas:

1. the level of influence in policy determination and implementation
2. union membership levels
3. bargaining outcomes
4. intra- and inter-union relations

The first consequence was a retraction in previous levels of trade union involvement in the decision-making processes of local governments. The Thatcher government perceived unions as being too powerful, and, with a background of commitment to ‘public choice’ ideas, saw no need for union input into the realms of high level public policy making (Pendleton 1988). Numerous ministerial statements and claims were made throughout the 1980s suggesting that the failures of local government were primarily the result of trade union activities (Ascher 1987; MacInnes 1987). The Thatcher government had accused local councils of colluding with unions in distorting the labour market and using industrial muscle to preserve their relatively favourable employment conditions compared to those in the private sector (Deakin and Walsh 1996; Laffin 1989).
Union actions in local government, similar to other parts of the public sector, were seen to have caused inordinately high levels of employment, supported unsustainable terms and conditions of employment, and entrenched costly and inefficient work practices (Laffin 1989). MacInnes (1987) also noted the anti-union sentiments contained in the government’s reform agenda. He stated that ‘under the rhetoric of making markets work better, the Central government had a firm view that unions had little or no positive contribution to make as to how markets operated, and therefore ought to be weakened’ (MacInnes 1987, p.56).

Consecutive Thatcher government administrations saw no need for union input into the realms of high level public policy making and increasingly adopted positions of disengagement from trade union consultation (Foster 1991; MacInnes 1987). Walsh (1995) noted there was a general decline in the level of trade union access to local government decision over the period of the reforms. Unions were no longer treated with the same degree of political deference, as was the case under previous government administrations (Walsh 1995).

A second major consequence for trade unions was in the area of membership (Thomas 1986). Whilst membership levels have been seen as a crude measure of union power (see, for example: Martin 1992), major declines in employment, represented a ‘significant test of union representative credibility’ (Colling 1995, p.136). Although the effects of CCT and those of other policy and structural changes have been difficult to separate, a number of changes were found to have occurred in employment as a result of CCT and these changes ultimately impacted on union membership levels (Colling and Ferner 1995; Doogan 1997; Escott and Whitford 1995; Friend (1992), Foster 1993). Many studies reported on the decline in the levels of public sector employment during the Thatcher years. This was to be expected since ‘the bulk of local council service costs relate to labour’, and any attempts to become competitive automatically carried implications for employment levels and practice (Colling 1994, p.120).

A study by Morgan and Allington (2002) reported on public sector employment prior to Thatcher and also during her reign as leader of the Conservative Party (1961-1997). The authors found:
Central government: employment increased by 9.83 per cent during 1961-71, but decreased by 60.93 per cent between 1979 and 1997.


Nationalised industries: employment decreased by 13.75 per cent during 1961-71 and by 82.91 between 1979-97 (Morgan and Allington 2002).

Employment declines had also resulted in local government as an outcome of CCT. Table 2.3 provides data for selected years on employment change in local government from 1979 to 1994 (Doogan 1997). Doogan (1997) found that total employment declined by 15 per cent during this time. In addition, major losses (31 per cent) occurred in the manual or ‘outdoor’ employment type (such as cleaning, construction and the like), which was the central focus of the 1980 and 1988 CCT legislations. The manual areas were also often dominated by male employees, and often these were full-time positions and consequently the greatest decline occurred in male full-time employment levels (34 per cent), compared to male part-time (increased by 1 per cent) and female full-time (8 per cent decline) and female part-time staffing levels (1 per cent decline).

<table>
<thead>
<tr>
<th>Employment Mode</th>
<th>1979 (000s)</th>
<th>1990 (000s)</th>
<th>1994 (000s)</th>
<th>Change since 1979</th>
<th>Change since 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total employment</td>
<td>2 481</td>
<td>2 417</td>
<td>2 104</td>
<td>-15%</td>
<td>-12%</td>
</tr>
<tr>
<td>Manual staff</td>
<td>1 097</td>
<td>902</td>
<td>758</td>
<td>-31%</td>
<td>-15%</td>
</tr>
<tr>
<td>Non Manual staff</td>
<td>1 384</td>
<td>1 515</td>
<td>1 346</td>
<td>-3%</td>
<td>-11%</td>
</tr>
<tr>
<td>Male full time</td>
<td>876</td>
<td>726</td>
<td>579</td>
<td>-34%</td>
<td>-20%</td>
</tr>
<tr>
<td>Male part time</td>
<td>93</td>
<td>97</td>
<td>94</td>
<td>1%</td>
<td>-3%</td>
</tr>
<tr>
<td>Female full time</td>
<td>680</td>
<td>680</td>
<td>629</td>
<td>-8%</td>
<td>-8%</td>
</tr>
<tr>
<td>Female part time</td>
<td>833</td>
<td>914</td>
<td>821</td>
<td>-1%</td>
<td>-10%</td>
</tr>
</tbody>
</table>

Source: Developed for this study from Doogan (1997), p.290

Other studies also confirmed the decline in local government employment in service areas subject to CCT (Colling 1994; Escott and Whitfield 1995; Friend 1992). A study by Colling (1994) noted that employment declines were chiefly observed in areas subject to CCT such as transport (down by 90 per cent), refuse collection (down by 35 per cent) and construction (down by 26 per cent). In a study undertaken for the City of Melbourne in 1992, Chief Executive Officer Andrew Friend (1992), also reported that employment in the construction
functions of UK local councils fell from 135,000 in 1979 to approximately 80,000 by 1992 (p.21).

Some studies also reported that employment changes varied geographically, paralleling the responses by councils and the variable success of DSOs (Kerley and Wynn 1991). Studies conducted by Escott and Whitford (1995) and Webb (2001) revealed that employment in manual work areas decreased more significantly in England and Wales than in Scotland, as shown in Table 2.4. This outcome reflected the varying levels of competition for council service delivery in these regions and also the approach to CCT taken by these councils. The majority of Scottish councils were also found to be reluctant to externalise service delivery (Escott and Whitford 1995).

<table>
<thead>
<tr>
<th>Table 2.4: Employment change in local government, England, Scotland and Wales, 1989-1993 and 1994-98 (percentage change)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Manual (1989-93)</td>
</tr>
<tr>
<td>Total (1989-93)</td>
</tr>
<tr>
<td>Total (1994-98)</td>
</tr>
<tr>
<td>FT: Full-time employment</td>
</tr>
<tr>
<td>PT: Part-time employment</td>
</tr>
</tbody>
</table>


The consequential reduction in council employment proved to be especially damaging to the membership of trade unions covering local government (Foster 1993). A study by Waddington (1992) reported that union membership in national government was reduced by 15 per cent and reduced by 5 per cent in local government between 1979 and 1987. By the time the Conservative government left office in 1997 public sector trade union density or proportion of workers in trade unions had fallen from over 80 per cent to approximately 60 per cent (Government Statistical Service 1998).

All the main local government unions lost members, with their collective membership falling 10 per cent from 1,657,926 in 1979 to 1,486,984 in 1992 (Colling 1995). However, there was a marked contrast in membership trends between the manual-based unions (the National Union of Public Employees, and the General, Municipal and Boilermakers Union [GMB]) which decreased more substantially in membership than the National and Local
Government Officers Association (NALGO), the principal white collar union at the time prior to the establishment of UNISON.

Table 2.5 shows that the main manual or outdoor service area unions lost in excess of 200,000 members, the white collar or indoor service area union lost approximately 20,000 members in a 12 year period from 1980 to 1992.

Table 2.5: Union membership in the General, Municipal and Boilermakers Union (GMB), the National Union of Public Employees (NUPE), and the National and Local Government Officers Association (NALGO), selected years, 1980-1992

<table>
<thead>
<tr>
<th>Year</th>
<th>GMB</th>
<th>NUPE</th>
<th>NALGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>920,000</td>
<td>700,000</td>
<td>790,000</td>
</tr>
<tr>
<td>1984</td>
<td>850,000</td>
<td>675,000</td>
<td>775,000</td>
</tr>
<tr>
<td>1986</td>
<td>820,000</td>
<td>650,000</td>
<td>750,000</td>
</tr>
<tr>
<td>1988</td>
<td>795,000</td>
<td>630,000</td>
<td>750,000</td>
</tr>
<tr>
<td>1990</td>
<td>860,000</td>
<td>580,000</td>
<td>750,000</td>
</tr>
<tr>
<td>1992</td>
<td>800,000</td>
<td>530,000</td>
<td>770,000</td>
</tr>
</tbody>
</table>

Source: Developed for this study from Colling (1995), p.137

To compound the problem for unions, the recruitment of new members became more difficult during this reform period. There were four main reasons for the additional difficulties in recruiting members. Firstly, the sector experienced a significant increase in the number of professional positions in non-manual work areas, most of whom did not see themselves as requiring trade union representation (Colling 1995).

Second, many full-time positions were reorganised into part-time and casual positions under the exigencies of competitive tendering, the incumbents of which had only a loose association with the labour market and so also seeing little benefit in trade union membership (Croucher and Brewster 1998). By 1998 one in eight local government workers was found to be on a temporary contract (Sachdev 2001).

Third, trade unions were unable to breach managerial resistance and worker reluctance in campaigns to recruit new members from the ranks of those employed by private sector contractors that had been successful in winning local government contracts (Ascher 1987). And four, new recruitment was limited by the increased use of individual workplace agreements by local governments, as well by external contractors, most of which required
little or no trade union involvement for their negotiation and settlement (Farnham and Horton 1997).

In addition to the consequences on the level of influence in policy determination and on membership levels, a third major consequence for trade unions arising from CCT was in bargaining outcomes. Trade unions faced challenges to traditional collective bargaining processes during this reform period. National bargaining in the public sector ‘has often been regarded as the main source of trade union power’ (Foster and Scott 1998, p.140). However, Conservative policy sought to end the presumption, embedded in 80 years of legislation and government policy, that collective bargaining between employers and representative trade unions was a more favoured or more legitimate form of industrial relations than any other and sought to push decentralise bargaining to the workplace level (Howell 1998).

Prior to the introduction of CCT, terms and conditions of local council workers were commonly regulated as an outcome of negotiated agreements between unions and employer associations at a national level. Yet these arrangements were being put to the test during CCT when a number of mainly Conservative Party-controlled local councils seceded from national pay bargaining to set up their own arrangements (White and Hutchinson 1996). This action became more prevalent after the second wave of CCT legislation in 1988, when increasingly, local councils began to view national agreements as inappropriate under competitive conditions (Colling 1995).

Trade unions were largely unprepared for this shift in bargaining and had not established mechanisms at the local council level for negotiating collective agreements. Consequently trade unions did not possess much local expertise in which to negotiate agreements on behalf of members (Colling 1994; Fairbrother 1994). This placed immense pressure on central union resources. Unions were unable to negotiate all agreements and this became more problematic as local council managers increasingly sought reductions in terms and conditions from DSOs (Foster 1991).

Unions also faced more aggressive managerial initiatives for change to work practices and these were pushed through collective bargaining agreements. Colling (1994) noted that the ‘barrage of reform has had particular and intended implications for both management
practice and employee relations’ (p.119). Unions were subsequently caught between the demands of in-house provider managers wanting to reform work practices and the demands from union members fearful of change and potentially losing their jobs (Colling 1993). DSO managers also used ‘the threat of competition’ to argue for reforms and changed employment practices even in cases when there was no interest from private contractors (Cochrane 1991, p.288; Painter 1991a).

The Thatcher government perceived CCT as a means of forcing local councils to abandon excessively high pay and over-generous conditions and make councils and unions recognise the nature of the local labour market (Walsh 1989). External private contractors were adjudged to be able to be more cost competitive because they provided more flexible work arrangements and workforces paid at rates lower than that of local councils (Foster 1991). This environment in turn would force local councils to consider their ‘ability to pay’ rather than follow the traditional principle of pay comparability with the private sector (Foster 1991). This reduced trade union ‘manoeuvrability over bargaining issues’ (Foster 1993, p.54).

The fourth major consequence for trade unions arising from CCT was in the area of intra- and inter-union relations. By defining certain services for exposure to competitive tendering, Thatcher sought to ‘undermine the collective identity’ of local council employees, particularly within manual unions and between them and non-manual unions (Foster 1993, p.54). As noted above in section 2.2, both the Local Government Planning and Land Act 1980 and the Local Government Act 1988 required local councils to progressively implement CCT in the designated services, commencing with 20 per cent of work. This resulted in some members of manual unions, the General, Municipal and Boilermakers Union (GMB) and the National Union of Public Employees (NUPE), being exposed to CCT, while other members were ‘spared’ (Colling 1994; Foster 1991). This caused tensions within these trade unions and restricted efforts to coordinate internal opposition to CCT (Colling 1994).

The 1988 legislation also compelled local councils to separate provider functions (DSOs) from client functions (non-CCT service areas), along the lines of an ‘enabling model’ (Colling 1994, p.127). This acted to create tensions between unions in local government, and particularly between the manual unions, who mainly covered provider function
employees, and the principal non-manual trade union, the National and Local Government Officers Association (NALGO), which covered client function employees (Colling 1994).

Colling (1994) observed that client and provider functions were spurred on by different motivations, which made the task of coordinating anti-CCT campaigns more difficult for the unions covering local government workers. Client services were found to be motivated to minimise service costs, and this meant union members working in DSOs experienced greater pressure to reduce terms and conditions relative to members undertaking client functions (Colling 1994). This generated antagonistic relations between the unions covering their respective workforces (Colling 1995; Shaw et al. 1994).

The terms and conditions of union members in DSOs were found to have deteriorated relative to those not subject to CCT (Foster 1993). A study by Walsh and Davis (1993), commissioned by the Department of the Environment, reported that 15 per cent of councils had withdrawn gain sharing or bonus payments schemes, 7 per cent had cut basic wages, 18 per cent had altered their approach to sick pay and 12 per cent had changed holiday entitlement diminished. Hours of work were also rearranged by 51 per cent of councils, including actions including increasing the spread of hours, which restricted access to overtime and other penalty rates (Walsh and Davis 1993).

Other case studies observed similar changes to terms and conditions including the modification to existing bonus systems which tied bonuses to output (Paddon 1993), increases in the length of working days and the introduction of annualised wages that incorporated overtime and other penalty allowances (Kerley and Wynn 1991); and, an increase in the variety of tasks required of workers (McIntosh and Broderick 1996). Indeed, the effect of changes to bonus systems on employees’ remuneration was considered to be substantial for manual workers in service groups such as street and building cleaning and grounds maintenance (Walsh and O’Flynn 2000).

Unions also faced differences between the impacts of CCT on male and female members, further undermining the collective identity of members and unions’ ability to mount anti-CCT campaigns from the workplace level (Colling 1994; Foster 1993). Doogan (1997) found that between 1979 and 1984, 81 per cent of the employment decreases were among male workers, compared with 19 per cent of females. Furthermore, whilst male employees
experienced greater job losses, female workers were under greater pressure to boost productivity through more flexible working hours and conditions (Doogan 1997).

In summing up, the progressive expansion of CCT in local government during the 1980s was pivotal to the Conservative Party government’s public choice agenda. This agenda sought three main outcomes, of which the third is the central focus of this study. This outcome sought the reduction in the influence and position of public sector trade unions (Ascher 1987; MacInnes 1987).

The findings reviewed in this section have provided a model in which to investigate policy reform and trade unions in other contexts (Figure 2.1). The four main consequences discussed above form the basis of the model of effects. These included:

1. trade union involvement in policy formulation and implementation,
2. membership levels and recruitment,
3. decentralised bargaining, and
4. intra- and inter-trade union relations.

Each of these four areas is represented in Figure 2.1 and a continuum of level of impact is included so as to provide a visual summary of the direction of the challenge in these areas experienced by trade unions. The continuums have been developed to illustrate the level of impact ranging from the most negative, on the left–hand side, to least negative, on the right–hand side, in each of these four areas. There is no attempt to precisely measure the level of impact, although future research studies may investigate options in this regard (Chapter 7). The main purpose of the continuum is to provide a visual summary based on union official perceptions of the direction of the impact in each of the four areas. In terms of access to policy decisions, trade unions could experience impacts ranging from a low level of involvement through to a high level of involvement and access. Similarly in the case of membership levels, a union faces either minimal impacts or extensive adjustments to membership levels.

In the case of bargaining outcomes a scale of outcomes ranged from poor through to good outcomes, as represented by success in protecting union involvement in collective bargaining arrangements and/or increasing terms and conditions in bargaining agreements.
The fourth main consequence, intra- and inter-union relations is also represented by a scale ranging from poor to good to reflect assessments of relationships both within and between unions.

**Figure 2.1: Model of effects on trade unions from public sector reform agenda**

<table>
<thead>
<tr>
<th>Level of influence in policy determination and implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
</tr>
<tr>
<td>High</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Membership levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimal</td>
</tr>
<tr>
<td>Extensive</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bargaining outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
</tr>
<tr>
<td>Good</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intra- and inter- union relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
</tr>
<tr>
<td>Good</td>
</tr>
</tbody>
</table>

Source: Developed for this study

In addition to the effects on trade unions, UK research also reported on trade unions responses to CCT. Major studies examining these outcomes are reviewed next.

### 2.5 Trade union responses

Ascher (1987) provided one of the earliest studies on CCT and trade union responses in the UK. The study was conducted during the early phase of CCT between 1980 and 1987 and so, did not capture responses after the expansion of the policy instrument in 1988 and 1992. Although Ascher’s main focus was on the types of actions pursued by unions, she also identified the stance or position taken by unions to CCT as critical to understanding trade union responses. In addition, Ascher recognised the level in the union, central headquarters or workplace, at which the actions were mainly developed and implemented.

During the initial phases of CCT (1980-1987), Ascher found that unions took a defensive position, either through industrial action or a strategy of non-involvement in the change process. These approaches were most notable in councils, which attempted to extend CCT to service areas not designated in the 1980 legislation. However, a non-involvement or
defensive stance became untenable as CCT was extended further in the 1988 (Ascher 1987). Ascher also reported that the actions taken by trade unions during this period, 1980 to 1987 were primarily initiated at a central level rather than at the workplace level.

The third and main part of Ascher’s study concerned the activities or actions pursued by trade unions in response to the CCT policy instrument (pp.113-123). Ascher categorised union actions as two-fold in nature. The first set of actions was described as ‘organisational’ or ‘internal’. The strategy in this instance aimed to disseminate information to local government workers of the threats to job security, take-home pay and working conditions in the hope that this would encourage and sustain grass-roots resistance to CCT.

The internal actions included the handing down by central offices of policy positions on CCT procedures the local council level, a range of educational initiatives such as training and education for shop stewards, and most significantly, the development of communication networks between members in different local councils. This later technique involved information sharing about CCT experiences amongst union officials and members and assisted the union in overcoming restrictions on access to council information and decisions on CCT.

The second set of actions was categorised as ‘external’ or ‘strategic’ and focused on convincing the external world of the threats of contracting out. The objective of these actions in this case was to propagate among the general public ‘fears of the dangers of lost political autonomy and the likelihood of lower quality services being offered by less experienced contract workers using low cost methods of delivery’ (Ascher 1987, p.113). External activities were aimed at challenging the virtues of CCT in local political forums, alerting local communities to the problems associated with contracting out and highlighting the failures in service delivery provided by contractors. Unions implemented ‘smear’ campaigns highlighting the poor performance of contractors, developed links with other organisations most likely to have supported unions’ interests in retaining in-house provision, and took action through legal recourse.

Additional studies conducted by Colling (1994, 1995) and Foster (1991, 1993) confirmed the main components of Ascher’s earlier study, including the position adopted by the union, the level in the union at which the actions were decided and implemented and the types of
actions or activities pursued by trade unions. Foster (1993) noted that unions did not resist organisational change, but adopted an involvement position concentrating ‘on influencing local political opinion and the process of CCT, so as to limit the potential “damage” to their members’ (Foster 1993, p.59). Colling (1994) also noted that unions took an involvement position and used local political connections and their previous experience in tendering to cement a main role in the organisational change process.

Foster and Scott (1998) also provided a framework for analysing trade union responses. The framework was built upon the findings of Ascher’s initial findings, confirming the three main elements or components of trade union responses. These included the position or stance taken by a union, where the actions were mainly directed and developed (central versus workplace) and the actions or activities pursued by trade unions (Foster and Scott 1996).

Foster and Scott examined studies on trade union responses after the three pieces of legislation on CCT (1980, 1988 and 1992) had been implemented. They utilised the findings of Ascher and others (Colling 1994, 1995; Fairbrother 1994; Foster 1991, 1993) in developing their framework. The authors noted that although unions suffered setbacks as a consequence of CCT, there were ‘significant innovations in strategies for campaigning and for representing workers’ (Foster and Scott 1998, p.138). Foster and Scott sought to examine the evolution of trade union responses to the threats imposed by CCT. The framework consisted of three main parts. Firstly, there was decision to be made about the internal position or ‘stance’ taken by unions to CCT. Four distinct positions were discerned from their findings of union behaviour. These included:

1. Industrial action,
2. Non-involvement,
3. Negotiation, and

Industrial action through strikes and industrial bans was evident in the early years under more ‘voluntary’ competitive tendering encouraged in the 1980 legislation. The success of this action was not widespread and became less when the Local Government Act 1988 was implemented and further threats were made to members’ jobs.
Non-involvement in CCT was also prevalent and an alternative to direct industrial action. However, this policy approach was not fully supported by members, reflecting again the disparate effects CCT was having on sections of the workforce, particularly manual workers relative to non-manual or white collar workers. Non-involvement was also a ‘high risk strategy’ that negated opportunities for unions to ‘influence contract specifications’ (Foster and Scott 1998, p.142).

The ‘relative failure of these two approaches’ turned union attention to a position of negotiation with local managers so as to minimise the impact of the policy (Foster and Scott 1998, p.142). Although requiring substantial resources to negotiate local agreements, the process provided ‘novel forms of bargaining over contract specifications prior to the finalisation of contract tenders’ (Foster and Scott 1998, p.143). The enforcement of strict contract regulations by councils was ‘itself partly the result of union campaigning’ to get such measures included in local bargaining agreements (Foster and Scott 1998, p.143).

Fairbrother (1994) and Colling (1994) likewise found that competitive tendering broadened the range of issues dealt with at the local level. Foster (1993) also noted in an earlier study that union officials at the workplace had an ‘active role in influencing contract specifications’ (p.57). However, Colling (1995) and Fairbrother (1994, 1996b) observed, that the opportunities for unions to influence the tendering process depended upon the maturity and strength of local organisation, the prevailing management style and the authority’s response to competition. There was also no evidence in a rise in the level of workplace activism (Colling 1995; Fairbrother 1994, 1996). Even though the UK peak union organisation, the Trade Union Council, had been arguing that trade unions needed to build union activism from the workplace upwards to maintain and grow membership (Heery et al. 2000), the major decisions on union actions were made by central officials.

The fourth approach was considered ‘a momentous development in the history of CCT’ and union behaviour (Foster and Scott 1998, p.143). During the early 1990s there was a greater willingness by the union movement to ‘use both domestic and European employment law in defence of workers’ rights’ (p.143). Successful cases affirmed requirements under the Transfer of Undertakings (Protection of Employment) (TUPE). The TUPE regulations were
introduced to comply with European Directive 77/187 (the Acquired Rights Directive) and were intended to protect the rights of employees when a business was sold or taken over.

TUPE does not distinguish between public and private sector employment, but in the UK, the regulations were originally designed by the Thatcher government to exclude public sector employees (Pinch and Patterson 2000). However, the European Court ruled that ‘the UK had incorrectly applied the directives, and TUPE regulations should apply to the contracting out of public services’ (Pinch and Patterson 2000, p.271). This ruling made mention that employees should be consulted prior to any transfer of service provision to an external party and, most significantly, that any transferred workers should not receive inferior terms and conditions (Foster and Scott 1998).

The second part of the Foster and Scott framework examines the campaigns against CCT and relationships developed between unions and external service users. Although Foster and Scott observed that the main campaigns or actions were ‘led by national officials and advisers’ (Foster and Scott 1996, p.145), three main actions were identified in the literature. These included:

1. Locally organised and largely autonomous campaigns,
2. Broader local campaigns that involved service users, and
3. Nationally coordinated campaigns.

Locally organised campaigns were evident in the early phase of CCT, 1980-88. They were primarily reactive in nature and were not coordinated with other unions. These campaigns were also fought on the basis of defending ‘the traditional bureaucratic model of public sector provision’ (Foster and Scott 1998, p.144), and so, often lacked direction and resources to maintain opposition to CCT.

The lack of success in this approach saw unions seek to coordinate action with other unions and also with service users, to highlight the problems of contracting out services (such as quality reductions and increases in user charges). The success of these campaigns led to the development of national approaches, which were also built on relationships between unions and user groups.
The third part of the Foster and Scott framework consists of union responses to membership decline. Three approaches were detected by Foster and Scott and included:

1. Maintain identity as representatives of exclusively public sector employees,
2. Attempt to retain members in external contracted providers, and
3. Actively seek new members in private firms that are tendering for public service provision.

Attempts to maintain traditional local government worker-based unionism in the face of public sector change was evident in the early phases of CCT and mainly evident in the actions of the NALGO. As described in section 2.4, this non-manual trade union was the least affected by CCT at this time because the CCT legislation was directed at manual workers. However, ongoing reductions in membership and exclusion from decisions on CCT and organisational change, forced the NALGO to join the manual unions (GMB and NUPE) in continuing to service members who transferred from their council jobs to external or private providers. Furthermore, as membership declines continued throughout the late 1980s and into the 1990s, recruitment actions expanded. Each of these unions became more active in trying to recruit new members from those private contractors, who were successful in tender bids against DSOs.

Arising from this review of studies on trade union responses to CCT a model can be developed for testing in the Victorian local government context. Three major components make up a model of union responses to CCT and this is summarised in Figure 2.2. Each of these components is represented by a continuum so as to visually report on the options available to trade unions in each part and report on the approach taken as perceived by union officials.

The first component of the model sets out the stance or position adopted by a union to the implementation of public sector reform. Each of the major studies reviewed here, commencing with Ascher’s study (1987) observed that this was a key determinant of union action. Each of the studies conducted by Colling (1994), Foster (1991, 1993) and Foster and Scott (1998) reported that the initial response by trade unions of non-involvement in the reform process became untenable, since unions could do little to ‘thwart’ the thrust of the Thatcher government’s reform program (Fairbrother 1996a). The Thatcher government was
driven to expand CCT across all services (Painter 1991a). An involvement position was principally adopted because unions saw this as necessary to ensure member interests were not left in the hands of council management or private contracting organisations (Fogarty and Brooks 1989).

The second component of the model involves identifying where actions are primarily initiated and directed from. In each of the major studies, again commencing with Ascher’s (1987), union action was perceived as being either directed by central union headquarters or led from local workplaces (Ascher 1987; Colling 1994; Fairbrother 1996a; Foster and Scott 1998).

Unionists across the world have engaged in debate about what they could do to improve their fortunes in relation to flagging memberships and declining political and industrial influence (Cockfield 2005, Cooper 2003; Fairbrother 1996b). Significant amongst the solutions to halt the haemorrhaging of membership, has been the adoption of the ‘organising’ model (Oxenbridge 2002; Heery et al. 2000; Carter 2000; Cooper 2000).
The term, ‘organising’ model, was coined in the United States of America (USA) and denotes, not just an approach to the recruitment and organising of new members, but a general vision of union purpose and form, particularly in promoting workplace activism (Blyton and Tumbull 1998). Under an organising approach organisers' roles are transformed, from solving problems for members (making the union appear as an external entity rather than as simply the collective expression of the membership), to taking on the role of educators and facilitators providing members with the capacity to enable them to solve problems themselves (Oxenbridge 1997). Rather than members calling on the union to provide services in return for their membership fees, the members are the union. This would allow unions to stretch their limited resources further, make them more democratic and more resilient to attack from employers (Bronfenbrenner 1997; Bronfenbrenner et al. 1998). An organising model of unionism is usually juxtaposed against the (outmoded) servicing approach.

The ‘service’ model had been in effect for many decades and was based on the idea that the function of the union is to deliver collective and individual services to members who are dependent on the formal organisation and its hierarchy of officers to provide what they require (Heery et al. 2000). The model is based upon a transactional relationship where union officials deliver services and, in exchange, union members pay dues (Banks and Metzgar 1989).

The third component of the union response model deals with the actions undertaken by trade unions. Building on Ascher’s initial study, Foster (1993) and Colling (1994) also observed union actions could be categorised as being either internally, or externally, focused. Internal actions consisted of activities such as organisational activities of member communication, recruitment of new members in private contracting organisations, training of members and workplace union officials, and bargaining activities on behalf of members (Ascher 1987; Colling 1994; Foster 1993; Foster and Scott 1998).

Externally focused responses included political actions and legal activities. Political activities included campaigns to raise community awareness of the costs of CCT to service quality, local jobs and the like and development of networks with other anti-CCT organisations. Legal action represented the activities of unions that were pursued through
industrial courts and usually over the non-adoption by organisations of the TUPE requirements (Foster and Scott 1998).

The final section will sum up the chapter and establish a set of research questions and an analytical framework for a study into the impacts of the Kennett government’s local government reform agenda on trade unions.

2.6 Conclusion, Research Questions, and Analytical Framework

The purpose of this chapter was to examine literature essential to the present study by looking at the example set for Victorian local government reform by successive UK central governments during the 1980s. By comparison with the UK, the Australian research literature on the subject of public sector reform and trade unions is under-developed. Although there have been a limited number of studies that touched on trade union responses (Paddon 2001; Teicher et al. 1999; Teicher and Van Gramberg 2002; Van Gramberg et al. 2002), no conclusions can be drawn about the impacts on trade unions or on how and why trade unions responded.

This literature review has provided a definition of CCT, a discussion of how the policy instrument was implemented and also why the Thatcher government imposed CCT in the local government tier. The review described how CCT was introduced over twelve years (1980-1992) through three separate pieces of legislation and mandated by the Thatcher government because local government needed to ‘brought into line’ with the public choice reform agenda being imposed in other parts of the public sector. The introduction of CCT into local government was seen as pivotal to the Conservative government’s reform agenda of reducing public sector costs and increasing private sector involvement in the delivery of public services in local government (Ascher 1987). Moreover, the Thatcher government administrations perceived the introduction of competition as an additional means to direct industrial relations legislation of reducing the level of trade union influence and position in local councils.

The literature review then discussed the main effects on trade unions arising from CCT and their responses to this policy instrument. Models for testing in the Victorian local government context were also developed from this review. On the basis of this literature review, five sets of research questions can be drawn in order to test the two main
propositions set out in Chapter 1 on the Victorian local government reform agenda implemented between 1992 and 1999 and trade unions operating in this tier of government. These propositions were firstly, that public sector reform agendas underpinned by public choice ideas sought to reduce trade union influence and position through consequential changes arising from the inculcation of competitive practices in the provision of local government services. And, second, that the level of success achieved by governments on these dual objectives was determined in part by the responses taken by trade unions to the reform agenda and on the extent to which local councils adopted a competitive culture.

The five sets of RQs are as follows:

**RQ1.** What was the public sector reform agenda implemented in Victorian local government between 1992 and 1999?

- **RQ1.1** What were the forces driving the need for local government reform?
- **RQ1.2** How was the reform agenda developed and implemented?
- **RQ1.3** What were the expected outcomes sought by the Kennett government through the implementation of local government reform?
- **RQ1.4** What policies instruments were implemented in local government to achieve the expected outcomes?

This RQ seeks to describe the Victorian local government reform agenda implemented by the Kennett between 1992 and 1999 through an analysis of four main parts. These included the:

1. forces driving the reform,
2. approach to developing and implementing the reform,
3. expected outcomes sought by the government as a result of the reform, and
4. major policy instruments that formed the agenda.

The information gathered on RQ1 will also be analysed to identify the potential implications arising for Victorian local government trade unions in each of these areas and establish a basis for comparison with actual outcomes on trade unions, which is the central focus of RQ3.
RQ2. What changes occurred in Victorian local government as a result of the Kennett government’s reform agenda?

This RQ seeks to provide information on the consequential changes in Victorian local government arising from the reform agenda between 1992 and 1999. Although CCt was an integral component of the reform agenda, the Kennett government also mandated a four other significant policy instruments. Thus, this RQ seeks to information on the changes to local government flowing from five main policy instruments including:

1. council amalgamations,
2. financial savings,
3. local council management,
4. electoral changes, and
5. compulsory competitive tendering.

The information gathered will permit conclusions to be reached about the extent to which local government adopted competitive practices and set the context for identifying the actual effects on trade unions that is to be answered in RQ3. The literature review above also described how the local government tier did not transform as expected by the Thatcher governments. UK local councils were found to have been influenced by local variants such as the political approach to change adopted by the council and regional characteristics like the extent of competition for the provision of council goods and service. The review described how some local variants had promoted a competitive culture in local councils, while others had hindered change at the local level. The assessment of local government changes in RQ2 will also seek to identify whether local variants influenced the extent of change in Victorian local councils in implementing competition in the delivery of their services and describe the main variants shaping local council outcomes.

RQ3. How did the reform agenda effect trade unions in Victorian local government?

RQ3.1 What effect did the reform agenda have on the level of influence in policy determination and implementation?

RQ3.2 What effect did the reform agenda have on union membership?

RQ3.3 What effect did the reform agenda have on bargaining outcomes?

RQ3.4 What effect did the reform agenda have on intra- and inter-union relations?
RQ3 seeks to analyse the main effects posed by the local government reform agenda on Victorian local government trade unions using the model developed from the literature and presented in Figure 2.1. Analysis is undertaken on the basis of the model of effects developed from the review of UK literature in Chapter 2 and reproduced in Figure 1.1 and reports on effects in each of the four main areas, including:

1. the level of influence in policy determination and implementation,
2. union membership levels,
3. bargaining outcomes, and
4. intra- and inter-union relations.

The information reported on this RQ will permit a comparison with the implications raised in RQ1 on trade unions and permit an evaluation of whether the Kennett government was successful, which is the central focus of RQ5.

**RQ4. How did trade unions respond to the reform agenda?**

*RQ4.1 What stance did trade unions adopt in response to the reform agenda?*

*RQ4.2 Where did union action originate or be directed from?*

*RQ4.3 What internal and external actions were taken by trade unions?*

This RQ seeks to find out what trade unions operating in Victorian local government did in response to the Kennett government’s reform agenda between 1992 and 1999. Analysis is undertaken on the basis of the model of trade union responses developed from the literature review in section 2.5 and presented by the model in Figure 2.2. The literature review explained how trade union responses consisted of three main parts, including:

1. Union position/stance toward reform agenda,
2. Initiation of/direction for union action, and
3. Union actions.

Information will be collected to determine what options were taken by trade unions and explore the reasons for their choice of option. The information gathered in RQ4 will also be
analysed to determine whether union responses influenced the extent to which trade unions were challenged in each of the four areas described in RQ3.

**RQ5. Was the Kennett government’s successful in attaining its third key objective: a significant reduction in trade union position and influence in local government?**

The central object of RQ5 is to discuss and make a judgement on whether governments can successfully achieve reductions in the influence and position of trade unions through the use of ‘indirect’ policy instruments, like CCT (Foster 1993). This is to be undertaken by comparing the Kennett government’s intended impacts of the local government reform agenda on trade union influence and position with the actual effects experienced by trade unions.

These RQs can also be illustrated in an analytical framework as provided in Figure 2.3. The analytical framework serves to show the important elements in a study of public sector reform and trade unions and also the important links between the elements. The framework also serves as a template in this study for testing in the Victorian local government context and for answering the propositions set out in section 1.3 in Chapter 1.

The analytical framework consists of five main elements principally matching the RQs described above. The specific RQ is marked against the relevant element. These elements include the local government reform agenda, changes to local government, local variants, effects on trade unions and trade union responses.

Figure 2.3 also shows the major links between each of these five elements, and these are numbered 1 to 6. The first element is the ‘local government reform agenda’, which comprises the four main parts of the reform agenda addressed by RQ1. The second element is ‘local government change’, as represented by the changes occurring as a result of the five main policy instruments identified in RQ1 (RQ1.4) and reported in RQ2. The third key element is ‘local variants’, which represents the main factors that have shaped the extent of change in local councils and these are drawn from RQ2. The fourth main element is the ‘effects on trade unions’ as represented by the model of effects in Figure 2.1 and reported in RQ3. The fifth element of the framework is ‘trade union responses’ and is represented by the model of responses in Figure 2.2 and reported in RQ4.
The first link indicates that the reform agenda will result in change to local government (link number 1). These changes are represented by the outcomes arising from each of the main policy instruments described in RQ1. The second link recognises that local government change is also influenced by local variants, and these variants can either promote change or hinder the extent of transformation in local government toward the adoption of a competitive culture (link number 2). The third main link acknowledges that local government change will also have consequences for trade unions (link number 3). These consequences are represented by the model of effects on trade unions (Figure 2.1). These consequences will also initiate trade union responses and this forms the fourth main link (link number 4). The responses are represented by the model developed from this literature review and presented in Figure 2.2. Union responses are acknowledged as being influenced by local variants and also capable of influencing local variants and consequently the extent of change in local government. This forms the fifth main link in the analytical framework (link number 5). The final link (link number 6) represents a central focus of this study and forms the basis of RQ5, which is the comparison of expected outcomes in respect of trade unions with the actual effects experienced by unions.
Figure 2.3: Analytical framework for analysing Victorian local government reform agenda and trade unions

Forces driving reform

Approach to implementing reform

Local Government Reform Agenda

RQ1

Policies

Expected outcomes

Local variants

1

Local Government Change

RQ2

Effects on trade unions

RQ3

Was the government successful?

RQ5

Responses by trade unions

RQ4

Source: Developed for this study
The next chapter sets out to answer the first two sets of research questions described above. The chapter will initially provide background information on roles and function of Victorian local government. This is important in establishing the industry context in which the Kennett government’s local government reform agenda was implemented. The chapter will then review literature dealing with the components of the reform agenda and discuss some changes resulting in local government.

3.1 Introduction

The previous chapter reviewed literature on CCT and the effects on local government trade union and their responses in the UK local government tier. The review described how the Thatcher government progressively expanded the CCT policy instrument from 1980 in three pieces of legislation with the purpose of achieving three main reform outcomes. These outcomes included cost savings and efficiency improvements, a reduction in the size and scope of local government through increasing private sector delivery of services, and the reduction in the influence and position of trade unions.

Arising from the literature review, five sets of research questions were formed to test the two research propositions set out in section 1.3 in Chapter 1 dealing with the Victorian local government reform agenda and trade unions. Simple models for investigating the effects of public policy reform agendas on trade unions (Figure 2.1) and the responses they took to such agendas (Figure 2.2) were also developed for testing in this study. In addition, an analytical framework (Figure 2.3) was created as a template to report on how the Kennett government’s local government reform between 1992 and 1999 impacted on trade unions.

The central object of this chapter is to review literature on the Victorian local government reform agenda and outcomes arising from the major policy instruments implemented by the Kennett government between 1992 and 1999. This will provide information for the first two research questions set out in the previous chapter (section 2.6). The chapter begins with a review of local government in Victoria, describing the origins and main roles and responsibilities of this tier of government (section 3.2). This review will describe some important features of how local government works and will establish the industry context for this study.

This is followed in section 3.3 by a review of studies examining the key components or parts of the local government reform agenda, as illustrated by the first element of the analytical framework in Figure 2.3. A discussion of the approach taken by the Kennett government in the development and implementation of their policy instruments will be
presented in section 3.4. The main outcomes sought by the Kennett government through this reform agenda are explained in section 3.5 and the major policy instruments including council amalgamation, financial savings and targets, council management and electoral changes, and CCT will be described in section 3.6. Some important findings will also be presented on the consequential changes to local government arising from these policy instruments. These changes contribute to the second element of the analytical framework in Figure 2.3.

The chapter concludes in section 3.7 with a discussion of the research questions answered and identifies those questions that require additional information. A summary of the answers to RQ1 and RQ2 will then be added to the relevant elements of the analytical framework in Figure 3.10.

3.2 A Review of Victorian local government prior to 1992

The purpose of this section is to explain some key features of Victorian local government prior to 1992 that will aid in setting the context for a discussion of the reform agenda implemented in Victorian local government by the Kennett government between 1992 and 1999. The origins of Victorian local government can be traced to 1837, shortly after Victoria gained independent Colonial status from the Colony of New South Wales (NSW) (Barrett 1979). After initially establishing local councils for the most populous areas of Melbourne and Geelong, the number of councils quickly grew to 170 by 1878 and then to 210 by 1992 (Bowman 1981; Jones 1993).

Victoria is one of the most centralised states in Australia, with approximately 70 per cent of the State’s population residing in the Melbourne metropolitan area (Economou and Costar 1999). This has resulted in substantial diversity, particularly between metropolitan and rural councils. This was due to metropolitan councils generally have very large population bases and small geographic areas to manage, while rural councils often manage the reverse, large geographical areas and smaller and more dispersed populations (Bowman and Halligan 1985).

The expansion in the number of local councils primarily reflected an inability of Colonial and State governments, to manage the growth and spread of population after European
settlement, and to provide for adequate infrastructure development such as roads, streets, bridges and sewerage (Butlin 1959). Chapman and Wood (1984) also concluded that ‘geographical inaccessibility from the centres of colonial government helped to explain much about the beginnings of local government’ (p.18).

Political motives were also evident in the establishment of local government, with Colonial and then State governments seeking to use this level of government to collect funds from local communities and cover the construction costs of infrastructure development (Halligan and Wettenhall 1989). Most local citizens were reluctant to become more self-governing, and ‘often baulked at the idea of assuming greater financial responsibility for infrastructure costs’ (Barrett 1979, p.238). Indeed most citizens believed local communities could ‘never collect the required amount of revenue’ necessary to carry out the required infrastructure development (Barrett 1979, p.238).

Local government forms the third level or tier of Australian government, after the federal and state governments. Unlike the federal and state tiers, which have constitutional recognition in the Commonwealth Constitution Act, 1901, local government is constituted under state government legislation. In Victoria, the main purposes of local councils are set out in section 6 of the Victorian Local Government Act, 1989 and include the following provisions:

- to provide for the peace, order and good government of its municipal district,
- to facilitate and encourage appropriate development of its municipal district in the best interests of the community,
- to provide equitable and appropriate services and facilities for the community and to ensure that those services and facilities are managed efficiently and effectively, and
- to manage, improve and develop the resources in districts efficiently and effectively.

In each local government area, local residents and ratepayers elect a ‘council’ for a three-year term. The elected ‘members’, or ‘councillors’, are generally, empowered to make decisions on the nature and types of taxes and services that are to be provided within their legislative boundaries and within the ambit of state legislation (Boyd 1996). Councillors can exercise three kinds of power: legislative power (such as the making of local laws), executive or administrative power (such as decisions on expenditure allocations), and also
judicial power (such as involvement in town planning disputes). These powers are more far-reaching than those of elected officials at the state and federal levels, where there exists a separation of institutions specialising in each of these areas (Corbett 1992).

Local councillors have long consisted largely of local business proprietors and property owners motivated either by altruistic reasons and with the available time to engage in local community affairs, or, as was often the case, because they had a ‘higher pecuniary interest than other segments of the community’ in how local town planning issues unfolded (Howard 1989, pp.30-31). As a consequence, ‘factionalism and opportunism have been more prevalent’ in local councils than in other tiers of government (Chapman and Wood 1984, p.14).

While State governments regulate the rights, responsibilities, taxation powers, senior employment and the electoral system of local government in each state, other areas of local government are subject to federal laws, and increasingly more dependent on funding from federal governments (NOLG 1999; Purdie 1976). Another important area of local government which is subject to federal legislation is industrial relations. The regulation of trade unions and the powers over the determination of terms and conditions of work fall within the ambit of the federal industrial legislation, currently the Workplace Relations Amendment (WorkChoices) Act 2005.

In addition to constitutional recognition, the Commonwealth Constitution Act, 1901 also divided the majority of powers between the federal and state tiers, with local government itself left to concentrate upon the provision of property-related services, such as roads, rates and garbage (Corbett 1992). As a result of this division of powers, local government has been described as the ‘poor relative’ or ‘Cinderella tier’ of the Australian government (Jaensch 1996, p.2). The responsibilities of Australian local governments also do not compare with the more extensive powers conferred on local governments in other western countries, such as the UK, New Zealand and United States (Rimmer 1993).

Although the primary purpose of local councils has centred on property-related services, councils have expanded the range of services since the early 1970s in the areas of recreational and community-based services like aged care and child care. The expansion in service provision in these areas has mainly occurred as a result of federal and state
governments using local councils as administrative vehicles for delivering their responsibilities (Aitkin and Jinks 1985; Dollery and Marshall 1997; Self 1987). Local councils also undertake broader community roles, including a major facilitation role for economic and social change at the local level and the provision of leadership and governance to local communities (Ohlin 1989).

The range of services provided by local government is now often grouped as follows:

- public works and physical infrastructure services;
- provision of recreational services;
- health and welfare services;
- town planning services;
- the operation of municipal public trading enterprises;
- inspections and licensing of local commerce and industry;
- regulating local trade and commerce; and
- the promotion of local tourism (ERC 1990 Appendix Two; NOLG 1999).

While this list represents the range of services provided by local government across the state, the extent of services delivered by individual local councils varies. Rural councils have been found to be offering a more limited range of services than larger metropolitan local councils, primarily providing roads and transport services (LGC 1986). Metropolitan councils, on the other hand, deliver a wider range of welfare services, provide for parks, halls, recreational facilities and libraries, and are less concerned with the provision of infrastructure than rural councils (ERC 1990). The diversity between rural and metropolitan local councils also extends to financial features of local government.

Rates and charges form the major source of revenue for local councils, accounting for between 45-55 per cent of the total prior to the election of the Kennett government (Fraser 1992). Rates are property taxes, which are based on the value of land (site value) or the value of land and buildings (capital improved value), whilst charges are levies set for such services as garbage collection, building development, and the hiring of council facilities (Purdie 1976). In addition, local council finances had been supplemented with funding grants from other governments forming between 20-40 per cent of total revenue (Fraser
These grants are provided to local councils so as to meet their responsibilities in roads and community services (Worthington and Dollery 2001).

In 1975, the ALP-led federal government changed the manner in which local government was to be funded, and this has remained similar since that time (NOLG 1999; Purdie 1976; Self 1987). A system of dual payments to local governments was introduced by the ALP federal government. All councils received variable amounts of ‘untied’ or ‘general purpose grants’ based on their ability to raise their own income. These grants were aimed at assisting smaller councils who were unable to raise sufficient revenue or where costs of service delivery were high (Self 1987).

In addition, a ‘tied’ or ‘specific purpose payment’ was also implemented for the provision of specific services on behalf of the federal government. These grants often required councils to commit funding also to the delivery of the specified services (NOLG 1999). Tied grants were introduced as a means by which the federal government could impose their wishes on local councils in respect of infrastructure development and the delivery of community services (Bowman and Halligan 1985).

Both grants are administered through the State government and this has resulted in a complex environment of inter-government coordination, control and accountability, involving funding approvals, conditions and delegations (Bowman and Halligan 1985; Dollery et al. 2006; Worthington and Dollery 1998, 2000). Local councils subsequently face a plethora of different conditions in respect of reporting requirements, their level of borrowings, and the setting of fees and charges (Howard and Associates 1988). The Victorian Grants Commission distributes both grants (ERC 1990; NOLG 1998). The remaining sources of local government revenue are derived from loans, interest, and commercial activities (Fraser 1992).

The changes to local government service provision described above have often reflected the changes in the nature of local government funding. Figure 3.1 illustrates, for selected years since the early 1960s, the changing pattern of local government revenue sources. There has been a decline in rates and state government grants and an increased reliance on user charges and federal grants.
Local government expenditure has also shifted in line with the changing service provision and funding arrangements. This is illustrated in Figure 3.2. The proportion of local government expenditure on transport and communication services has declined while increases in expenditure have occurred in community service activities, including pre-school, recreation and culture and aged housing (Fraser 1992).
Figure 3.2: Victorian Local Government expenditure types as a proportion of total outlays (percent), selected years, 1961/62 to 1991/92

Diversity between metropolitan and rural councils is also illustrated in local council financial characteristics (Worthington and Dollery 1998). Rural councils are often more reliant upon grant revenue than counterparts in metropolitan areas, with the former receiving approximately 40 per cent in grants whilst the later 20 per cent of total revenue (Fraser 1992). This often reflects the continued dominance of roads grants required to service extensive road networks. The reliance on grants also illustrates the importance of general purpose grants for the financial viability of smaller councils (Bains 1979; LGC 1986).

Expenditure patterns also differ between local council types. Compared to rural councils, metropolitan councils spent proportionally less on roads/footways and bridges; were more involved in community and regional development purposes; were more involved in animal control and building control activities; and were less involved in tourism and fire protection (Osborn 1995). In addition, rural councils had not significantly altered their pattern of expenditure since their inception, with up to 50 per cent of total expenditure remaining on road or transport functions (Howard and Associates 1988).
The expansion of the range of local government service provision during the 1980s, and particularly in labour intensive community services, resulted in continuous employment growth from the mid-1980s (Jones 1993). Figure 3.3 shows the growth of employment from 37,800 in 1984 to a high of 46,200 in 1991, just prior to the election of the Kennett government.

Figure 3.3: Victorian Local government employment Pre-Kennett, 1984-91

In addition, to the growth of employment, local councils were also increasing their level of competitive tendering (ERC 1990; Fraser 1992; Rimmer 1991, 1993). The Australian Industry Commission (IC 1996) noted, local government had applied competitive tendering practices to approximately 18 per cent of expenditure by the early 1990s and this represented more than state and federal governments prior to the mid-1990s, both of which were under 10 per cent (Industry Commission 1996).

A study by the Evatt Research Centre, *Breach of Contract*, (ERC 1990) identified the most commonly contracted services (with percentage of councils contracting-out the selected service in brackets) to be: recycling (60 percent); household garbage collection (55 percent); cleaning of kindergartens (42 percent); cleaning of community centres (35 percent) drainage (21 percent); road, bridge and footpath maintenance (17 percent); operation of child-care centres (5 percent); elderly care services (4 percent); and social workers (1 percent).
Rimmer (1993) claimed the construction of new infrastructure and the operation of pools, halls and civic centres were also commonly placed to a tendering process. A study initiated by the Municipal Association of Victoria (MAV), *The Pace of Reform*, also found that property valuations services and cleaning of council premises were among the top ten services that were placed to tender and also contracted out to external providers (Pensabene and Beirouti 1993).

Differences in the application of competitive tendering arrangements were also observed between different local council types. Lee (1991) noted that the lack of competition made rural councils more hesitant than metropolitan councils to use competitive tendering for risk of potentially losing the delivery of services over the long-term. Howard (1989) had also noted that rural councils do not have multiple service providers and the benefits would not be gained by introducing competition to rural regions as a consequence. Rural councils were also found to be more likely to favour in-house provision because of concerns about the reduced capacity to respond to meet civil emergencies if service provision was externalised (Howard and Associates 1988). Inner-metropolitan councils were also less likely to use competitive tendering, particularly those dominated by ALP members (Jones 1993).

While local government was experiencing some changes in finances and service delivery, the structure of local councils remained untouched in the lead up to the election of the Kennett government (Worthington and Dollery 2001). Although Colonial and State governments had an ‘obsession’ with amalgamation, minimal change occurred to local council boundaries (Dollery 2003; Jones 1993). The obsession with reducing the number of local councils was evident in the number of inquiries into boundary restructuring initiated by Colonial or State governments since 1862. These inquiries are listed in Table 3.1.
Table 3.1 Summary of Inquiries into Victorian local government boundaries, 1862 to 1990

<table>
<thead>
<tr>
<th>Year</th>
<th>Inquiry Title</th>
<th>Major Findings and Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1862-63</td>
<td>Commission Appointed to Enquire into the Municipalities and the Charitable Institutions in Victoria.</td>
<td>Critical of the proliferation of small municipalities as a result of grant inducements.</td>
</tr>
<tr>
<td>1962</td>
<td>Report of the Commission of Inquiry into Local Government</td>
<td>Wanted to reduce the number of municipalities to 42.</td>
</tr>
<tr>
<td>1972</td>
<td>Report of the Local Government Advisory Board in the Matter of an Inquiry into a Proposal for the Union of the Municipalities of the Cities of Melbourne, Fitzroy, Port Melbourne and South Melbourne.</td>
<td>Recommended the amalgamation of these municipalities into one large Melbourne City Council.</td>
</tr>
<tr>
<td>1979-80</td>
<td>Report of the Board of Review of the Role, Structure and Administration of Local Government in Victoria (Bains 1979)</td>
<td>Recommended the establishment of a Municipal Commission to reduce the number of local councils in the cities of Ballarat, Bendigo, Geelong and Melbourne, and also establish larger rural councils.</td>
</tr>
<tr>
<td>1990</td>
<td>Geelong Region Local Government Review (Consultants’ Reports).</td>
<td>Recommended the merging of nine Geelong authorities.</td>
</tr>
</tbody>
</table>


Each inquiry recommended the reduction in the number of local councils, derived from a belief that larger local government entities would be realise economies of scale as compared to than their smaller constituent elements (Dollery 2003; LGC 1986). Savings could then be passed onto the community through reduced rates, improved service quality or increased range of services (Bains 1979).
The later inquiries (Bains 1979; LGC 1986) identified a number of major weaknesses in the current structure of local government, including:

- the inability of local councils to keep up with social change, particularly the changes in population, expectations of people and changes in political and inter-government relations (Bains 1979),

- resource scarcity in smaller, mainly rural, councils, which had constrained them from being able to provide all available services and resulting in a large and disproportionate amount of rate revenue on administration, compared with other services (Bains 1979; LGC 1986),

- the population in smaller rural areas was insufficient to attain a minimum threshold demand to warrant the economic provision of some services (Bains 1979), and

- over-reliance of small councils on grant income to provide local services (LGC 1986).

However, the recommendations from these investigations seeking the reduction in the number of local councils were not implemented. The refusal by State governments to support the recommendations from the inquiries, they themselves established, was primarily due to an inability to deal with the potential negative political outcomes for their party (Jones 1993). As noted by Michael Jones (1993), ‘amalgamations are not good politics. Tribal rivalries are awakened, action groups formed, local members of Parliament get nervous, and the benefits are vague and elusive’ (p.227).

This was clearly illustrated in the two major inquiries into Victoria’s local council boundaries (1979/80 and 1985/86) that were undertaken prior to the Kennett government winning office in 1992. The Hamer-led Coalition government ‘refused to alienate their supporters in small rural councils’ and the proposals of the Board of Review of the Role, Structure and Administration of Local Government in Victoria, (Bains 1979), were not acted upon (Jones 1989). The Cain-led ALP government also ignored the amalgamation recommendations of the Local Government Commission, The Restructure of Local
Previous state government administrations were also hampered by not having electoral majorities in both Houses of the State Parliament (Legislative Assembly and Legislative Council). To gain government in the state, a party majority was only expected in the Lower House, the Legislative Assembly. Not possessing a majority in the Legislative Council meant opportunities to unilaterally impose local government restructuring were absent for both of these two State government administrations (Jones 1989). However, no such aversion to tackle local government change occurred when the Kennett government was elected in October 1992 with large majorities in both Houses of the State Parliament.

In summing up, this review has provided essential background to the way local government operated prior to the election of the Kennett government in October 1992. Arising from the review two main conclusions can be reached. Firstly, local government is a subordinate level of government in the Australian federal system in terms of its roles, responsibilities and finances. Although Victorian local councils meet a wide range of local responsibilities, they remain a ‘creature of state governments’ and increasingly bonded to federal government policy directions (Aulich 1999b). Second, there is substantial diversity between local councils, as evident in respect of population and physical size, the nature of services provided, the financial position of councils, and the use of competitive tendering practices. This diversity is the outcome of many factors stretching back to colonial times (Worthington and Dollery 2001).

The following sections focus on the period after 1992, when the Kennett government imposed their local government reform agenda. The next four sections deal with the main components of the local government reform agenda, as illustrated by the first element in the analytical framework described in the previous chapter (Figure 2.3). These four components include the:

1. forces driving the need for local government reform,
2. government’s approach to developing and implementing the local government reform agenda,
3. the expected outcomes sought by the Kennett government through the implementation of local government reform, and
4. the policy instruments that were implemented in local government to achieve the expected outcomes.

The discussion commences with the first component, the main forces driving the Kennett government’s local government reform agenda.

### 3.3 Forces driving public sector reform

In October 1992, the Kennett government won a resounding victory in the Victorian state elections, and in so doing ousted the ALP that had held office for the previous decade. Upon assuming office the Kennett government embarked on one of the ‘most extensive and ambitious public sector restructuring programmes’ to be undertaken by any Australian government to that time (Fairbrother et al. 1997). Three forces were found to have been the main influencing factors in driving the Kennett government to implement local government reform. These forces included support of public choice ideas, state budgetary concerns, and national micro-economic reform initiatives. Each is discussed in turn.

#### 3.3.1 Public Choice Ideas

The primary force underpinning the Kennett government’s public sector reform agenda was an acceptance of public choice ideology, and particularly as implemented in the UK by successive Conservative Party-led governments throughout the 1980s (Alford, O’Neill, McGuire, Considine, Muetzelfeldt and Ernst 1994; Bunn and Ranald 1993; Fairbrother et al. 1997; Martin 1999; Teicher et al. 1999; Walsh 1995). The example set by UK governments in the 1980s on policy sector reform was particularly influential on the Kennett government (see, for example: Aulich 1997a,b; Fairbrother et al. 1997; Martin 1999; Teicher et al. 1999; and Walsh 1995).

The United States publication, *Reinventing Government* (Osborne and Gaebler 1982) was also found to be highly influential in government decisions on contracting out and competitive tendering reforms (Skulley 1999). Osborne and Gaebler (1982) had claimed that the principal role of the public sector should be ‘steering’ (service planning) rather than ‘rowing’ (direct service delivery). In addition, many advisers to the Coalition parties prior
to the state election were identified as proponents of reform aimed at comprehensive contracting out and privatisation in order to achieve an ‘enabling’ public sector (Audit Review 2000a).

Such thinking and influence extended beyond state provided public services to local government. Indeed, the perceived need for local government reform did not come from public criticism of the performance of the sector, but rather from local business communities and neo-liberal think tanks such as the Tasman Institute and the Institute of Public Affairs (IPA), who supported the general thrust of public choice (Kiss 1997).

The Tasman Institute is a not-for-profit research institute providing research, advice and strategies on a broad range of issues, including economic restructuring and reform in Australia, New Zealand and the region (Tasman Institute 2004). The IPA, on the other hand, is Australia's oldest private-sector 'think-tank', having been established in 1943. The IPA’s stated aim is to promote an understanding and appreciation of the free society and free enterprise and, in so doing, to advance the interests of the Australian people (IPA 2004).

The Tasman Institute provided the policy input to Project Victoria. Project Victoria was funded by a consortium of private firms and employer organisations that included the Australian Chamber of Manufacturers, Business Council of Australia, Confectionery Manufacturers Association, Insurance Council of Australia, and Victorian Employers Chamber of Commerce and Industry and underpinned many future economic reforms in electricity and transport. Project Victoria formulated general principles for the Kennett government aimed at providing:

- A basis for re-drawing the boundaries between public and private sectors and for introducing competition in the supply of services wherever possible;
- New techniques, such as franchising, contracting out, corporatisation and privatisation, while still leaving government an important vehicle for meeting social objectives;
- Insights into the fact that earmarked government assistance for needy or disadvantaged groups will enable them to choose where money is spent, rather than
be placed at the mercy of state departments and authorities which are constrained to meet what are fundamentally political objectives; and

- The ‘unbundling’ of government services into separate activities and reducing the role of government in running businesses and in the direct provision of some other services (Moore and Porter 1991, p.2).

During 1991-93, Tasman Institute and the IPA produced reports on electricity, ports, workers compensation, water and public transport all of which concluded with the same recommendation: privatise! (Moore and Porter 1991). Their work at this time largely consisted of translating the public choice policy agendas of conservative governments in the UK and the United States for use in Australia. These reports were subsequently used to good effect by the Kennett government in providing the public with an economic and political rationale for undertaking local government reform (Aulich and Reynolds 1993).

The most influential input into the Kennett government’s local government policy was the release in 1993, of the IPA’s publication, titled Reforming Local Government in Victoria (IPA 1993). This report recommended the amalgamation of local councils and the mandatory introduction of CCT. The Minister for Local Government at the time, Roger Hallam, suggested that the report ‘had done the local government sector a good service by highlighting the potential for efficiency improvement’ (Hallam 1993c).

3.3.2 The State’s budgetary position

The second major force driving public sector reform in Victoria concerned the financial circumstances inherited by the Kennett government. Victoria’s public sector finances were in a precarious state in the period leading up to the 1992 state election. Indeed this was the key issue the Coalition parties campaigned upon during the 1992 State election (Alford et al. 1994). The ALP had previously established an independent review of the state’s debt problems, in the Independent Review of Victoria’s Public Sector Finances (Nicholls Report 1991).
The State’s Auditor-General’s office (1991) had also alerted the ALP government in its annual report for the year ended 30 June 1991 of:

- the high level of budget-sector indebtedness,
- the adverse impact of continuing and escalating deficits on the State's current and future financial operations,
- payments made without parliamentary authority,
- the impact of measures adopted by the Government to address its liquidity difficulties,
- the effects of the collapse of Tricontinental,
- the failure of the Victorian Economic Development Corporation,
- implications arising from the financing arrangements relating to construction of the World Congress Centre,
- inefficient collection of stamp duty, and
- deficiencies in accountability of companies, trusts, joint ventures and incorporated associations.

The state economic picture was presented as a gloomy one. Within the first week of being elected, the Kennett Government initiated its own investigation into public sector finances by appointing the Victorian Commission of Audit (VCA). Kennett claimed that the audit would give the Victorian public an accurate and comprehensive statement on the condition of the State's finances (Kennett 1992a).

The Premier described the appointed Commissioners as a team of ‘distinguished’ Victorians well-equipped to carry out the audit promised by the Coalition before the election (Kennett 1992a). They included Sir Roderick Carnegie, Professor Bob Officer of the Graduate School of Management, University of Melbourne, Mr David Christensen, Chairman of Slough Estates Australia Pty. Ltd and Mr Russell Walker, Chief Director of Audit at the Victorian Auditor-General's Office.

The VCA was commissioned to:

‘… investigate and report upon the condition of Victorian State public finances; to comment generally upon the causes of the present condition; to recommend policies,
management reforms and other measures to improve efficiency, effectiveness and the State’s financial position; and to recommend measures to safeguard against future recurrence of policies and practices likely to have adverse effects on the State’ (Victorian Commission of Audit 1993a, Appendix A).

The VCA’s report was finalised in May 1993, and consisted of a first volume (1993a) that dealt with financial matters, and a second (1993b), which examined the way the government was run. The VCA noted that the financial problems the state confronted were in some measure the product of wider forces and influences outside the direct control of the State government. Federal government grants had been reduced over the previous two years despite protests by the previous ALP-led state government. In part this was the result of the national economy passing through a recession during this period, which not only limited the availability of federal revenue for distribution to the states, but also had a negative impact on the direct revenue raising abilities of state governments, including Victoria (VCA 1993a).

In Victoria there were additional problems. The first emanated from the high number of people, up to 30,000 per annum, moving to other states, a phenomenon that had been underway for several years in the period leading up to the early 1990s (Figure 3.4). This resulted in the working population of Victoria growing smaller, and with it the taxation base from which state public revenues could be drawn (VCA 1993a).
The second problem was derived from the financial debts borne by the government as a result of the failure of the Victorian Economic Development Corporation and the collapse of the State Bank of Victoria and, in particular Tricontinental. The Victorian Economic Development Corporation (VEDC) was an initiative of the Hamer-led Coalition government (1972-81). The VEDC role was to promote economic recovery through the provision of government financial assistance to private businesses. Under the Cain-led ALP government, the VEDC grew rapidly, with loans rising from $11 million in 1981-82 to approximately $200 million by 1985-86. Much of this growth was directed to businesses with dubious financial prospects (Murray and White 1992).

More state sector debts arose from the failure of Tricontinental Holdings (Trico). Trico was a merchant bank the State Bank of Victoria had fully acquired in 1985. A Royal Commission was established in early 1992 to investigate the collapse of Trico (Murray and White 1992). The Royal Commission concluded that the losses of $1.7 billion were the consequence of poor management and unsound business practices. The Royal Commission also claimed the ALP-led state government had not taken sufficient interest in monitoring the activities of what amounted to be one of the largest financial interests of the state (Murray and White 1992).
The VCA also claimed that the level of public sector spending by the previous ALP government had been high by comparison to other state governments and the level of taxation was too low to sustain this level of public expenditure. Further, the VCA claimed that the bulk of public sector borrowings were being directed towards servicing recurrent expenditure (e.g., paying public sector wages and the interest on past borrowings) rather than reducing the level of public debt.

The local government sector was not absolved from these criticisms of the public sector raised by the VCA (Hallam 1993a). The level of financial resources in local government had been under pressure for some years as a result of the recession and population movements. Indeed local councils attracted particular criticism from the Kennett government from the time they took office in October 1992 for being poorly managed, wasteful in the use of public monies and in need of exceptional external intervention to improve performance (Newnham and Winston 1997).

The findings of the VCA’s reports did not go unnoticed in world brokerage markets. The influential New York firms, Moodys Investor Services and Standard and Poors, reassessed Victoria’s credit rating. These two organisations gauge the risks associated with lending money to large organisations and governments throughout the world and had downgraded the State government’s rating from ‘AAA’ rating to ‘AA’ rating. In fact, Victoria's credit rating was downgraded twice whilst the ALP was in government (Stockdale 1992b). This was akin to saying that the state had moved from being a ‘very good’ credit risk to one that was simply a ‘good’ credit risk. The credit ratings of Australian state governments had become increasingly important by this time as an independent measure of financial and economic management. Variations in credit ratings influence the interest margins state governments must pay over federal debt. A downgrading can therefore have a substantial impact on the interest paid on state debt and thus on state budgets (Audit Review 2000b).

The newly installed treasurer in the Kennett government, Alan Stockdale, stated at the time that Moody's had ‘ascribed its downgrading to severe structural difficulties facing the Victorian budget position arising principally from enduring deficits, structurally entrenched deficits and the level of debt’ (Stockdale 1992a).
The VCA made a number of recommendations covering Victoria’s financial position, the adjustment task facing the state, budgetary processes, and accountability and internal control (Victorian Commission of Audit 1993a). In respect to restoring the state’s finances, the commissioners concluded that the government needed to:

- Restore the state’s current balance to surplus as soon as possible and reduce the state’s debt-servicing burden, devoting all proceeds from asset sales and privatisations to debt retirement;
- Reduce spending by approximately $1 billion in 1993/94 or achieve some combination of reduced spending and increased revenue of this order; and
- Spread the required budgetary adjustments out over a four-year period (VCA 1993a, p. iii, p.122).

The VCA also urged the Kennett government to foster competition between potential supplier organisations, claiming that under a competitive tendering (contestable) system there are no unwarranted profits or inefficiencies in the price of the successful tenderer. The VCA also recommended that all monopolies be subject to scrutiny by a body independent and separate from the monopoly. If the monopoly is in the public sector, the right to operate the monopoly should be put out to regular tender, with the constraints imposed by the regulatory authority spelt out as conditions of operating the ‘franchise’ (VCA 1993b, pp.2-4). The VCA commissioners concluded that the government should see itself as having a responsibility to purchase services on behalf of the community, rather than necessarily providing those services itself (VCA 1993b).

In addition, the Victorian public sector should be fundamentally restructured in accordance with three broad principles:

1. Policy-making and regulatory functions should be clearly separated from service-provision functions, so as to minimise the opportunities for ‘capture’ of government decision-making by interests associated with services-providers. Services should be provided by distinct, accountable organisations on the basis of explicit contracts with government departments.
2. The government should fund its activities and services to the community on the basis of outcomes (results), purchasing designated outputs (goods and services) from
departments and service-providers, rather than funding inputs such as salaries and operating expenses.

3. The Victorian Government should foster competition between potential supplier organisations wherever possible (VCA 1993a, pp. iii-iv).

The Kennett government responded by introducing several ‘crisis’ budgets over the next three years as a means reducing the state’s debt and restoring the state’s credit rating back to ‘AAA’ (Stockdale 1992b). The government’s actions resulted in almost a doubling of state taxation collected (Table 3.2), reductions in and limitations to the growth in public expenditure (Table 3.3), and the sale of a large number of public assets (Table 3.4).


<table>
<thead>
<tr>
<th>Financial year</th>
<th>Taxation collected (Sm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992/1993</td>
<td>6,498</td>
</tr>
<tr>
<td>1993/1994</td>
<td>7,394</td>
</tr>
<tr>
<td>1994/1995</td>
<td>7,759</td>
</tr>
<tr>
<td>1995/1996</td>
<td>8,616</td>
</tr>
<tr>
<td>1996/1997</td>
<td>9,189</td>
</tr>
<tr>
<td>1997/1998</td>
<td>8,526</td>
</tr>
<tr>
<td>1998/1999</td>
<td>10,520</td>
</tr>
<tr>
<td>1999/2000</td>
<td>11,136</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Financial year</th>
<th>Expenditure outlays (Sm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992/1993</td>
<td>18,029</td>
</tr>
<tr>
<td>1993/1994</td>
<td>17,442</td>
</tr>
<tr>
<td>1994/1995</td>
<td>18,083</td>
</tr>
<tr>
<td>1995/1996</td>
<td>17,512</td>
</tr>
<tr>
<td>1996/1997</td>
<td>16,975</td>
</tr>
<tr>
<td>1997/1998</td>
<td>17,491</td>
</tr>
</tbody>
</table>

Source: Developed for this study from ABS (1999), p.119; ABS (2000), p.130
## Table 3.4: Major state privatisations by sale undertaken by the Kennett government, 1992-1999

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Year of sale</th>
<th>Gross proceeds (A $m)</th>
<th>Type of sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heatane</td>
<td>1992</td>
<td>137</td>
<td>Private</td>
</tr>
<tr>
<td>TabCorp</td>
<td>1994</td>
<td>686</td>
<td>Public offer</td>
</tr>
<tr>
<td>Solaris Energy</td>
<td>1995</td>
<td>950</td>
<td>Private sale</td>
</tr>
<tr>
<td>Eastern Energy</td>
<td>1995</td>
<td>2080</td>
<td>Private sale</td>
</tr>
<tr>
<td>PowerCor</td>
<td>1995</td>
<td>2150</td>
<td>Private sale</td>
</tr>
<tr>
<td>CitiPower</td>
<td>1995</td>
<td>1575</td>
<td>Private sale</td>
</tr>
<tr>
<td>United Energy</td>
<td>1995</td>
<td>1553</td>
<td>Private sale</td>
</tr>
<tr>
<td>Grain Elevators</td>
<td>1995</td>
<td>50</td>
<td>Private sale</td>
</tr>
<tr>
<td>Hazelwood</td>
<td>1996</td>
<td>2357</td>
<td>Private sale</td>
</tr>
<tr>
<td>Port of Geelong</td>
<td>1996</td>
<td>51</td>
<td>Private sale</td>
</tr>
<tr>
<td>Port of Portland</td>
<td>1996</td>
<td>30</td>
<td>Private sale</td>
</tr>
<tr>
<td>Yallourn Energy</td>
<td>1996</td>
<td>2426</td>
<td>Private sale</td>
</tr>
<tr>
<td>Loy Yang A</td>
<td>1997</td>
<td>4746</td>
<td>Private sale</td>
</tr>
<tr>
<td>Loy Yang B</td>
<td>1997</td>
<td>84</td>
<td>Private sale</td>
</tr>
<tr>
<td>PowerNet</td>
<td>1997</td>
<td>2716</td>
<td>Private sale</td>
</tr>
<tr>
<td>Gas Distribution/Retail (Kinetik Energy-Westar, Energy 21-Stratus Networks, and Ikon Energy-Multinet)</td>
<td>1999</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>V/Line Freight</td>
<td>1999</td>
<td>163</td>
<td>Private sale</td>
</tr>
</tbody>
</table>

Source: Developed for this study from Audit Review of Government Contracts (2000a); Fairbrother, Svenson and Teicher (1997), p.6

In the second half of the 1990s, the government’s privatisation program (Table 3.4) had a marked impact on the Victorian budget position and debt levels (Audit Review 2000a). As a result of these financial policies, debt was substantially reduced, as measured by debt as a proportion of Gross State Product (Figure 3.5). The underlying budget balance also improved from a deficit of $800 million in 1992/93 to a surplus of $150 million by 1998/99 (Audit Review. 2000a).
In addition to these changes, the Government released the Management Improvement Initiative, which was designed to re-engineer the management systems and business processes within government (Victorian Auditor-General's Office 1996). Policy principles identified under the Management Improvement Initiative further supported the ideas of the public choice school and included recommendations for a focus on establishing clear accountability for results by public sector agencies, empowering consumers, minimising government bureaucracy, encouraging market mechanisms through competition, and introducing professional and business-like management principles into the public sector.

3.3.3 Microeconomic Reform and Competition

The third major force driving the Kennett government’s public sector reform agenda arose from the prevailing public and political discourse about microeconomic reform. The Kennett government came to office at a time when Federal and State Governments throughout Australia had accepted the need for microeconomic reform throughout the private and public sectors (Alford et al. 1994).

Microeconomic reform is mainly concerned with removing impediments at the individual market and industry levels, which discourage or prevent input resources (such as labour
flexibility and technology) being used in the most effective manner (Samuel 1998a). The promotion of competition in the delivery of public goods and services was an essential component of this reform (Aulich 1997b).

Competition measures had already been commenced in Victoria in the final years of the Kirner-led ALP state government. Contracting out had commenced in the provision of bus services and the cleaning and maintenance of public buildings (Johnson and Rix 1991). In addition, the government had privatised part of the State’s electricity industry. With this type of privatisation already underway, the Kennett government went further than previous governments, both federal and state, by taking asset sales and the privatisation of public utilities and services to levels that had not previously been contemplated (Alford et al. 1994; Fairbrother et al. 1997). The Kennett government expanded private sector involvement through franchising (rail and trams services), licensing (casino), and build, win, and operate (prisons) (Audit Review 2000a).

The Kennett government’s pursuit of privatisation was based on the notion that privately-owned companies were, by their nature, better than publicly-owned ones because efficiencies and competition led to lower prices and to lead to improved economic performance and living standards for residents (Holt and Lombard 1997; Productivity Commission 1999b). Competition policy was one of the ‘key policy levers used in the implementation of economic rationalism’ or public choice ideas increasingly permeating throughout state and federal levels’ (McDonald 2002, p.100).

A greater government acceptance of competitive tendering can be traced to the introduction of the National Competition Policy (NCP) in 1995. NCP is a series of intergovernmental agreements, intended to open up sections of the Australian public sector to greater competition. The National Competition Council (NCC) was also established to monitor and ensure the principles of the NCP were being implemented (NCC 1999).

The Council has four main roles including assessment of governments’ progress in implementing the NCP reforms and recommendations on competition payments; advice on the design and coverage of access rules under the national access regime; community education and communication covering both specific reform implementation matters and NCP generally; and other specific projects requested by Australian governments (NCC 1999, p.3).
The NCP served to strengthen the processes of microeconomic reform already introduced by the Kennett government, which in turn were applied with particular force to the local government sector (National Competition Council (NCC) 1999). Although various government reports took pains to point out that NCP did not require competitive tendering (see: for example, NCC 1999), it was clear that decisions to adopt contracting out and competitive tendering were influenced by NCP (Commonwealth Department of Health and Family Services 1998; House of Representatives Standing Committee on Family and Community Affairs 1998) (McDonald 2002).

The Kennett government made CCT central to the application of NCP in local government. As part of the NCP, the federal Government makes a number of tranche payments to states for implementation of the agreements. In an arrangement unique amongst the states, the Kennett government signed an agreement with each local council under which payments were directed to councils from these payments in return for progress with key components of NCP. Meeting CCT targets was one of the major components contained in these agreements (Paddon 2001).

These three forces influenced the approach to the reform adopted by the Kennett government in developing and implementing their local government reform agenda. This forms the second component of the reform agenda and is described in the next section.

3.4 The government’s approach to developing and implementing the local government reform agenda

The Kennett government’s approach to developing and implementing the local government reform agenda was unique in Australian government (Fairbrother et al. 1997). The approach was exceptional in the sense that, influenced by the forces above, local government reform become part of a more general public choice policy platform that sought to promote competition in the delivery of public goods and services and reduce the scale and scope of government intervention into people’s social and economic affairs (Hallam 1993a; LGB 1993b). The approach also differed in many ways from past attempts to reform local government, which involved extensive consultation with major stakeholders, including local government trade unions (Bains 1979; LGC 1986).
Three conclusions can be reached from the literature on the Kennett government’s approach to local government reform. These included the reduced level of consultation between the government and key interest groups, the rapid pace in which the reform agenda was implemented and in the manner in which the reform was applied across all local councils without any consideration to the diversity among councils.

While many aspects of the public sector reform platform were flagged in the campaign leading up to the 1992 election, very little was said about local government. Kiss (1997) claimed that the Kennett government ‘did not come to power with a clear, publicly-understood program of local government reforms’ (p.47). The only comment about local government made over the course of the campaign was that local councils should be given the autonomy required to carry out local government functions efficiently and effectively (Hallam 1992a). In addition, local councils should be primarily responsible and answerable to the community rather than to the state government (Hallam, 1992a). This was in line with the approach adopted by previous Coalition governments, which were inclined to give lighter responsibilities to local government and leave local councils alone to discharge their responsibilities (Halligan and Wettenhall 1989).

However, at the beginning of 1993, the President of the Municipal Association of Victoria (MAV), Cr George Bennett told local councils that a more radical political agenda was emerging and the pace of reform was likely to increase with competition and performance becoming the key concepts driving reform (Pensabene and Beirouti 1993). Once the Kennett government was in office, the view that local councils should operate with relative independence from state government was replaced by a ‘high handed’ approach, with the government asserting its right to reform the local government sector ‘at will’ and demanding that local councils comply with this right (Kiss 1997, p.72). The Kennett government proceeded on a similar assumption to that of the Thatcher administrations in the UK in viewing local councils as unwilling to change unless ‘compelled to do so’ (Davis and Walker 1997). Local councils were perceived as ‘bases for organised resistance to a state government embarking on a range of state reforms’ (Mowbray 1996, p.34).

Through the creation of the Office of Local Government (OLG), the Kennett government was also able to tightly regulate the activities and decision making of councils (Kiss 1997). Kiss (1997) also noted that the approach by the Kennett government to reforming local
government did not instil or foster confidence in this level of government and ‘it is difficult to find instances where it has been treated with so little respect or concern for its governance role’ (p.58). Mowbray (1996) also found that:

‘… councils are operating under conditions of continuous forced change, arbitrary ministerial interventions and strong pressures to acquiesce to state government agendas. The state’s policy emphasis is clearly on containment or suppression’ (p.33).

In addition, Munro (1997) claimed that councils lived in ‘fear’, and did not dare to criticise the new policies (p.80).

Since the Kennett government had large majorities in both Houses of the State Parliament, policy was guaranteed a smooth passage into law. In the process, avenues for consultation and debate were reduced (Kiss 1997, p50). The government also passed legislation in late 1992 that limited parliamentary scrutiny and review over government actions in this area (Woodward 1999). Furthermore, the government removed the right of individual councils to appeal restructuring proposals through the Supreme Court. This right of appeal process had been implemented after the failed review by the Board of Review of the Role, Structure and Administration of Local Government in Victoria in 1979 (Bains 1979). The government claimed that by removing this right, unnecessary and costly litigation would be stopped (Maclellan 1994).

The Kennett government also passed local government policy measures through the Parliament at a rapid pace. This distinguished them from reform programs attempted by previous state governments (Newnham and Winston 1997). This action further reduced opportunities for consultation or scrutiny from key stakeholders. The Minister for Local Government, Roger Hallam, justified the pace of policy change on the basis that quicker change would ensure that the benefits of rate cuts and improved services would flow to the community as quickly as possible, and also reinforce the government’s commitment to microeconomic reform (Hallam 1994c). Indeed it took just 15 months (between late 1993 and early 1995) for Victorian local councils to be dismissed and restructured into larger units, new chief executive officers (CEOs) to be appointed, and CCT introduced (Kiss 1999).
A further distinguishing feature of the reform agenda was the manner in which the policy instruments were imposed as a single or ‘one size fits all’ framework to be implemented in all local councils (Aulich 1997a; Ernst 1995). Local government was seen as another major public enterprise that needed heavy pruning (Kiss 1997; Newnham and Winston 1997). Like the Thatcher administrations in the UK, the Kennett government took no account of the traditional differences between local council types or the nature of competition likely to be experienced (Reimer 1999).

The next section examines the third component of the reform agenda, the expected outcomes sought by the Kennett government through implementing local government reform.

### 3.5 Expected outcomes from the local government reform agenda

Three main outcomes were found to be sought from the local government reform agenda. Although these were not dissimilar to those expected to flow from wider public sector reform, or from those sought by the Thatcher administrations in the UK, it is worth noting the specific claims made in respect of Victorian local government. These expected outcomes included, cost savings and efficiency improvements in delivery of local government services, the reduction in the size and scope of the local government tier, and also the reduction in the influence and position of trade unions in local government. Each of these is examined in turn.

#### 3.5.1 Cost Savings and Efficiency Improvement

The first and most important expected outcome sought by the Kennett government from the public sector reform was cost savings and efficiency improvements. This was the major outcome emphasised by the government particularly throughout the initial term of office, 1992-1996 (Chapman 1997). In response to the significant budgetary pressures (section 3.3.2) the Kennett government claimed that local councils were run inefficiently and that the whole system of local government needed to be overhauled so that cost savings could be passed to the community (Hallam 1992b).

The importance of cost savings was evident in the decision to amalgamate local councils, with the resultant boundary reform being seen as a way to lower significantly per capita
expenditure on administration (LGB 1993b). CCT was also implemented to achieve similar outcomes. The Minister for Local Government, Roger Hallam, claimed that both of these policy instruments went ‘to the heart of improving the efficiency and effectiveness’ of the local government sector and provide the community with ‘value for money’ (Hallam 1994a). Rate freezes and restrictions on loan funding were also introduced to limit the expansion of local government expenditure (Maclellan 1996a)

3.5.2 Reduce the Size and Scope of Local Government

Limiting the level of direct service delivery provided by local government was the second major expected outcome sought by the Kennett government. The government sought to fundamentally redefine and rearrange how the public sector worked. Similar to that of the Thatcher governments in the UK, the Kennett government held a strong belief in the need to change the way public sectors had been operating as both funding and providing organisations (Alford et al. 1994).

By limiting the role of local councils in the direct delivery of services and moving them towards the role of ‘enabling councils’, they argued that such services would be more fairly and more effectively delivered (Alford et al. 1994). Although in-house bids were permitted under the CCT regime, the government expected that local councils would not be able to compete and win all tenders. As the Minister for Local Government, Roger Hallam, claimed in Parliament:

‘… Councils will be compelled to review and specify just what it is they do, and to test those specifications in the marketplace. If in-house staff fail to measure up to the competition, those who can provide better service should take over. …. Ratepayers are entitled to expect value-for-money from council services’ (OLG 1995, p.1).

The amalgamation of local councils, the appointment of interim commissioners and chief executive officers, as well as the introduction of CCT, were aimed at breaking up these self-interested coalitions, whilst reorientating local councils to act in the manner of enabling councils to provide communities with a greater level of general involvement in selection and delivery of services (Stockdale 1992b).
3.5.3 Reduce the Position and Influence of Trade Unions

The third expected outcome was a reduction in the position and influence of trade unions in local government. This objective was more ideologically driven as a result of the government’s support for public choice ideas and the actions of the Thatcher administrations. Hodge (1996) reported, after an extensive analysis of CCT research studies that one of the major goals of the introduction of competition in the public sector has been to reduce trade union power. This has been successfully achieved through adopting greater flexibility in workforce numbers and in working practices.

The Kennett government had come to office after ten years in opposition. During this period Coalition members had persistently stressed over that trade unions were too powerful (MEU Assistant Branch Secretary 2000a). The Coalition parties had promoted the message to the electorate that the ALP was ‘captured’ by unions. In particular, they argued that the unions covering public sector workers, particularly teachers and health and transport workers, were too influential in government policy making (Kellow 1993).

The Kennett government also distinguished itself from previous ALP governments at the outset by actively and openly resisting political lobbying by trade unions (MEU Branch Secretary 2001). The Kennett government’s objective of reducing the position and influence of trade unions was fuelled by the Institute of Public Affairs’ report, Reforming Local Government in Victoria, (IPA 1993). The IPA claimed that many councillors were ‘captured’ by council staff or other special interest groups, most notably, trade unions. Trade unions were seen to have ‘created work inefficiencies and had unnecessarily promoted the expansion of government services’ (IPA p.3).

The policy instruments imposed during this time (see section 3.6) also supported the anti-union biases in the Kennett government. Policy instruments like CCT and other forms of privatisations provided a means by which industrial relations problems might be transferred to the private sector (Quinlan 1996). Transferring service delivery to the private sector would remove any industrial relations problems like trade union strikes from the realms of state politics, and weaken more generally, the level of trade union power and influence in the public sector (Kennett 1992b).
The anti-union sentiments were also reinforced by government members of Parliament. For example, Robin Cooper (1994) claimed that:

‘… the ASU and other unions in the local government arena are simply interested in gathering the fees and membership dues of people currently employed in local government. The ASU knows that compulsory competitive tendering will allow services to be delivered by outside contractors, most of whom will not be unionised. The empire is threatened’ (p.2323).

The Audit Review of Government Contracts (Audit Review 2000a), which had been established in 1999 by the ALP-led state government after the defeat of the Kennett government, also identified this as a key outcome. Although the Audit Review claimed that this expected outcome was not as explicit as the first two, the reduction in the influence and position of trade unions was evident in the public sector reform policies implemented by the Kennett government (Audit Review 2000a). The Audit Review noted that the privatisation and contracting out in the power industry, education, prisons, the public service and public transport, had the effect of reducing the very strong bargaining power previously held in the public sector by public sector unions.

Each of these previous components of the local government reform agenda were important in shaping the type of policy instruments that were implemented by the Kennett government between 1992 and 1999. The policy instruments form the final component of the reform agenda and are the focus of the next section. In addition, some important findings on the consequential changes from these policy instruments on local government will also be described.

3.6 Policy instruments imposed by the Kennett government, 1992 and 1999

The Kennett government did not come to power with a clear, publicly understood program of local government reform yet within three years of assuming office local government had undergone ‘fundamental’ and ‘deep-seated’ change (Chapman, 1997, p.10; Murfitt et. al. 1996, p.3). Few areas of local government remained untouched by the policy instruments enacted by the Kennett government (Kiss 1997).
The following sections describe the five main policy instruments imposed by the Kennett government between 1992 and 1999. These policy instruments include council amalgamations, financial savings, local council management, electoral changes, and CCT. Major outcomes arising in local government from each of the policy instruments are also described.

3.6.1 The amalgamation of local councils

The issue of reforming local council boundaries was not new (Dollery et al. 2004; Dollery and Fleming 2006; Dollery and Johnson 2005; Worthington and Dollery 2002). Former reviews, as listed in Table 3.1, had identified a number of deficiencies in the structure of local government, each recommending larger local councils. Although recommendations were consistent about the need for amalgamation, attempts at reform typically failed, either through a lack of government control over the legislative council or because there was little interest in reforming public sector authorities. The Kennett government lacked neither power nor interest, and was able to restructure local government in a manner ‘nothing short of dramatic’ (Vince 1997, p.159).

Within three months of entering office, in December 1992, the Kennett government appointed the consulting firm, KPMG Peat Marwick, to prepare a report on the expected savings to be gained from the amalgamation of the six local councils in Geelong, the second largest city in Victoria. The subsequent report estimated that such an amalgamation would result in savings of $21 million. Acting on this advice, in April 1993 the government introduced the City of Greater Geelong Act 1993 which sacked the six Geelong councils and appointed three commissioners to oversee the development of a unified regional local council for the area (Munro 1997).

The government then restructured the City of Melbourne and followed this up by enacting the Local Government (General Amendment) Act 1993 to cover the remainder of the state. This legislation set out procedures for amending local council boundaries and established a Local Government Board (LGB) to review the process and provide recommendations for redefining council boundaries. Minister Hallam announced the formation of the LGB on 9 August 1993 and stated the LGB was ‘the cornerstone for achieving the Government’s policies for municipal reform in this State’. The Kennett government also used local
government restructuring as an example of its ‘decisiveness in dealing with pressing financial issues facing the state’ (Martin 1999, p.25).

The LGB consisted of six members, with a full-time chairperson, Ms Leonie Burke, who was later to become a Liberal Member of Parliament in 1996. One member was a former CEO, and three had previous council experience. The general functions of the LGB included:

- to advise the Minister on improving the efficiency and effectiveness of local government in Victoria,
- to advise the Minister on local government financial issues, and
- to conduct reviews and to report to the Minister on proposals for boundary changes (Hallam 1993c).

In addition, the LGB was to oversee the introduction of CCT (Hallam 1993c). Hallam (1994g) argued that, while the LGB commenced with no set target for the number of local councils, the government ‘made no secret of its desire to substantially reduce the number of councils in Victoria’. The LGB subsequently undertook boundary reviews across the state between August 1993 and January 1995, producing both a draft and final report for each review, reinforcing previous inquiries about the benefits of amalgamation. The LGB also identified potential savings in revenue and expenditure from their recommendations (see, for example: LGB 1993b; 1994a; 1994c).

The LGB recommended, and subsequently oversaw, the reduction in the number of local councils from 210 to 78. In many regions, the number of local councils was reduced by up to two-thirds as shown in Figure 3.6. Only one local council remained intact, the Borough of Queenscliff, which the Premier claimed survived because of its ‘past efficiency and effectiveness’ (Kennett 1993a, p.837). As a result, the newly formed councils became substantially larger in geographical size and also in terms of the population served.
Figure 3.6: Number of Victorian local councils-- Pre- and Post-Amalgamation

Source: Developed for this study from Hallam (1995a)
3.6.2 Financial savings and targets

The issue of state’s finances was identified as being central to the strategy of the Coalition parties in the lead up to the 1992 state election and actions quickly implemented at a state level once in power (Alford et al. 1994). Each of the newly reformed local councils was subject to administratively imposed financial restrictions (Teicher et al 1999).

In their first year of operation, councils were expected to reduce the combined total of rate revenue collected by previous local councils by up to twenty per cent (LGB 1993b). The projected savings to ratepayers from the rate cuts (comparing 1993-94 and 1995-96 revenue figures) varied across regions as follows:

- Middle and outer Melbourne (17.9 per cent),
- Inner Melbourne (19.7 per cent),
- City of Melbourne (10.8 per cent),
- Ballarat (18.0 per cent),
- Bendigo (20.0 per cent),
- Geelong (19.1 per cent),
- Surf Coast (10.4 per cent),
- North West Victoria (15.2 per cent),
- North East Victoria (18.5 per cent),
- South West Victoria (15.9 per cent),
- Gippsland (19.3 per cent), and
- North Central Victoria (13.2 per cent) (Hallam 1995a).

The Kennett government imposed a further requirement on local councils to reduce their expenditures by a further ten per cent between the years, 1995 and 1997. This was expected to result in aggregate reductions in local government spending of between $362 million and $395 million by 1997 (Office of Local Government 1995a).

Additional powers were also granted to the Minister for Local Government to control the level of general council rates and to give directions for rate levels in local councils through the *Local Government (Amendment) Act 1996*. These powers were aimed at further limiting
spending and forcing councils to search for additional cost efficiencies from their operations or find other ways to raise revenue (Maclellan 1996a). The Minister for Local Government, Robert Maclellan, even suggested councils raise additional revenue from the unpopular source, parking fines (Maclellan 1996a).

Australian Bureau of Statistics (ABS) data reported that the amount of taxes (rates and charges) collected by councils, decreased from $1,457 million in 1992/93 (54.6 per cent of total revenue) to $1,249 million in 1997/98 (45.5 per cent of total revenue). Another notable change was the increase in the sale of goods and services, which rose from $455 million (16.4 per cent of total revenue) to $650 million (approximately 25 per cent of total revenue) over the same time period (ABS 1993a, 1998a). This later source was the result of councils selling off duplicated equipment and other assets after amalgamation (Ernst, Glanville and Murfitt 1997). Changes in the proportions of local government revenue between 1992/93 and 1999/2000 is shown in Table 3.5.

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Rates</td>
<td>52.6</td>
<td>54.6</td>
<td>50.7</td>
<td>48.9</td>
<td>49.8</td>
<td>45.5</td>
<td>45.7</td>
<td>45.7</td>
</tr>
<tr>
<td>Sale of Goods</td>
<td>16.4</td>
<td>22.4</td>
<td>25.2</td>
<td>25.8</td>
<td>24.5</td>
<td>23</td>
<td>22.4</td>
<td>22.3</td>
</tr>
<tr>
<td>Interest</td>
<td>3.9</td>
<td>3.5</td>
<td>3.4</td>
<td>2.8</td>
<td>2.6</td>
<td>1.9</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Grants</td>
<td>24.7</td>
<td>19.3</td>
<td>20.6</td>
<td>22.4</td>
<td>23</td>
<td>21.1</td>
<td>18.9</td>
<td>18</td>
</tr>
<tr>
<td>Other</td>
<td>2.4</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>8.5</td>
<td>11.3</td>
<td>12.3</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Developed for this study from ABS 1993a, 1998a

The combination of council amalgamations, rate cuts, CCT, and imposed savings targets led to reductions in local government expenditure. ABS data reported that total council expenditure outlays decreased over the initial three year from $2,086 million in 1993/94 to $2,010 million in 1995/96 (ABS 1993a, 1998a).

A study commissioned by the MAV, *Victorian Local Government: Financial Relationships and Profile*, Koops (1999) noted, that between the fiscal years 1992-93 and 1997-98, local council rates declined in aggregate terms by 20 per cent (or 23 per cent in per capita terms). In addition, aggregate recurrent spending decreased by almost six per cent (or nine per cent in per capita terms) over the same time period, whilst aggregate capital spending declined by 25 per cent (or 27 per cent in per capita terms).
Although there was an overall decrease in local government spending, the pattern of expenditure did not substantially alter, except for a reduction in general public service administration, which fell from 16.3 per cent of total outlays in 1993/94 to 9.0 per cent in 1998/99 (Table 3.6). This outcome was to be expected as a result of the reduction in the number of local councils and as economies of scale were attained through amalgamation (LGB 1993b).

Table 3.6: Victorian local government outlays as a proportion of total outlays (percent) – Selected Years, Period ending June 30, 1994-2000

<table>
<thead>
<tr>
<th>Outlay Type</th>
<th>% of Total Outlays</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Public Services</td>
<td>16.3</td>
</tr>
<tr>
<td>Public order and safety</td>
<td>2.0</td>
</tr>
<tr>
<td>Education, Health and Community services</td>
<td>16.0</td>
</tr>
<tr>
<td>Housing and Community Amenities</td>
<td>12.6</td>
</tr>
<tr>
<td>Recreation and Culture</td>
<td>18.0</td>
</tr>
<tr>
<td>Transport and communication</td>
<td>28.5</td>
</tr>
<tr>
<td>Other Purposes</td>
<td>6.6</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Developed for this study from ABS 1993a, 1998a

In addition, there remained clear distinctions between metropolitan and rural councils in terms of financial characteristics. A study by Milbur (2000) for the MAV, *Economic and Financial Challenges for Small Rural Councils*, reported that the historical diversity between rural and metropolitan councils remained. For instance, in 1997-98, rural councils ($943) continued to spend more per capita than metropolitan councils ($505). Rural councils also continued to devote more to roads and transport than metropolitan councils - $406 per head compared to $102 per head. Moreover, the new policies did little to alter the reliance of rural councils on grant income.

Data collected from the National Office of Local Government (1998) (Table 3.7) also revealed that up to a third of Victorian local councils relied extensively (between 31 and 40 per cent) on grant income.
### Table 3.7: Distribution of the proportion of revenue from government grants of Victorian local councils, 1997-98

<table>
<thead>
<tr>
<th>Proportion of revenue from government grants</th>
<th>Number of Councils</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Metropolitan</td>
</tr>
<tr>
<td>0% to 10%</td>
<td>3</td>
</tr>
<tr>
<td>11% to 20%</td>
<td>18</td>
</tr>
<tr>
<td>21% to 30%</td>
<td>11</td>
</tr>
<tr>
<td>31% to 40%</td>
<td>0</td>
</tr>
<tr>
<td>41% and over</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Developed for this study from NOLG (1998), p.11

#### 3.6.3 The management of local councils

State government control over the activities of local government extended to the management of the new local councils. Following precedents set in Geelong and Melbourne, the Kennett government appointed interim commissioners and chief executive officers (CEOs) to replace the previously elected councillors and the CEO. Previous councillors were perceived as being inefficient, incompetent, unresponsive, isolationist, possessing tunnel vision and incapable of running local governments as business enterprises (Munro 1997).

The Minister for Local Government, Roger Hallam claimed, that without the appointment of independent Commissioners, he could not ‘assure ratepayers will receive the benefits that should flow to them’ (Hallam 1994b). Hallam also justified the appointment of commissioners, claiming their role differed from that of a councillor. Hallam claimed that:

‘… the role (of a commissioner) fundamentally involved reconstructing a new municipality and handing it back to elected representatives, and the skills involved with the process are very different to those we would seek in our elected councillors’. (Hallam 1994b)

In addition, ‘roving’ commissioners and inspectors were appointed by the Kennett government. These persons were previous CEOs of local councils prior to amalgamation and were responsible for assisting local councils in implementing the policy instruments. They also had to check to ensure councils complied with the intent of the policy instruments. The inspectors would also conduct investigative reviews in councils suspected
of not implementing the policies in accordance with the legislation (Local Government Inspector 2000).

Appointments to roles of commissioner were recruited from two sources. Some were drawn from the memberships of former local councils and the remainder from the private sector. This mixture was thought capable of providing some measure of continuity, but at the same time, and more importantly, open up the possibility for change in the managerial direction sought by the government (Kennett 1993a).

The key requirement for appointment was decided on the basis of who might be able to effectively manage change in order that the maximum benefits of restructure are delivered to ratepayers (Hallam 1994b). The majority of commissioners subsequently appointed were non-resident commissioners who were largely unconnected to the communities (Kiss 1997). This ensured the task of implementing the government’s changes was made much easier (Martin 1999).

The commissioners were instructed to ensure the newly formed council prepared business plans to achieve the savings identified in the LGB’s boundary restructuring recommendations, to develop a common rating system for their ridings, negotiate and implement enterprise agreements, and prepare for the re-election of councillors (Hallam 1994i). The government monitored their behaviour and output by requiring them to report on a checklist of actions and to fax these to the Office of Local Government at the end of each working week (Munro 1997).

Elected councillors were returned to the City of Greater Geelong and City of Melbourne in 1995 and in the remaining councils during 1996 and 1997. However, their reinstatement did not reduce the level of ‘fear’ in councils of government reprisals. In the councils of Melbourne, Greater Geelong and Port Phillip, councillors were threatened with dismissal if they did not comply with the Kennett government’s requirements (Kiss 1999).

The government also suspended two councils after elections were re-introduced. After a Commission of Inquiry, the Kennett Government suspended the councillors in the Darebin City Council and an Administrator is appointed to act in their place in June 1997. New elections were subsequently held on 21 September 1998. The Kennett government also
suspended the first Nillumbik Shire Council in October 1998 and appointed an Administrator to govern the municipality. New elections were subsequently called for March 1999 (Kiss 1999).

Although, the *Local Government Act 1989* contained no specific rules describing the management role of councillors, they were instructed to be more strategic and less operationally focussed and to operate like a board of directors running a private business (Ernst et al. 1997). This required councillors to concentrate on policy direction and strategic planning (Alam and Pacher 2000). However, Newnham and Winston (1997) noted that ‘most councillors had neither the background nor the qualifications for this task’ (p.106).

Aulich (1999b) noted that although the policy instruments were intended to redirect councillor focus toward strategic issues, they became the domain of management (p.39). Returning councillors were found to be more concerned ‘about electoral and community issues on their return’ (Aulich 1999b, p.41). He also concluded that management had been instrumental in the policy and implementation of CCT.


Councils were also instructed to advertise in local and metropolitan newspapers for CEO positions. The Kennett government perceived this to be an opportunity for the ‘infusion of new talent’ into local government (Hallam 1995b). The Minister for Local Government Roger Hallam claimed some success here when announcing 15 per cent of these positions were filled by people drawn from outside the local government sector (1995b). However, the majority were filled by people who had been either CEOs in local councils prior to amalgamations (68 per cent) or had held other local government positions (17 per cent) (Hallam1995b).
Unlike previously, whereby council may delegate the powers over staffing to CEOs, the Kennett government introduced legislation that provided for CEOs to have the responsibility for staffing, administration and reporting to the state government. Furthermore, the *Local Government (Further Amendment) Act 1997*, s.94 (Assented to 27 May 1997), paved the way for changes in the manner in which CEOs could be dismissed. The legislation required councillors to seek the prior approval of the Minister for Local Government before terminating their CEO. The Act also gave the OLG the power to veto senior appointments made by councils. This action sought to reduce political interference in the implementation of the government’s policies (Kiss 1997).

Additional managerial control and oversight was also implemented during this period to further embed competitive practices and the need for reduced levels of expenditure. The Kennett government introduced new powers for Ministerial oversight of the financial management and performance benchmarking to compare local councils across the state (Aulich 1997b; Kiss 1997). Amendments were made to the *Local Government Act 1989*, through the *Local Government Amendment Act 1994* to tighten corporate planning and reporting requirements, and impose uniform performance standards and auditing arrangements. Councils were required to set performance targets against 29 annual plan indicators. These indicators covered three areas including community satisfaction, financial performance, and operating costs (SGV 1998).

Although annual reporting of this type had previously operated in the sector, councils were now required to include a three-year corporate and financial plan that identified future cost savings to meet government-imposed savings targets. Local councils were also required to include a performance statement setting out the operation and outcomes of CCT (*Local Government Act 1989*, Section 208G) (Local Government in Victoria 1995).

These measures further entrenched local government as an instrument of the State government, with the government asserting its right to reform local government ‘at will’ and (Kiss 1997, p.72). In addition, they were important actions to inculcate competitive practices within local councils (Aulich 1999b, c).
3.6.4 Electoral changes

Three main changes were made to the electoral basis of local councils. Firstly, the maximum number of elected representatives on each council was reduced from 21 to 12 through the *Local Government (Miscellaneous) Act 1997*. The government perceived this as a means of reducing factional interests that had been prevalent in larger councils (Hallam 1995c). This greatly reduced the level of representation in Victorian local government and particularly relative to that in other states (Table 3.8).

<table>
<thead>
<tr>
<th>State</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Australia</td>
<td>1 to 1,280</td>
</tr>
<tr>
<td>Tasmania</td>
<td>1 to 1,630</td>
</tr>
<tr>
<td>Queensland</td>
<td>1 to 2,100</td>
</tr>
<tr>
<td>South Australia</td>
<td>1 to 2,130</td>
</tr>
<tr>
<td>New South Wales</td>
<td>1 to 3,470</td>
</tr>
<tr>
<td>Victoria</td>
<td>1 to 7,900</td>
</tr>
</tbody>
</table>

Source: Kiss (2000)

Second, the number of councillors facing election was standardised in the sense that all were elected for common three-year terms. The previous arrangement had involved only a third of each council’s membership facing re-election on an annual basis. The previous system had long been viewed as constraining councils from appropriately undertaking longer term planning (Local Government Inspector, 2000).

Third, postal voting was introduced to supplement the previous system whereby voters were required to attend polling booths. The Minister for Local Government Roger Hallam claimed that this form of voting was aimed at lifting the participation and interest in local government elections (Hallam 1994f). In addition, increased participation would discourage the dominance of interest groups in local councils (Hallam 1994f).
3.6.5 Compulsory competitive tendering

Competitive tendering has always been a feature of local government (Best 1986), yet the new compulsory competitive tendering policy instrument was quite distinctive (Ernst 1994b). The Victorian government was the ‘first in Australia to introduce mandatory competitive tendering in local government’ (Worthington and Dollery 2002).

Similar to the UK, CCT was ‘one of the key mechanisms being employed by the state government to enact the reform of local government’ (Murfitt et. al. 1996, p.3). However, unlike in the UK where CCT was phased in over a five-year period after each piece of legislation and personal and community services were specifically excluded from competitive tender (as described in chapter 2, section 2.2), the Kennett government’s policy far more reaching policy (Ernst 1995).

The CCT policy instrument was announced in August 1993, when the Minister for Local Government, Roger Hallam, (1992-96), instructed the LGB to develop a legislative basis for the introduction of competition in the delivery of goods and services (Hallam 1993a). The LGB produced a draft and final report in which it recommended that activities that accounted for a set percentage of local government expenditure be placed out to tender, commencing at 20 per cent and rising to 50 per cent in the third year of operation (Local Government Board 1993a). The LGB reported that many local councils had expressed concern over the scale of activities they were expected to be put out to tender, as all local government functions were ‘deemed suitable’ to be placed to CCT (Munro 1997, p.79). There were also criticisms as to the rate at which CCT was to be implemented (Local Government Board 1993a). However, the Kennett government endorsed the LGB’s recommendations.

In May 1994, the Kennett Government introduced CCT through the Local Government (Compulsory Competitive Tendering) Act 1994, which was then incorporated into the Local Government Act 1989. Local councils were obligated to follow a competitive tendering (or market-testing) process for activities that accounted for 20 per cent of their total operating expenditure in the 1994-95 financial year, 30 per cent of their operating expenditure in the 1995-96 financial year, 50 per cent of their operating expenditure in the 1996-97 financial year, and then to maintain this percentage thereafter (Section 208).
The Kennett government also published a CCT Manual (1994) and a Code of Tendering (1995) that set out organisational arrangements and processes to be applied by local councils when ‘in-house’ bids were submitted. In this regard councils were required to split their organisations into client functions and provider functions, a practice that replicated the CCT process applied in the UK (in Chapter 2, section 2.2). The council, as client or purchaser, was to be responsible for setting and monitoring quality standards, assessing consumer demand and satisfaction, and managing the tendering process. The provider, on the other hand, was to provide and manage the service, monitor costs and quality and report back to the client. The separation of functions in this manner was to ensure in-house bids had no advantage over external bids, either through having insider knowledge or because of inappropriate support being provided by the ‘client’ (Office of Local Government 1995b, p.17).

Councils were also required to establish a tender evaluation panel, with more than one member, for each tendering process. In all cases where in-house tenders were submitted, councils were required to have at least one member of the panel who was independent of council and had expertise relevant to the tender (Alam and Pacher 2000).

Whereas, the Kennett government viewed their changes to municipal boundaries as achieving efficiencies and economies of scale, CCT was central to change the culture of local government (Hallam 1994b). The Minister for Local Government, Roger Hallam stated that ‘competitive tendering is the most sweeping reform local government is likely to deal with and will do more to improve councils’ operations than any other change’ and would herald ‘a cultural change which goes to the very core of the way councils operate’ (Hallam 1995c).

Additional studies also acknowledged the potential challenges to the traditional culture in local government brought about by CCT. Jones (1993) noted that ‘the threat of contracting changes the internal local government culture dramatically, from a status and rule-dominated system to one concerned with productivity and winning against the competition’ (p.280). Similarly, Aulich (1997a) concluded that the CCT legislation was intended to do more than improve the efficiency of local government; ‘it was intended to change the total local government culture, to make it more business-like by subjecting it to the disciplines of
the marketplace’ (p.136). Alam and Pacher (2000) also concluded that CCT changed the ‘modus operandi of local government councils’ through the promotion of the market model, where citizens are considered as customers, and councillors would act like a board of directors’ (Alam and Pacher 2000, p.365).

This policy instrument also illustrated the government’s support of public choice ideas. The public choice school ‘views contracting as a way of using market competition and deregulation to reduce costs and increase efficiency by transferring functions to the private sector’ (Rimmer 1993). Hodge (1996) also noted that the drive to contract out through competitive tendering local government services was heavily founded on the belief that the private sector was more efficient than the government sector.

The *Local Government (Compulsory Competitive Tendering) Act 1994* potentially exposed all local government services to a competitive tendering process (Ernst 1994). However, the short time-frame imposed by the Kennett government made it difficult for local councils to extensively assess all service areas prior to deciding upon a ‘tender queue’ (Murfitt et al. 1996). In practice, councils took a pragmatic approach, where the priority for exposure to tender were those services easiest to package; those which represented large budget items; those that appeared to have least impact on staff; and those where contractual arrangements were already in place (Ernst et al. 1997; Murfitt et. al. 1996; Tesdorpf 1996).

The main services identified as being put to a competitive tendering process contracted out in the initial period of CCT in 1994/95 were those that had already been subject to tendering by some councils prior to enactment of the legislation, such as garbage collection, recycling and street cleaning and items purchased through State government-approved purchasing schemes (IC 1996; Office of Local Government 1995a). These items included office and other supplies and small equipment from providers who had already won the right to deliver these items in a competitive tendering arrangement with the Municipal Association of Victoria (MAV) (Ernst et al. 1997; OLG 1995a).

The Office of Local Government reported that in the first nine months of the implementation of the policy, over half of CCT expenditure was on public works and services, including construction and maintenance of roads, drainage, and public facilities.
The next largest area of expenditure was through approved purchasing schemes (OLG 1995a).

The issue of tender probity also proved problematic for local councils (Ernst et al. 1997; Murfitt et al. 1996). While local councils were required to split their client functions from in-house provider functions, research found that most local councils struggled ‘to give organisational expression to the core idea of separation’, and instead adopted a range of approaches, mostly they were prone to adopt a ‘twin-hatted’ approach (Aulich 1997a). This was described in chapter 2 as an organisational structure where client and provider roles were co-managed by high level managers or often by the CEO (Kerley and Wynn 1991).

Ernst et al. (1997) concluded that the twin-hatted approach was implemented by most local councils, primarily because this structure required fewer resources than one where a full separation was implemented. Additional influencing factors on choosing this model included the potential negative effects on internal relationships, the dissolution of corporate identity and the loss of collaboration that was perceived to occur in cases of clear separation of functions (Aulich 1997a).

The Kennett government also established a review of the operations of CCT during 1996 as ‘part of the Government’s commitment to continually monitor and improve the implementation of CCT’ (Maclellan 1996b). The Minister for Local Government at this time, Robert Maclellan, announced the review on 16 October 1996, appointing a two-person panel to investigate and report back to the government on the outcomes of CCT. The terms of reference for the Review included:

- the effects of CCT implementation on small rural shires, specifically – the implementations of the 50 per cent target for local economies,
- their capacity to achieve the target; and, their organisational capacity to achieve an effective split of ‘purchaser’ and ‘provider’,
- the adequacy of current financial and performance monitoring systems and auditing arrangements for in-house teams,
- the adequacy of organisational structures to meet CCT and NCP principles,
• the efficacy of eligible competitive arrangements as currently defined in the Act, and whether amendments should be considered in two areas – alternative possibilities for small value contracts, with a view to minimising the transaction costs associated with CCT and contributions towards projects and services undertaken jointly with the state or federal governments,

• the arrangements under which councils should be permitted to tender for external work – with other councils and, in the private sector, and

• the effectiveness of the Code of Tendering in guiding good tendering practice – what amendments to the Code should be made; and whether any elements of the Code should be embodied in legislation to enhance enforceability (Review Panel 1996, pp.1-7).

The Review Panel (1996), which consisted of two persons M. Hinds (an engineer) and V. Robson (a former local government CEO and local government inspector), recommended only one major change to the way in which CCT should continue to operate. The Review Panel recommended that the total expenses on which councils were to base the target figure should now exclude depreciation and substitute capital expenditure. The Review Panel (1996) supported the introduction of CCT as ensuring a council, ‘through market testing’, would deliver ‘quality services to its community in an efficient and effective manner’ and would improve the accountability of local government decision making (p.13). In addition, the Review Panel (1996) claimed CCT could achieve cost savings, ‘desired’ efficiency, organisational, and cultural changes and had led the way in reforming outmoded work practices and attitudes towards customer service.

The Review Panel did acknowledge that councils were still coming to grips with the changes on top of amalgamation and consequently ‘faced considerable management challenges in dealing with the complexity of changing entrenched attitudes in a short timeframe’, but it did not support any easing of the regulations imposed on local councils (Review Panel 1996, p.26). The Panel also noted that many councils had still not developed adequate financial and performance monitoring systems or auditing arrangements for CCT. In addition, councils had still not adequately separated client and provider functions in accordance with CCT and NCP principles (Review Panel 1996). The Review Panel was also not enthusiastic about councils tendering for external works unless stringent requirements could be met (Review Panel 1996). Minimal adjustments were made to the
CCT legislation, with the main change being the withdrawal of depreciation from eligible CCT expenditure and replaced by capital spending. Submissions by the ASU about the negative consequences of CCT in rural councils were also overlooked by the Kennett government (MEU Assistant Branch Secretary 2000a).

CCT did have the intended and immediate result of expanding the amount of competitive tendering undertaken by local government. The value of local government work placed to competitive tender rose substantially from $500 million in 1994/95 (OLG 1995) to $1.45 billion or 60.9 per cent of total council operating expenses in 1997/98 (DOI 1998). Table 3.9 reports on the level of CCT undertaken by councils, revealing many had exceeded the targets set between 1994/95 and 1997/98.

The government attributed the failure to meet the legislative targets as arising from a range of factors including ineligibility of expenditure, non-completion of projects, organisational restructuring and staff departures (OLG 1998). However, an independent study conducted by Van Gramberg and Teicher noted two other reasons. Firstly, the pace for implementing these requirements clearly outstripped management experience and ability to meet the targets. Second, the targets were unrealistically high given the definition of ‘total expenditure’ prior to the Review Panel’s recommendation (Van Gramberg and Teicher 2000).

Table 3.9: Number of councils and percentage of expenditure under CCT

<table>
<thead>
<tr>
<th>1994-95 (Target 20%)</th>
<th>1995-96 (Target 30%)</th>
<th>1997/98 (Target 50%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>Number</td>
<td>Percentage</td>
</tr>
<tr>
<td>10% to 19%</td>
<td>5</td>
<td>0% to 29%</td>
</tr>
<tr>
<td>20% to 29%</td>
<td>55</td>
<td>30% to 39%</td>
</tr>
<tr>
<td>30% to 39%</td>
<td>12</td>
<td>40% to 49%</td>
</tr>
<tr>
<td>Over 40%</td>
<td>6</td>
<td>Over 50%</td>
</tr>
<tr>
<td>70% to 79%</td>
<td>12</td>
<td>Over 80%</td>
</tr>
</tbody>
</table>

Source: Developed for this study from Office of Local Government (1995a, 1996, 1998b)

Details on the success or otherwise of in-house bids is limited and contradictory. On the one hand, a number of reports have indicated growth in the externalisation of service provision. The Kennett government reported that external contractors won half of the expenditure competitively tested (SGV 1998). In addition, the Auditor General’s Office
(AGV 1998) reported that in 1996/97 councils subjected $1.4 billion to market testing of which only about a third or $416 million was awarded to in-house teams. Furthermore, a study by Teicher and Van Gramberg (2001) of the position in 25 of the 26 Melbourne metropolitan councils in 1997/8, found that 17 councils awarded more than 50 per cent of expenditure subjected to CCT to external providers with one council externalizing 86.5 per cent. Conversely only eight councils awarded more than 50 per cent of total expenditure to in-house teams. However, most studies suggest that in-house bids were usually favoured (see: for example, Aulich 1997a, 1999b; Ernst et al. 1997; Murfitt et al. 1996; Teicher et al. 1999). Ernst et al. (1997) reported that the awarding of contracts favoured in-house staff, with only one of ten case councils choosing to externalise more than 10 per cent of their competitive arrangements.

The reasons for support to in-house units were similar to those observed in the review of CCT in the UK, where local councils were found to have supported Direct Service Organisations (DSO). The success of in-house bids appeared to be related more to politics than to market considerations in case study councils investigated by Aulich (1999b). This was evident in the way the case councils supported in-house bids, determined service levels, and used bureaucratic control over CCT operations to limit competition.

Research also noted that in-house success was partly attributed to the short time frame imposed by the legislation. This made it more difficult for external providers to calculate for costs and risks associated with putting in a tender (Murfitt et. al. 1996). The short time frame of three years for the implementation of the 50 per cent CCT target also influenced how councils decided what services to be placed to tender (Dore 1997). Dore (1997) found that 60 per cent of Victorian council managers interviewed expressed concern that the requirement to attain the 50 per cent CCT target was at the expense of taking a strategic approach to planning CCT implementation, such as planning the services likely to attract competition. Other studies also reported that local councils mostly took a pragmatic response to CCT, targeting services that could meet the expenditure requirements of CCT (Aulich 1999b; Ernst and Glanville 1995; Martin 1999; Murfitt et al. 1996). Aulich also reported that councils chose service areas that had undergone some workplace changes prior to competitive tendering (Aulich 1997a). This often allowed in-house units to tender for services at lower prices than offered by private contractors (Murfitt et al. 1996).
The specialised nature of local government services also restricted the extent of external competition, which in turn improved the level of in-house success in tender bids (Aulich 1997a). As one former local government inspector recalled, ‘local councils had experience in providing many services for many decades and this had meant an alternative source of providers was often not available to all councils (Local Government Inspector 2000).

Although Victorian local councils’ in-house service units were benefited in many tender bids, local government employment continued to decline (Aulich 1997a; Ernst et al. 1997; Murfitt et al. 1996). Figure 3.7 shows total employment change during the Kennett government administrations between 1993 and 1999. The figure shows that employment declined by approximately 6,000 persons between 1993 and 1996, principally as a result of amalgamation and the imposed savings targets imposed on the new local councils (Aulich 1997a; Ernst et al. 1997; Murfitt et al. 1996). Martin (1999) reported that the willingness of long-standing employees to take redundancy packages and look for alternative employment had relieved local councils of the need for extensive forced redundancies. The impact of CCT is shown in the later period, between 1996 and 1999, which shows employment declined by a further 8,500.

In addition, ABS data showed that males experienced the largest decrease in employment in the initial phase, from 22,900 in February 1992 to 19,100 in February 1995 (ABS 1998c). Case studies also unambiguously suggest that employment levels were largely adjusted downwards in service areas that were tendered out by local councils and these were mainly male-dominated outdoor services (see, for example: Aulich 1997a,b; Ernst et al. 1997). Case studies also identified that there was a shift toward part-time and casual work (Ernst et al. 1997).
A further area of study undertaken into CCT occurred in respect of the likely impacts for rural local councils (Hodge 1996; Lee 1991; Tesdorpf 1996). Previous knowledge about competitive tendering practices, suggests that rural councils were less likely to voluntarily apply such practices (Howard and Associates 1988). Two main concerns were identified about the use of competitive tendering in rural areas. Firstly, competitive tendering posed major risks to the viability of rural communities, particularly if service provision is externalised. This view was based on the consequential loses to local population and local business and other services caused by employment decline and external contractors sourcing materials from non-local suppliers (Howard and Associates 1988; Lee 1991). Second, minimal savings are expected when rural communities lack of competitive markets for many services (Ernst 1995; Hodge 1996; Howard and Associates 1988).

Hodge (1996) identified from an analysis of previous studies into competitive tendering, that rural communities would be the most likely losers under a competitive market environment. Like the study by Howard and Associates (1988), Hodge (1996) noted that rural councils can be isolated, and may even be the major local employer. Consequently, ‘it is probable that job reductions will not be picked up by other employers, as might occur in urban areas where several large employers are present’ (p.55). Hodge (1996) also reinforced concerns raised by Howard and Associates (1988) about the problem of lack of
competition in rural areas; the special role that local government plays in rural areas (for example, as an employer); and significantly, whether market testing is sufficient to ensure modernisation.

Tesdorpf’s study (1996), *Competitive communities .... ? A study of the impact of compulsory competitive tendering in rural and remote areas of Victoria*, examined CCT in rural areas in the initial phases of the policy (1994/95). His findings resulted from responses to a questionnaire that was forwarded to 38 municipalities, principally in the north of the state, supplemented by case studies in three northern rural councils. Tesdorpf (1996) noted that rural communities were dubious of CCT as they were already facing experiencing economic problems associated with declining populations and declining property values. CCT was viewed as another threat to jobs, particularly if external contractors were successful in securing tenders. Local firms were also perceived to be ill equipped to compete with firms from urban areas. Being smaller, they were not in a position to achieve the economies of scale of larger external metropolitan contractors.

Concerns about CCT raised by councils in Tesdorpf’s study (1996, pp.50-51) included:

- additional costs incurred due to preparing tenders,
- the loss of economies, demarcation and morale problems caused by the client/provider split,
- excessive pressure and stress on staff caused by the short time frame for the implementation of major organisational change required from CCT, and
- the creation of cumbersome processes and excessive government reporting.

Rural councils also reported some benefits arising from CCT and these included:

- an improved focus on core business and outcomes,
- a better understanding of cost, corporate efficiency,
- better business planning and performance management,
- cultural change, and
- better access to innovation and technology.
Previously acknowledged concerns about the lack of multiple (or potentially competing) service providers and an inability to achieve a critical mass of service users was borne out in a survey undertaken by the MAV, _Submission to Productivity Commission on Impact of National Competition Policy on Rural and Regional Australia_. The survey examined 52 rural and regional councils concluding that competition did not benefit councils with large geographic areas and a small population base (MAV, 1998).

A number of other studies also addressed the impact of competition policies more broadly, including NCP on rural regions (Black et al. 2000; Collits 2000; Hawker 1997; NCC 1999; Parliament of Australia (POA). 2000; Productivity Commission 1998, 1999a, 1999b; Worthington and Dollery 2001). These studies added further insights into the impacts of structural economic changes and the consequences of competitive tendering in rural regions of Australia.

Four common themes can be discerned from these studies. Firstly, rural communities were suffering from a steady decline in population. Towns servicing farm districts had decreased in population by one third from 1976 to 1999 (Department of Infrastructure 2000). The majority of out migrants from rural areas were found to be aged between 15 and 35 years and had left to find employment (LGB 1994b). The loss of this (at least potentially) ‘child bearing’ section of the population has further repercussions leading to a reduction in the birth rate in rural regions (Hugo 1994).

Second, rural communities were undergoing major structural changes to their economies. Many rural communities rely primarily on agriculture, however this industry sector has been in a state of decline for almost fifty years (Way 1999). Further, increasing global trade of agricultural commodities during the 1980s and 1990s raised the level of competition in the agricultural sector forcing prices, profits and employment downward. As a consequence, the number of farms has decreased by an average of 1.3 per cent per year in the ten years to 1994-95 (ABS 1998: 20). Rural communities also expressed concern over the centralisation of service provision by banks and government departments and the subsequent decrease in levels of service availability in rural areas (PC 1999a). Similar issues were raised in a Senate Select Committee report, _Competition Policy: Riding the Waves of Change_ (POA 2000). These structural changes have in turn affected the viability of businesses, educational institutions, community organisations and social amenities in rural locations.
Third, employment levels and opportunities were declining in many rural regions. There have been declines in the number of jobs in many traditional employment areas in rural communities between 1986 and 1996 including agriculture (11 per cent decrease), manufacturing (1.1), mining (5.9) and government-owned utilities (10.9) (ABS Census 1986, 1996). The Victorian Local Government Association noted ‘the least mobile and the least skilled have been most affected by the closure of businesses and government run railway yards’ (VLGA 2000, p.2).

Four, rural communities also faced the challenges arising from government policies promoting competition (Hawker 1997; NCC 1999; PC 1999a, b). In the context of the above changes, the introduction of competition generated considerable apprehension amongst rural communities. Indeed, rightly or wrongly, many believed the policy was to the advantage of metropolitan areas, serving only to accelerate the declining employment opportunities available in rural areas (NCC 1999). The lack of competition for service provision and the perceived negative impact on communities if contracts are lost to metropolitan providers were reiterated in government inquiries investigating the impacts of competition in rural and regional Australia (Parliament of Australia (POA). 2000; Hawker 1997).

Even though fears were raised about the likely problems facing rural councils from CCT, most local councils complied with, and some far exceeded, the mandatory targets. Using local government classification data from the National Office of Local Government, The 1997-98 Report on the Operation of the Local Government (Financial Assistance) Act 1995, with the data reported in Table 3.10, the extent of CCT undertaken by rural councils can be gauged. Table 3.10 reports on the number and percentage of rural councils and the CCT targets reached in two periods to illustrate the compliance rates achieved by this type of council. All rural councils met the 20 per cent target in 1994/95 with two-thirds (14) achieving CCT targets in excess of 25 per cent of expenditure. While one council failed to reach the 50 per cent target in 1997/98, almost 75 per cent (17 councils) had exceeded the target by more than 20 per cent.
Table 3.10: Percentage of CCT reached by rural councils, selected years, 1994/95 and 1997/98, Number and percentage of councils

<table>
<thead>
<tr>
<th>CCT rate</th>
<th>1994/95 (20% target)</th>
<th>1997/98 (50% target)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of councils</td>
<td>%</td>
</tr>
<tr>
<td>20-24</td>
<td>7</td>
<td>33.3</td>
</tr>
<tr>
<td>25-29</td>
<td>7</td>
<td>33.3</td>
</tr>
<tr>
<td>30-39</td>
<td>4</td>
<td>19.1</td>
</tr>
<tr>
<td>40-49</td>
<td>3</td>
<td>14.3</td>
</tr>
<tr>
<td>50-59</td>
<td>5</td>
<td>23.8</td>
</tr>
<tr>
<td>60-69</td>
<td>8</td>
<td>38.2</td>
</tr>
<tr>
<td>70-79</td>
<td>5</td>
<td>23.8</td>
</tr>
<tr>
<td>80+</td>
<td>2</td>
<td>9.5</td>
</tr>
</tbody>
</table>


However, the higher than set CCT targets obtained was not to be unexpected, given the way in which CCT targets were set (Ernst et al. 1997). The combination of depreciation being included in the eligible expenditure total and having large road networks, meant rural council would need to tender a higher percentage of actual services relative to metropolitan councils so as to meet the legislated targets (Review Panel 1996, Tesdorpf 1996).

Other studies have reported on the cultural changes in local government as a result of CCT. The Kennett government set out to alter the core-values of local government through CCT (Aulich 1999b). However, conclusions have varied among local government researchers about the extent of change to Victorian local government. On attaining office there was a major transformation of the local government sector in Victoria, which placed all local councils in a ‘state of turbulence’ (Martin 1999). Researchers had reported that the local government sector underwent ‘fundamental’ (Murfitt et al. 1996, p.3) and ‘deep-seated’ change’ (Chapman, 1997, p.10). Councils ‘have effectively been transformed into contract managers and their role as agent of the state entrenched’ (Munro 1997, p.80).

Aulich (1999b) noted that local government in Victoria has been shifted from ‘one which gives primacy to traditional democratic values …..to one where there is an emphasis on efficiency in the delivery of services’ (p.43). Aulich (1999b) also noted that local government is ‘more outwardly focused’, as evidenced by the establishment of service standards, increasing cost and customer consciousness, and more awareness of competitors. CCT was also found to have improved management performance, as illustrated by closer attention to meeting service standards. However, Ernst et al. (1997) also noted that CCT
acted ‘to enclose key decisions in a veil of commercial secrecy. Rather than make councils more transparent (as the advocates of CCT claim), it is having the effect of sealing off major policy and resource allocation decisions from public scrutiny’ (p.39).

Aulich (1999c) also concluded that a substantial cultural shift toward a post-bureaucratic model had not been ‘fully implemented’ (p.328). This model was based on five key facets, including the separation of policy and administrative roles, the disaggregation of bureaucracies, the use of contracts to mediate behaviour, the replacement of political with market-based decisions, and increased reporting and operational flexibility. The delivery of local council services, had in the major areas of roads and other key expenditure areas, remained in-house (Aulich 1997a, b, 1999b, c; Ernst et al. 1997). Aulich (1999b) supported conclusions reached in earlier studies by Ernst et al. (1997) and Murfitt et al. (1996) that the compliance nature of CCT and the tensions created in the client and provider organisational split had resulted in a more pragmatic than strategic approach to CCT. Van Gramberg and Teicher (2000) also concluded that the emphasis was on compliance rather than performance and this restricted cultural shifts in local councils.

Aulich (1999b) also observed that although senior managers have a key role in ‘providing a new strategic direction’ for cultural shifts and this did not eventuate (p.43). Political intervention by senior managers had confounded a shift towards market based decision (Aulich 1999c). This was illustrated in the manner in which services were packaged for CCT, the timing at which they were placed to a tendering process and evaluation weightings developed by senior managers had all contributed to reducing the extent to which local councils had adopted a competitive culture.

This review has provided information on each of the four main components of the Victorian local government reform agenda implemented between 1992 and 1999 including the:

1. forces driving the need for local government reform,
2. government’s approach to developing and implementing the local government reform agenda,
3. the expected outcomes sought by the Kennett government through the implementation of local government reform, and

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4. the policy instruments that were implemented in local government to achieve the expected outcomes.

The review also described some outcomes arising from the five main policy instruments of this reform agenda. These included council amalgamations, financial savings, local council management, electoral changes, and CCT. This information contributes to the first two research questions set out in Chapter 1 (section 1.3), and is the focus of the next section.

3.7 Discussion of the Local Government Reform Agenda

Based on this information, answers can be provided to the first two research questions. The first research question was:

*RQ1. What was the public sector reform agenda implemented in Victorian local government between 1992 and 1999?*

- **RQ1.1** What were the forces driving the need for local government reform?
- **RQ1.2** How was the reform agenda developed and implemented?
- **RQ1.3** What were the expected outcomes sought by the Kennett government through the implementation of local government reform?
- **RQ1.4** What policy instruments were implemented in local government to achieve the expected outcomes?

Each of the components of this RQ is discussed in turn.

**RQ 1.1 What were the forces driving the need for local government reform?**

The review identified three main and integrally linked forces drove the Kennett government’s reform of local government. Firstly, the Kennett government was supportive of public choice ideas. Similar to the thinking in the UK during the 1980s, the Kennett government saw the need to fundamentally alter the way public sectors operated. Locally grown support was also evident in the activities of the IPA and Tasman Institute. These organisations provided policy support to the incoming Kennett government.
Second, the State’s budgetary position was used as a justification for the reform of local government. This represented the most overt of the justifications used by the Kennett government for local government reform. The Kennett government assumed power at a time when the economy was in an economic recession and state debt was rising as taxation revenue was declining. Moreover, credit ratings for the State of Victoria, issued by Moodys Investor Services and Standard and Poors, were declining, causing further debt. Stringent financial reductions and control were seen as essential in the public sector in order to get the economy going again (Victorian Commission of Audit 1993a).

Third, the micro-economic reform agenda being developed at a national level was instrumental in providing added justification for actions already commenced in local government. Although the Kennett government was already supportive of competition in the delivery of public services, the implementation of the NCP provided a mechanism for justifying CCT in local government (Paddon 2001).

**RQ 1.2 How was the reform agenda developed and implemented?**

The review showed that the approach to policy change adopted by the Kennett government differed to pre-election announcements and differed substantially from the more consultative amalgamation inquiries of the past (Table 3.1). Three key aspects of the Kennett government approach were observed.

Firstly, the government reduced levels of consultation with previous stakeholders, including local councils and trade unions. The Kennett government believed the electoral success it had achieved provided the necessary mandate to “fix” the State and therefore did not need to consult.

Second, the policy changes were implemented in quick succession. The Kennett government used the budgetary position of the state as the justification for immediate action. The restructuring of local government was an example of the government’s ‘decisiveness in dealing with pressing financial issues facing the state’ (Martin 1999, p.25). The reduction in levels of consultation had also enabled the government to pass legislative changes quickly.
Third, the policy changes were implemented equally across all local government. The ‘one size fits all’ nature of the policy instruments took no account of the historic diversity in local government. All local councils were accused of ‘not adapting to the changing needs of the community and was no longer to be immune from the policy transformation being implemented elsewhere by Western governments’ (LGB 1994, p.9).

**RQ1.3 What were the expected outcomes sought by the Kennett government through the implementation of local government reform?**

The review examined three key outcomes sought by the Kennett government. These outcomes were also evident from the literature review undertaken in chapter 2 of the UK, under the Thatcher government administrations of the 1980s. Three major outcomes sought through local government reform were identified and discussed. These included cost savings and efficiency improvements, the reduction in the size and scope of local government, and the reduction in the influence and position of trade unions in local government. The first objective was the most overt in the Kennett government’s election campaign in 1992 and arose from the pressures to reduce state debt. The objective also stemmed from the government’s support of public choice ideas and their wish to inculcate a culture of efficiency, competition and accountability into local councils (Ernst 1994).

The second expected outcome concerned the reduction in the size and scope of local government. This also derived from similar concerns about the level of debt and the need to reduce the more costly service provision by local councils. In addition, the objective stemmed from the acceptance of public choice ideas supporting a more limited role by governments in the provision of public goods and services (Skulley 1999).

The third expected outcome was the reduction in the influence and position of trade unions. Trade unions were viewed as causing inefficiencies and cost increases in the provision of public goods and services. Unions were also accused of extending the public sector into services better delivered by the private sector (IPA 1993).
**RQ1.4 What policy instruments were implemented in local government to achieve the expected outcomes?**

The review described policy changes in five major areas as introduced by the Kennett government between 1992 and 1999. They included council amalgamations, financial savings, local council management, electoral changes, and CCT. These were critical components of the reform agenda so as to ensure the outcomes (RQ 1.3) were attained.

By reviewing each of the elements of the reform agenda it is possible to identify a number of implications for trade unions. Arising from the answers to RQ1, four main implications of trade unions can be identified. Firstly, the forces driving the reform clearly enunciated the government’s opposition to trade unions. Public choice ideology, particularly as illustrated in the UK during the 1980s, had promoted the perception that trade unions had hindered the public sector from improving efficiency (Foster 1991; Institute of Public Affairs 1993; MacInnes 1987). The perceived pressure to reduce public sector debt levels and introduce competition into the delivery of public goods and services also threatened to decrease trade union membership levels. Local government is the ‘most highly labour intensive sectors of government in Australia’ and any focus on reducing costs or removing service provision was bound to impact on employment levels’ (Jones 1993, p.166). These forces also set a potentially harsher economic and political bargaining context for trade unions.

Second, the approach to the development and implementation of the reform agenda presented additional challenges to trade unions. Previous access to government members to discuss policy changes was removed. In addition, avenues for appeal against policy decisions were made more difficult by the pace of the reform measures. The approach also reinforced the harsher bargaining context facing trade unions.

Third, the expected outcomes sought by the Kennett government clearly challenged local government trade unions. As noted above, cost savings would essentially be obtained from savings in local government expenditure on employment levels and terms and conditions. In addition, the reduction in the size and scope of local government would also impact on employment levels and consequently trade union membership. The Kennett government expected local councils to be unable to continue to deliver services in the face of
competition and force councils into forming ‘enabling’ organisations, as recommended by the Victorian Commission of Audit (1993a) (Hallam 1995c). The VCA recommended public sector organisations, like local councils, should become funding organisations and delivery of services be left to more efficient private sector providers. Moreover, the government sought a specific objective of reducing the influence of trade unions in local government. Driven by support for public choice ideas, the Kennett government laid blame to public sector inefficiency and cost blow-outs on trade unions (Kennett 1992b).

Four, the policy instruments were expected to deliver the three outcomes noted above. Amalgamation, CCT and enforced savings targets presented the most significant challenges to employment levels in local councils and consequently union membership levels. The requirement for the newly formed councils to establish an individual enterprise bargaining agreement threatened to break down state-wide terms and conditions. The harsher economic and political environment also challenged the ability of trade unions to secure major gains in terms and conditions and particularly when local government workers were required to compete with private sector providers. CCT also threatened union membership solidarity by allowing local councils to expose certain services to tendering in order to meet the legislative targets. In addition, workers in private sector competitors were represented by other unions, which potentially threatened relations between unions. These implications confirm those facing local government trade unions as a consequence of the public choice ideas and policy instruments pursued in the UK during the 1980s.

These findings to RQ1 contribute to the first element of the analytical framework as discussed in Chapter 2 (figure 2.3). A summary of the main factors of each of the component parts of the local government reform agenda is provided in Figure 3.8.
In addition to contributing information for answering RQ1, the chapter also reviewed information on outcomes in local government arising from the policy instruments. This information confirmed the first link (link number 1) between the reform agendas and local government and how the policy instruments brought forth major changes in this tier of government. The information reported in this chapter also assists in addressing RQ2.

**RQ2. What changes occurred in Victorian local government as a result of the Kennett government’s reform agenda?**

This question sought to provide an overview of the major changes occurring in local government as a result of the five main policy instruments discussed in RQ1.4. The changes are summarised in Figure 3.9, which corresponds to element 2 of the analytical framework in Chapter 2 (Figure 2.3). The ‘picture of local government shows there are substantially fewer councils with lower budgets, reduced debts and services increasingly provided via the private sector’ (Mowbray 1996, pp.33-34). The number of individual local government bodies was reduced from 210 to just 78. Savings and financial restrictions were also placed on the new councils resulting in expenditure reductions of between 10 and 20 per cent,
which resulted in extensive employment reductions. In addition, CCT also resulted in some transfer of service provision away from local councils to private operators.

However, some studies also concluded that local government did not transform to the extent anticipated by the Kennett government (Aulich 1997a, b, c; 1999 b, c; Ernst et al. 1997; Kiss 1997; Van Gramberg and Teicher 2000). There was no significant rush toward establishing ‘enabling councils’ with most local councils continuing to deliver services after CCT. In addition, few councils adopted a clear separation of client and provider functions, that would have signalled a shift to a competitive culture (Aulich 1997a, b; Ernst et al. 1997). Top management ranks also remained dominated by existing local government employees (Ernst et al. 1997). The studies raised awareness of other factors that had acted to shape outcomes in local councils. The various studies by Aulich (1997a, b; 1999a, b, c), Ernst et al. (1997) and Murfitt et al. (1996) identified factors such as the level of competition, the way councils approached the reforms (such as by the way in they packaged services for tender, when they timed the tenders, and their level of support for in-house units), and also the influence of other regional forces (such as structural changes and population changes). These forces have also been summarised in Figure 3.9 and comprise element three of the analytical framework discussed in Chapter 2 (Figure 2.3).
3.8 Conclusion

This chapter reviewed literature on the Victorian local government reform agenda and the changes arising from the major policy instruments implemented by the Kennett government as part of this agenda. This information has contributed to answering the first two research questions set out in the previous chapter (section 2.6).

The chapter commenced with a description of important features of local government, including the origins and main roles and responsibilities of local government in Victoria, financial features and service provision characteristics prior to 1992. This was necessary for establishing the industry-wide context for the examination of the Kennett government’s reform agenda that was implemented between 1992 and 1999. Arising from this background two key conclusions are reached about the nature of local government in the lead up to the election of the Kennett government. Firstly, local government is a subordinate level of government in the Australian federal system in terms of its roles, responsibilities and finances. Although Victorian local councils meet a wide range of local responsibilities, they remain a ‘creature of state governments’ (Aulich 1999b, p.37).
Second, there is substantial diversity between local councils, as evident in respect of population and physical size, the nature of services provided, the financial position of councils, and the use of competitive tendering practices. This diversity is the outcome of many factors stretching back to colonial times (Worthington and Dollery 2001).

The next sections of this chapter focused on the post 1992 period. Each the four main parts or components of the reform agenda, as illustrated in Chapter 2 (Figure 2.3), were described. Information was provided on the forces driving reform, the approach to policy development and implementation employed by the government, their expected outcomes from the reform, and the policy instruments. This information also answered RQ1. These findings also can be added to the analytical framework for this study on Victorian local government reform and trade unions. The main points from each of the four parts are summarised in Figure 3.10.

In addition to describing each of the five main policy instruments, some major findings about the changes resulting in local government from these policy instruments were provided. These findings added information to the second and third elements of the analytical framework (Figure 2.3) and this is summarised in Figure 3.10. The studies reviewed in this chapter confirmed local government experienced some major changes as a result of these policy instruments. These changes included the reduction in the number of local councils from 210 to 78, revenue and expenditure reductions, employment decreases, and the loss of service provision to private sector providers under CCT. However, other studies reported that the expected competitive culture and outcomes sought by the Kennett government did not eventuate, and, as such, limited the extent of challenge facing trade unions.
Other factors, or local variants, also appeared to have influenced the way in which local councils behaved and the outcomes achieved from the policy instruments. Additional information is necessary on what ‘local variants’ influenced local government change and how they influenced change. This additional information is necessary before conclusions can be reached about RQ2.
Information also remains to be gathered on the central concerns of this study dealing with the local government reform agenda and trade unions. Arising from the findings to RQ1, four major implications were raised about the reform agenda and trade unions. These included implications about the level of access to decisions on local government change, membership levels and bargaining outcomes, and also on internal and external union relations. Information about the effects of the reform on unions, their responses and on the overall outcomes on unions is essential for testing the models and framework in this study and also the propositions about local government reform and trade unions.

A methodology is required for guiding the collection and analysis of the necessary information to fill these gaps. Chapter 4 explains and justifies the research methods employed in this study for answering the remaining research questions and to provide conclusions on the way in which reform agendas promoting competition in the public sector impact on trade unions.
Chapter 4: Methods and Methodology

4.1 Introduction

The previous chapter reviewed literature on the origins and main roles and responsibilities of local government in Victoria, financial features and service provision characteristics prior to 1992. This review established the background context in local government prior to the implementation of the Kennett government’s reform agenda between 1992 and 1999. Chapter 3 also provided information for answering RQ1: What was the public policy change agenda implemented in Victorian local government between 1992 and 1999? In addition, information was described that also contributed partly to answering RQ2: What changes occurred in Victorian local government as a result of the Kennett government’s reform agenda?

Arising from this information, a number of implications on trade unions were also identified. These included challenges to the level of access to policy decisions on local government change, union membership levels and bargaining outcomes, and also on internal and external union relations. However, the actual effects on trade unions and union responses to the reform agenda remain outstanding gaps in current research literature. Filling these research gaps is central to the aims of this study and consequently additional information needs to be obtained before conclusions can be reached on the remaining research questions.

The central object of this chapter is to explain and justify the research methods used in the study for answering the unanswered parts of RQ2 before conclusions can be reached about the extent of change resulting in local government from the reform agenda. In addition, the research questions dealing with the effects of the reform agenda on trade unions and their responses to this agenda, and the overall outcomes on the influence and position of trade unions in local government need to be answered (RQ3, RQ4, and RQ5).

The chapter is set out in seven parts. The next part (section 4.2) restates the two propositions of this study and each of the research questions and illustrates on the analytical framework where each RQ is answered in this study. Sections follow this on the methodology and research design and methods employed (section 4.3), the case study
research strategy used in the study (section 4.4), the data collection and analysis methods used (section 4.5), and on the limitations of the study’s findings (section 4.6). The chapter concludes with a summary and how the remainder of the study is to proceed (section 4.7).

4.2 The research problem

This study set out to test two research propositions about public sector reform and trade unions. Firstly, that public sector reform agendas underpinned by public choice ideas sought to inculcate competitive practices in the provision of local government services and consequently reduce trade union influence and position in local government. Second, that the level of success achieved by governments on these dual objectives was determined in part by the responses taken by trade unions to the reform agenda and on the extent to which local councils adopted a competitive culture.

The literature review in Chapter 2 provided five sets of research questions, answers to which could provide the necessary information to conclude on these two research propositions. These questions and sub-questions included:

*RQ1. What was the public sector reform agenda implemented in Victorian local government between 1992 and 1999?*

*RQ1.1 What were the forces driving the need for local government reform?*
*RQ1.2 How was the reform agenda developed and implemented?*
*RQ1.3 What were the expected outcomes sought by the Kennett government through the implementation of local government reform?*
*RQ1.4 What policies instruments were implemented in local government to achieve the expected outcomes?*

RQ1 sought to describe the reform agenda through an analysis of four components, including the driving forces for reform, the approach to reform adopted by the government, the expected outcomes sought by the Kennett government, and the main policies instruments implemented to attain these outcomes. Each of the main factors within each component was described and arising from this analysis the main implications for trade unions could be identified.
RQ2. **What changes occurred in Victorian local government as a result of the Kennett government’s reform agenda?**

RQ2 sought to report on the types of changes and extent of transformation that occurred in Victorian local government as a result of the Kennett government’s reform agenda. In particular information was sought about whether competitive practices were taken up in provision of local government services as a result of the reform agenda. This information was also essential for analysing the consequential impacts on trade unions.

RQ3. **How did the reform agenda effect trade unions in Victorian local government?**

- **RQ3.1** What effect did the reform agenda have on the level of influence in policy determination and implementation?
- **RQ3.2** What effect did the reform agenda have on union membership?
- **RQ3.3** What effect did the reform agenda have on bargaining outcomes?
- **RQ3.4** What effect did the reform agenda have on intra- and inter-union relations?

This question sought to describe the main effects experienced by local government trade unions from the local government reform agenda between 1992 and 1999. Analysis is undertaken on the basis of the model of effects developed for this study from the review of UK literature in Chapter 2 (Figure 2.1). This model identified four main areas of impact including the level of influence in policy determination and implementation, membership levels, bargaining outcomes, and intra- and inter-trade union relations.

RQ4. **How did trade unions respond to the reform agenda?**

- **RQ4.1** What stance did trade unions adopt in response to the reform agenda?
- **RQ4.2** Where did union action originate or be directed from?
- **RQ4.3** What internal and external actions were taken by trade unions?

This research question sought to describe the responses by trade unions operating in Victorian local government to the Kennett government’s reform agenda between 1992 and 1999. Analysis is undertaken on the basis of the model of trade union responses developed for this study from the review of UK literature in Chapter 2 (Figure 2.2). The model consisted of three main components including the union position or stance toward reform
agenda, where union action was initiated or directed from and the actions taken by trade unions.

RQ5. *Was the Kennett government successful in attaining its third key objective: a significant reduction in trade union position and influence in local government?*

RQ5 sought to compare the intended impacts of the local government reform agenda on trade union influence and position with the actual effects experienced by trade unions and so as to arrive at conclusions on whether the Kennett government’s reform agenda was successful.

These research questions conform to elements of the analytical framework as shown in Figure 4.1. This framework was also developed for this study from the literature review conducted in Chapter 2. Figure 4.1 also shows the main links between each of the elements and notes in which chapter or chapters of the study the relevant research questions are answered.

The next section describes the methodology and research design and methods employed in this study to obtain the information to answer these five sets of research questions.
Figure 4.1: Link between analytical framework, research questions and chapters in the study

Local Government Reform Agenda

Forces driving reform

Approach to implementing reform

Policies

Expected outcomes

Local variants

Effects on trade unions

Responses by trade unions

Was the government successful?

RQ1

CHAPTER 3

RQ2

CHAPTERS 3/4/6

RQ3

CHAPTERS 5/6

RQ4

CHAPTERS 5/6

RQ5

CHAPTER 7

Source: Developed for this study
4.3 Methodology and research methods

By way of preamble Lewins (1993) categorised research as either ‘theory testing’ or ‘theory construction’ (p.16; see also De Vaus, D. 2001, pp.5-6; Yin 1994, p.29). The theory testing approach, labelled a ‘Type Y’ thesis by Lewins, starts with a specific theory and then proceeds to test hypotheses to confirm or reject the theory. De Vaus (2001) noted that theory testing ‘begins with a theory and uses theory to guide which observations to make’ moving ‘from the general to the particular’ with the observations providing a test of the worth of the theory’ (p.6).

Theory construction or building, on the other hand, commences with some theoretical questions and proceeds to collect evidence on the problems and conclude the research with a theory (Lewins 1993). Theory construction is a ‘process in which research begins with observations and uses inductive reasoning to derive a theory from these observations’ (De Vaus 2001, p.5). Lewins labels theory construction as a ‘Type X’ thesis. Figure 4.2 illustrates these two approaches to research investigations.

Figure 4.2: Approaches to thesis writing, theory testing and theory construction

This study has been developed as a Type Y thesis. The study proceeds largely as anticipated by Lewins (1993) in that propositions have been developed from the literature
on public sector reform and trade unions. The development of propositions is central to the theory testing approach. De Vaus (2001) claims that ‘we need to develop these propositions so that if the theory is true then certain things should follow in the real world (pp.6-7).

The propositions developed in this study were drawn from an analysis of research studies investigating how CCT affected trade unions in UK local government and how trade unions responded to this policy instrument. These propositions were firstly, that public sector reform agendas underpinned by public choice ideas sought to inculcate competitive practices in provision of local government services and consequently reduce trade union influence and position in local government. And second, that the level of success achieved by governments on these dual objectives was determined in part by the responses taken by trade unions to the reform agenda and on the extent to which local councils adopted a competitive culture. An analytical framework and models for testing these propositions were also constructed from a review of the literature on policy reform and trade unions in Chapter 2.

The theory testing approach adopted in this study has also been successfully employed by other researchers investigating local government reform and also for industrial relations research and particularly studies into trade unions (Aulich 1999; Ernst et al. 1997; Foster and Scott 1998; Hall and Harley 1997; Rimmer 1993; Van Gramberg and Teicher 2000).

Research designs are developed to guide the researcher in planning and implementing the research and in providing a detailed plan for data collection and analysis. Aulich (1999c) has noted that research designs are concerned with ‘organising the research activity, including the collection of data, in ways that are most likely to achieve the research aims (p.76). De Vaus (2001) said that research designs are necessary to ensure that the evidence obtained enables us to answer the questions.

Easterby-Smith (1991) argues that the process of designing research involves making choices about the philosophical research approach. The research design chosen for this study was assembled after evaluating two main approaches to research, known as the positivist and interpretative approaches (Perry and Coote 1994). These two methodological approaches are most widely applied in western academic research and used to ‘expand the limits of knowledge’ (Zikmund 1994, p.7).
The positivist approach seeks to produce a body of knowledge consisting on general causal theories and is validated through the scientific method of testing propositions and hypotheses (Easterby-Smith 1991; Remenyi 1998). An interpretative approach perceives reality as holistic, and socially constructed, rather than objectively determined. The interpretative approach tries to understand and explain a phenomenon, rather than search for external cause or fundamental laws (Easterby-Smith, 1991; Remenyi et al, 1998). This approach provides the explanations necessary to conclude that ‘a set of relationships is significant theoretically and substantively’ (Lin 1998, p.169). Understanding how individuals express and communicate meaning and or meanings of the world, that cannot be directly observed but have to be interpreted, forms the central attention of the interpretive approach (Easterby-Smith, 1991; Remenyi et al, 1998).

Lin (1998) reported that a major difference between these approaches is that a positivist approach seeks to identify propositions that can be tested or identified in other cases, that is identify general patterns, while an interpretative approach seeks to show how the general pattern looks in practice. Lin (1998) further acknowledges that the differences between these two approaches are:

‘… in the questions one asks of the data and the types of conclusions one wishes to draw. Positivist work, however, seeks to identify those details with propositions that then can be tested or identified in other cases, while interpretive work seeks to combine those details into systems of belief whose manifestations are specific to a case. While both in the end can comment about general principles or relationships, positivist work does so by identifying general patterns, while interpretivist work does so by showing how the general pattern looks in practice’ (Lin 1998, p.163).

Other differences between a positivist and interpretative approach can be observed in the size and nature of samples chosen to be investigated, in the design of data collection and also in the way in which data is analysed. Researchers often investigate larger samples using a positivist approach, relative to those researchers who adopt an interpretivist research design (Amaratunga and Baldry 2001; Easterby-Smith 1991). In addition, positivist designs are more likely used to use experimental designs than those of an interpretivist study (Amaratunga and Baldry 2001; Easterby-Smith 1991).
The present study has drawn upon features of both positivist and interpretative research design approaches in analysing the research questions about the Victorian local government reform agenda and trade unions. This is consistent with other studies on local government reform (Aulich 1999c; Ernst 1994; Tesdorpf 1996). The study follows a positivist approach in that the researcher has attempted to remain independent and in accepting the values of detachment and objectivity. This was achieved through the establishment of a research protocol and manner in which interview questions are developed. The dominance of the positivist approach in this study was also illustrated by the way in which the central focus was on testing propositions about local government reform and trade unions. A positivist approach was also evident through the analysis of information obtained in this study. Verification has been undertaken primarily by matching findings from the case studies to the models developed in Chapter 2 on the effects of reform on trade unions and on union responses.

In addition, the study also adopts features of an interpretive approach in respect of using small samples and a central focus of gathering data from case studies through interviews and the collection of other data from key participants. Due to the scarcity of literature on the central issues of this study concerning public sector reform and trade unions, information about the meanings and values held by people and the way they function and or behave in particular situations was deemed essential to advance the ‘limits of knowledge’ in respect of public sector reform and trade unions (Dworkin 1986, 1996; Husserl 1970). The study has attempted to understand phenomena through accessing the meanings participants (both union and local government personnel) assigned to them (Orlikowski and Baroudi 1991; Walsham 1993).

The study considers words from personal interviews with key personnel in case study organisations rather than numbers to be the most important elements of reportable data (Wiseman 1993). This achieves a higher degree of understanding than that available through other approaches, thereby allowing for a faithful representation of the varying perceptions of individuals and groups researched in this study (Brower, Abolafia and Carr 2000).
The key elements of each of positivist and interpretive approaches is derived from the studies by Amaratunga and Baldry (2001) and by Easterby-Smith (1991) and summarised in Table 4.1.

Table 4.1: A summary of the main features of a positivist and interpretative approach to research and approach used in this study

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<th>Interpreive</th>
<th>Approach used in this study</th>
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<td>Positivist</td>
<td>Interpretive</td>
<td></td>
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<tr>
<td>Researcher is</td>
<td>Researcher is involved</td>
<td>Positivist</td>
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<td>independent</td>
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<tr>
<td>Large samples: focus</td>
<td>Small numbers: focus on</td>
<td>Positivist (look for</td>
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<td>on facts,</td>
<td>meaning, try to understand</td>
<td>causality) and Interpretive</td>
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<tr>
<td>look for causality</td>
<td>what is happening</td>
<td>(small numbers)</td>
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<tr>
<td>Testing theories</td>
<td>Generating theories</td>
<td>Positivist</td>
</tr>
<tr>
<td>Experimental design</td>
<td>Fieldwork</td>
<td>Interpretive</td>
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<tr>
<td>Verifaction: pattern</td>
<td>Falsification: use multiple</td>
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<td>matching to the</td>
<td>methods to establish</td>
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<td>propositions.</td>
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Source: Developed for this study from Amaratunga and Baldry (2001) and Easterby-Smith (1991)

4.4 The case study research strategy

Yin (1994) argues that before a researcher chooses a specific research strategy they should be familiar with the basic types of research strategies or methods. Yin (1994) identified the research strategy choices include experiments, surveys, archival analyses, historical studies and case studies (p.6). Experiments are usually undertaken when at least one of the variables can be manipulated and is applied when the research study is seeking to investigate what results from a change in a particular variable (De Vaus 2001). Surveys are one of the most widely used research strategy. They refer to ‘an investigation where systematic measurements are made over a series of cases and the variables are analysed to see if they show a pattern’ (Marsh 1982, p.6). The central purpose of a survey is to identify characteristics of a ‘whole’ group of interest (population) by looking at a subset of that group (a sample). Archival analyses are concerned with investigations into previously recorded events while historical studies, as the name suggests, principally deal with events of the past (Yin 1994).

The case study research strategy focuses on understanding the dynamics present within single settings. Yin (1994) defines case study research as ‘an empirical investigation into contemporary phenomenon operating in a real-life context’ (p.6). A case study may be
Yin (1994) developed a summary of options for researchers and the appropriate circumstances in which each option should be adopted (Table 4.2). The three conditions for choice of strategy encase the type of research question posed, the extent of control an investigator has over events, and the degree of focus on contemporary rather than historical events.

Table 4.2: Relevant situations for different research strategies

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<tr>
<th>Research strategy</th>
<th>Type of research question posed</th>
<th>The extent of control an investigator has over events</th>
<th>Focus on contemporary rather than historical events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, why</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, what, where, how many, how much</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>Who, what, where, how many, how much</td>
<td>No</td>
<td>Yes/no</td>
</tr>
<tr>
<td>History</td>
<td>How, why</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case study</td>
<td>How, why</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Yin (1994), p.6

These conditions point to the case study approach as the most appropriate for this study. Experimental research was not considered appropriate because it requires that the context and the phenomenon are sufficiently divorced to enable a focus on a limited set of variables over which the researcher has strong control (Yin 1994). In researching local government reform and trade unions, the researcher clearly had little control over determining outcomes. The events had now passed by the time the researcher collected the relevant information. While a survey approach is able to canvas a wide range of data, the approach was also rejected, because of the limited ability to shed light on questions such as how and why particular decisions were taken by unions and by local councils (Marsh 1982). These issues required a greater analytical capacity than possible with surveys.

An ‘archival’ analysis was also rejected because of the limited capacity to investigate for investigating how reform impacted on trade unions and how they responded. Although
‘historical’ studies and ‘case studies’ overlap, the level of opportunity to gain a full variety of evidence, such as documents, artefacts, and interviews, is far greater under a case study approach than a conventional historical study.

In terms of the circumstances provided by Yin in Table 4.2, a case study approach was deemed most suitable to answer the remaining research questions in this study. Yin (1994, p.6) claimed that how and why questions are mainly explanatory and likely to lead to the use of case studies as the preferred research strategy. Perry (1998) has similarly argued that, when the research question focuses on ‘how did?’ rather than ‘how should?’, case study research is the preferred method (p.787). Case studies were also central to the theory testing approach that is employed in this study. As De Vaus (2001) has noted, the ‘point of the case study’ is to ‘see if the theory actually worked in a real life situation’ (p.222).

The case study research method was also appropriate for the current study because the study investigated a contemporary phenomenon (public sector reform) within its real-life context; when the boundaries between phenomenon and context were not clearly evident; and in which multiple sources of evidence were required to be analysed (Yin, 1984, p. 23). Case study research also provided ‘a good way of carefully mapping the sequence of events, which is the basis of causal explanations’ (De Vaus 2001, p.227). A case study approach permitted the researcher a more in depth exploration of processes of change within organisations (Aulich 1997a, b; 1999c; Ernst et al. 1997; Hartley 1994; Murfitt et al. 1996).

Support for a case study research strategy also arose from the literature review conducted in Chapter 2. The review concluded that local councils cannot be seen as a homogeneous set of employing units like other parts of the public sector and differ from other parts of the public sector in that they manage a wide range of services in greatly varying contexts and with different organisational and political priorities. Individual local councils were considered more capable of revealing their detail in a way that would be impossible within all 78 local councils that make up the Victorian local government sector (Zikmund 1994; Yin 1994).

Case studies have been favourably considered in industrial relations and particularly trade union research for they produce ‘rich’ and ‘meaningful’ data (Hartley 1994, p.208). In addition, the strategy has much appeal by local government researchers (Aulich 1999c;
Ernst et al. 1997; Murfitt et al. 1996; Tesdorpf 1996). Local council case studies also provided information about local variants, which was not possible under other research strategies. The review in Chapter 2 showed that local variants often influenced the manner in which policy instruments are implemented in local councils (Foster 1991, 1993; Rao and Young 1995).

Case study approaches do possess weaknesses that need to be acknowledged in this study. While case studies have been favourably considered to produce ‘rich’ and ‘meaningful’ data, they have also been criticised for their lack of rigour and potential for bias (Hartley 1994, p.208). Although these weaknesses cannot be entirely removed from a research design, steps have been taken to minimise the impacts. In this study, these weaknesses have been minimised through triangulation of data (Ezzy 2001).

The origins of triangulation can be found in Jick (1979) who developed the idea of multiple operationism. The effectiveness of triangulation rests on the premise that the weaknesses in each single method will be compensated by the counterbalancing strengths of another, assuming multiple and independent measures do not share the same weaknesses or potential bias. This study has by using structured interviews, document analysis and other research has been used to cross check the data. The research design contributes to focusing the study by indicating specifically what data are to be collected through the study’s questions and propositions outlined in section 4.2 above.

Case studies have been criticised for their lack of generalisability (Hartley 1994). Case studies are generalisable to theoretical propositions although not to populations (Yin 1994). Unlike random sample surveys, case studies are not representative of entire populations, nor do they claim to be (Yin 1994). Yin (1994) noted that ‘the investigator’s goal is to expand and generalise theories or analytical generalisations and not to enumerate frequencies or statistical generalisations (p.10). Yin (1994) also argued that provided the researcher refrain from over-generalisation, case study research is not methodologically invalid simply because selected cases cannot be presumed to be representative of entire populations.

One case organisation was drawn from local government trade unions and two local councils chosen from local government. This decision was made after consideration of research literature on case study selection (De Vaus 2001; Perry 1998; Yin 1994).
Researchers have a choice between a single or multiple cases (De Vaus 2001; Yin 1994). Although Perry (1998) concluded that a minimum of between two and four should be used, Perry also admitted that there is no authoritative advice on the optimum number of cases (Perry 1998, p.793). For instance, Yin (1994) noted that a single case study was appropriate if the case represents the ‘critical case in testing a well-formulated theory’ (p.38) (see also De Vaus 2001, p.227).

The choice of one trade union case study was not made randomly but was selected on the basis that the ASU provides a critical context in which to test ‘whether a theory works in particular, real world situations’ (De Vaus 2001, p.239). The selection of the two local councils was also justified on the basis that the case ‘might disprove a proposition, or because we want to see if the theoretical proposition works under particular conditions’ (De Vaus 2001 p.239).

In this study, the ‘critical’ union entity chosen was the largest trade union in Victorian local government, the ASU and specifically the two branches dealing with local government, the MEU and the VSEB. The ASU is the oldest trade union in local government, with origins in the 1880s (Best 1986; MOA 1970). The two branches guaranteed access by the researcher to personnel involved in local government reform and also to documentation relevant to the study. These branches were able to provide information on the relative changes to their influence and position in each of the four impact areas in Figure 2.1 and on the responses taken by the ASU (Figure 2.2).

The choice of the ASU was made based on the knowledge that the Australian Council of Trade Unions (ACTU) deemed the ASU as the principal union for Victorian local government (ACTU 1993). In addition, the Kennett government specifically signalled the ASU to be a target of their reform agenda (Cooper 1994).

Other trade unions with membership coverage of workers in the Victorian local government sector included the Association of Professional Engineers and Scientists, Australia, (APESMA), the Australian Nursing Federation (ANF), the Australian Liquor Hospitality, and the Miscellaneous Workers’ Union. In addition, contract workers in some local government service functions (for example, garbage collection) are members of either the Australian Workers Union or the Transport Workers Union. Although these unions may
have contributed insights relevant to the research questions, these unions’ primary attention is in other industries.

The choice of local councils as case studies for this study was also selected strategically (De Vaus 2001, pp.238-239). The decision on the number of local council case studies was similarly based on the justifications provided by Yin (1994). A single case study was not considered appropriate for capturing enough information about the impact of the policy instruments or the influence of local variants on council decisions and policy outcomes. A multiple case design was deemed necessary so as to provide a more robust analysis of the questions (Buultjens, Howard and Moffat 2003; Perry 1998; Yin 1994).

Two rural councils, Corangamite Shire Council (CSC) and Moyne Shire Council (MSC) were selected for the study. Discussions with ASU officials had identified these two councils as being most appropriate for this study because they provided contrasting approaches to the reform agenda (MEU Assistant Branch Secretary 2000a; MEU Organiser 2 2001). The discussion in Chapter 2 identified the council approach to CCT was instrumental in determining policy outcomes. In this study, CSC was found to have adopted a mainly compliance approach to CCT while MSC implemented a much more competitive approach, along the lines expected by the Kennett government.

These two councils were also chosen as a result of discussions with a former local government inspector (Local Government Inspector 2000). The local government inspector recalled, ‘the Kennett government viewed the south west area as less problematic for restructuring, for it was traditionally supportive of the Liberal and National Parties and some of the former councils in the region had actively supported earlier moves for amalgamation’ (Local Government Inspector, 2000). In addition, the Minister for Local Government, Roger Hallam, was a Legislative Council member in the region and ‘successful’ reform could be held up as a showcase for the government to advance the benefits of amalgamation (Local Government Inspector, 2000).

There was also a gap in research on local councils in the south west region. A study of the impacts of the reform agenda in the northern areas of the state had previously been completed by Tesdorf (1996), and also in the Latrobe Valley in the east of the State (Gibson, Cameron and Veno 1999; Productivity Commission 1999a, b). However, apart
from a brief overview by Ernst et al. (1997) and Murfitt et al. (1996), the local councils chosen for this part of the thesis had attracted minimal research attention.

CSC and MSC are located in the south west region of Victoria and were formed in 1994 after the Local Government Board’s *South-West Review* conducted in 1994 (LGB 1994a). The Local Government Board (LGB) (1994a) recommended the reduction from twenty-four local councils in the south west to just eight local councils (1994a, p.10). The new councils and the former ones subsumed in the process are presented in Table 4.3.

<table>
<thead>
<tr>
<th>New council</th>
<th>Former councils</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colac-Otway Shire Council</td>
<td>The City of Colac, the Shires of Colac and Otway and a small part of the Shire of Heytesbury</td>
</tr>
<tr>
<td>Corangamite Shire Council</td>
<td>The Town of Camperdown, the Shires of Hampden and Heytesbury and a small part of the Shire of Otway and Mortlake</td>
</tr>
<tr>
<td>Pyrenees Shire Council</td>
<td>The Shires of Ripon, Lexton and Avoca</td>
</tr>
<tr>
<td>Rural City of Ararat</td>
<td>The City of Ararat and the Shire of Ararat</td>
</tr>
<tr>
<td>Moyne Shire Council</td>
<td>The Shires of Belfast, Mortlake, Minhamite and Warrnambool, the Borough of Port Fairy and a small part of the Shires of Dundas and Mount Rouse</td>
</tr>
<tr>
<td>Southern Grampians Shire</td>
<td>The City of Hamilton and the Shires of Dundas, Mount Rouse and Wannon and a small part of the Shire of Heywood</td>
</tr>
<tr>
<td>Warrnambool City Council</td>
<td>The City of Warrnambool and an additional area from the former Shire of Warrnambool</td>
</tr>
<tr>
<td>Glenelg Shire Council</td>
<td>The City of Portland and the Shires of Heywood and Glenelg</td>
</tr>
</tbody>
</table>

Source: Developed for this study from Hallam (1994c)

Other aspects of the research design used in this study are important to address here as they deal with the quality of the findings. There are several conventional means of judging the quality of research designs. Yin (1994) argued that four tests are commonly used to test the quality of social research. The tests include construct validity, internal validity, external validity and reliability (p.32). The application of these principles to this study is illustrated in Table 4.4.
Table 4.4: Case study tactics to test the quality of research

<table>
<thead>
<tr>
<th>Tests</th>
<th>Case study tactic</th>
<th>Phase of research in which tactic occurs</th>
</tr>
</thead>
</table>
| Construct validity | • Use of multiple sources of evidence  
                     • Establish chain of evidence  
                     • Get informants to review draft case report | • Data collection  
                     • Data collection  
                     • Composition |
| Internal validity     | • Undertake pattern-matching  
                       • Undertake explanation-building  
                       • Undertake time-series analysis | • Data analysis  
                       • Data analysis  
                       • Data analysis |
| External validity      | • Use replication logic in multiple case studies | • Research design |
| Reliability           | • Use case study protocol  
                       • Develop case study data base | • Data collection  
                       • Data collection |

Source: Developed for this study from Yin (1994), p.33

Yin (1994) also provided a range of tactics to employ to enhance the quality of the research and some are used in this study. To improve ‘construct validity’, Yin suggested tactics including triangulation with other studies, the use of multiple cases and interviewing those at different levels in the organisation. These tactics have all been used in this study, with the framework and models sourced from other studies, two rural cases investigated, and interviewing of various personnel in the case organisations. Multiple sources of data were also evaluated to overcome subjective data gained through interviews. Informants also reviewed their interview responses prior to the composing this study.

Internal validity is principally concerned with causal relationships and whether the ‘inferences drawn are correct’ (Yin 1994, p.35). By examining the context of local government reform, the research has gained a fuller and ‘more rounded picture of the causal processes’ surrounding local government reform and impacts on local councils and on trade unions (De Vaus 2001, p.235). This study has also used pattern matching techniques to enhance internal validity. De Vaus (2001) described pattern matching as ‘a form of theory testing analysis that establishes a detailed set of predictions before the case study is conducted’. This is illustrated in this study by the use of models of union behaviour to
develop the interview questions and also used to categorise the information gathered from the interviews.

‘External validity’ deals with ‘the problem of knowing whether a study’s findings are generalisable beyond the immediate case study’ (Yin 1994, p.35). The research ‘cannot be confident, in any statistical sense’ and that the cases represent the entire local government or public sector tiers (De Vaus 2001, p.237). This study has, however, enhanced external validity ‘by the strategic selection of cases rather than statistical selection of cases’ (De Vaus 2001, p.238). These cases are used principally to test the models and analytical framework. The cases were also chosen on the basis that enough quality information could be obtained to come to conclusions on the propositions on local government reform and trade unions.

‘Reliability demonstrates that the operations of the study, such as the data collection can be repeated and obtain the same results. A major difficulty in case research strategy is the context changes (Yin 1994). However, this study has prepared protocols for data collection and analysis that can be applied in future studies (Table 4.5), which improve reliability (Yin 1994). These protocols have included information on the methods for gaining access to an organisation, the selection of the informants for interviews, the central focus of the interview questions, and any other documentation sought, and the process to be followed after the interviews are conducted.
Table 4.5: Protocols for data collection and analysis

Access to case organisations based on:
- Personal contacts made with the case study organisation
- Discussion with contacts
- Formal permission sought from head of case organisation, letter and telephone follow-up and key informant nominated.

Schedule of interviews agreed with key informant based on the briefing on the nature of the research and informants required.

For each interview
- All interviewees briefed on the nature of the research, issues of confidentiality, and the use of the data by the researcher.
- Interviewees’ questioned with set of questions depending on their role. Common questions included their role in the organisation, their perceptions of the local government reforms.
- All interviews taped

Documents sought from informants in each organisation.

Summary of interviews undertaken without analysis, followed by write up of case studies with analysis.

Further details discussed and sought with key informant.

Re-Draft cases studies
- Provide re-draft to case study organisation.

Source: Developed for this study

4.5 Data collection and analysis

Yin (1994) identified six primary sources of evidence or data for case study research. These included documentation, archival records, interviews, direct observation, participant observation, and physical artefacts (p.80). This study relied primarily on qualitative data gained through interviews and supplemented by other relevant documentation and quantitative data.

The Protocols for Data Collection and Analysis presented the measures taken in this study by the research to collect and analyse the data. Formal letters inviting the case study
organisations to participate in the study were sent after their verbal approval. A copy of the letters sent to the case study organisations is provided in Appendix 1 (Appendix 1.1). The letter of introduction was sent to the most senior representative of each organisation, the National Secretary of the ASU, and to the Chief Executive Officers of the two rural local councils. The letters were necessary for introducing the research and researcher to the attention of the relevant organisations. The letters also briefly outlined the aims of the research and participant involvement sought.

Ethical procedures are paramount to conducting all research and particularly to guarantee the ‘rights, needs values and desires of the participant’ (Creswell 1994). This is particularly pertinent where the research intrudes into the environment of the participant (Patton 2002). This study sought to ensure all procedures met ethical considerations (De Vaus 2001). Approval for this study was obtained and a copy of this approval is provided in Appendix 1.2.

Table 4.6 contains a summary of information about the informants identified for formal interviews in this study. A description of roles and dates of interviews with these participants is also provided in Appendix 1.3.
Table 4.6: Informants for formal interviews

<table>
<thead>
<tr>
<th>Australian Services Union representatives</th>
<th>Local council representatives</th>
<th>Other representatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistant National Secretary</td>
<td>Chief Executive Officer</td>
<td>Local Government Inspector</td>
</tr>
<tr>
<td>MEU Branch Secretary</td>
<td>Directors</td>
<td>(Former)</td>
</tr>
<tr>
<td>VSEB Branch Secretary</td>
<td>Managers</td>
<td></td>
</tr>
<tr>
<td>MEU Assistant Branch Secretary</td>
<td>Corporate Services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>employees</td>
<td></td>
</tr>
<tr>
<td>VSEB Assistant Branch Secretary</td>
<td>Local union officials</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Parks and Gardens</td>
<td></td>
</tr>
<tr>
<td></td>
<td>employees</td>
<td></td>
</tr>
<tr>
<td>MEU Organisers</td>
<td>Roads and Construction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>employees</td>
<td></td>
</tr>
<tr>
<td>VSEB Industrial Officers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed for this study

At the interview a plain language statement (Appendix 1.4) and copies of the ethical clearances to study the organisation and for individual participation were provided (Appendix 1.5) in accordance with the requirements set out by Deakin University’s Research Services. The plain language statement served to provide the informants with a description in ‘layman’s terms’ of the research project of this study, including outlining their rights to withdraw, the procedures involved in data collection and the steps to be taken by the research after the interviews. Transcripts were also checked with the informants to ensure accuracy and also reaffirm any concerns about comments. The plain language statement also was beneficial in avoiding confusion over academic jargon often associated with research projects (De Vaus 2001).

Ethical consent was also obtained to maintain integrity in the research process. Consent was obtained from each individual participant and also from the most senior representative of the case organisation for agreement to use the name of the organisation in this study. Individuals ‘agreed’ that they were provided with an explanation of the aims and objectives of the research, their participation was voluntary and they could withdraw at any point, and the researcher would maintain strict confidentiality and not release individual results.

Interviews can be structured, using pre-set questions, or unstructured (Hine and Carson 2007; Lofland 1971). Structured interviews necessarily assume knowledge by the
researcher of what the important questions are and what the main kinds of answers can be (Lofland 1971). In so far as researchers want to force a choice and/or are confident that they know what is happening with the people they are interviewing or surveying, this is a legitimate strategy (Lofland 1971). Unstructured interviews seek to elicit from respondents what they consider to be important questions relative to a given topic and their definitions of the situation being explored. The interviewer uses open-ended, rather than closed questions, when they are seeking more knowledge in certain areas (Lofland 1971).

Based on the findings from the literature review in Chapter 2, structured interviews were developed for this study. A copy of the interview questions to the various informants is provided in Appendix 1.6. This sets outs the questions asked of central ASU officials, local union officials and also those questions asked of local council personnel. Each of the interviews was conducted at the interviewees’ workplace or in the case of union organisers, at the Geelong Trades Hall Council building. The interview questions took into consideration the level of the language to be used and to communicate at a level the interviewee could understand and to create a verbal setting that was conducive to serious data-gathering and retain one in which the participant was comfortable. The duration of the interviews was on average between one-and-a-half and two hours. Every effort was made to establish rapport, and encouraging informant’s responses with general directives of the study (Yin 1994). The information collected in these interviews formed the majority of the discussion in Chapter 5 and assisted other documentation and reports in Chapter 6 of this study.

Documentation was also gathered to triangulate with the models and analytical framework and the interview data. The ASU and local councils provided access to annual reports and other internal documentation, which was useful for triangulation. A summary of the key points in relation to this study’s adoption of a theory testing approach and case study methodology are included in Table 4.7.
Table 4.7 Summary of research design

Theory testing – Type Y (De Vaus 2001, p.6; Lewins 1993, p.16):
- Theory based on analytical framework and models of the effects on trade unions and their responses (figure 4.1), and
- Testing theory based on pattern matching (Yin 1994, p.35), the extent of the match determined by judgment.

Case study methodology, involving:
- Single case study analysis for trade unions, the Australian Services Union (ASU) based on ‘critical case’ and strategic case selection (De Vaus 2001, p.238; Yin 1994, p.38);
- Two rural local councils selected on basis of guaranteed access and provision of differing environments;
- Data collection and analysis protocols established and elaborated as the study progressed;
- Triangulation of data with interviews, documents and other research;
- Interviews with personnel across the organisations;
- Database established containing audio tapes and summary of interviews; and
- Opportunity for key informants to review and comment on draft outline of the case study.

Source: Developed for this study

4.6 Limitations of the research

Research into social phenomenon of the type investigated here must invariably note its limitations and exceptions. In most research, there are some methodological problems that cannot be completely removed through the research design (Aulich 1999c) and this study is no exception. There exist some limitations of this study and this section identifies these and strategies to minimise them so as to maintain integrity in the research.

The local government reforms in the UK, which formed the theoretical framework and models to investigate local government reform and trade unions, relate only to the issue of CCT. The present study investigates the CCT policy instrument but also the other main policy instruments imposed by the Kennett government and thus extend the scope of
concerns and analysis beyond those contained in the UK studies. However the study identified many similar attributes of the Victorian reform agenda to that reviewed in Chapter 2, permitting the testing of the models and analytical framework in Victoria. There is also little research looking at the same subject matter with respect to the local government reforms enacted by the Kennett government over the years 1992 to 1999 and consequently the framework and models have been developed to permit some variations to be undertaken to ensure applicability to the Victorian local government context. Such variations also permit the models an framework to be applied to contemporary issues facing trade unions such as legislative changes through the *Workplace Relations Amendment (WorkChoices) Act 2005*.

The model of effects on trade unions (Figure 2.1) requires judgements to be made on the relative impacts on the ASU in each of the four areas. There are limitations relying entirely on the interview outcomes with trade union officials, who admitted their responses may have differed during the reform process (MEU Assistant Branch Secretary 2000a, VSEB Branch Secretary 2001). However, the timing of the interviews had permitted the informants time to reflect on the overall impacts, which was more central to the study than a chronological identification of outcomes. In addition, additional documents were obtained to assist in determining the nature of the outcomes arising for the ASU.

The study also assumed that the Kennett government would seek the ‘worst-case’ outcomes for trade unions in each of the four areas of impact, including policy involvement, membership losses, bargaining outcomes and intra- and inter-union relations. This was used as a basis for comparison between the union’s perceptions of outcomes and those of the Kennett government. This assumption was based on the literature review conducted in Chapter 2, which identified the strong anti-union sentiments of the Thatcher government. In addition, the review in Chapter 3 identified the ASU as a principal target of the Kennett government (Kennett 1992b).

There are also limitations arising from the use of case studies. Case study research is often criticised for not being applicable to the rest of the population in any rigorous sense (Mitchell 1983, p.206). In the present study the investigation centres on the activities of one trade union and two rural local councils. There are other trade unions covering particular employees working in local government, however, the ASU and its affiliated branches have
the major coverage of local government employees, and are therefore more critical in testing the models presented in Chapter 2. This union also had the longest origins in local government enabling better insights into the impact of the reform agenda.

Limiting the focus to two rural local councils has limited the generalisation of the findings to other local councils in any rigorous sense (Mitchell 1983, p.206). However, even though the sample cases may not be reflective of the local government sector as a whole, they do provide a reasonable representation of the distinct approaches to CCT adopted in other local councils. The two approaches to CCT of compliance-driven and competitive were recognised in other studies warranting their application in this study (Aulich 1997b; 1999c; Ernst et al. 1997). The study has also not intended for the results to be generalised across all local councils but rather be contexts in which to examine the models and framework developed from the UK.

The study has used interviews as a main source of collecting data and although this provided advantages, there are criticisms. A major criticism of interviewing is the level of truth in respondent’s replies. Informants may not provide accurate information for various reasons, including their level of responsiveness at the time of the interview, their motivations and because of unease with the interviewer (Marshall and Rossman 1999; Patton 2002). Where possible, the information gained from informants has been cross-checked with available documentation, such as statistical data from the ABS, union training manuals and analysing enterprise bargaining agreements (EBAs). The researcher also took steps to overcome these weaknesses by conducting the interviews at the workplace of the informant. This was done in the expectation that informants would be more at ease and more responsive and open during the interviews. If the informants’ responses lacked depth, more probing questions were asked to illicit the information.

A further limitation relates to the timing of the study. The data was collected after the Kennett government had lost the 1999 election and, as a consequence, the data gained through interviews was subject to all the foibles and failures that arise when people try to recollect the details and course of events that have passed. Again, and where possible, the information is triangulated with other documents and the research findings of relevant studies such as those conducted by Van Gramberg et al. (2002). In addition, the study also ensured interviews were conducted with ‘elite’ individuals in the ASU and in local councils.
‘Elite’ individuals are those considered to be influential, prominent, and/or well informed in an organisation (Marshall and Rossman 1999, p.113). This provided more authority to the findings. These personnel were also union officials prior to the election of the Kennett government, which enabled more informed judgements to be made about the level of impacts on the ASU and provide insights into the way union responses adapted during the reform period.

4.7 Conclusion

This chapter has described the methodology used in this study. The chapter restated the two propositions of this study and each of the research questions and provided a visual illustration of the analytical framework and where each RQ is answered in this study. This was followed by a discussion the methodology and methods used to conduct the research for this thesis.

The study adopted a theory testing approach, drawing from both positivist and interpretive research approaches (Lewins 1993). A case study research design was also chosen as the best means of answering the research questions set out in section 4.2. The data collection and analysis methods used in this study were also discussed. While attempts were undertaken to minimise the limitations of the research, a number were described and actions taken to minimise the integrity of the research findings.

The next chapter presents the findings obtained from the use of these methods in respect of the ASU. Due to the lack of contemporary data on the ASU and the local government branches investigated in this study, the chapter commences with some background to the formation of the union. This information was obtained through interviews with ASU officials and also from a review of relevant union literature. This background was necessary to set the context for the description of the effects on the union arising from the reform agenda and for understanding the responses taken by the branches.
Chapter 5: The Australian Services Union and local government reform

5.1 Introduction

The previous chapter described and justified the methodology used in this a study on Victorian local reform agenda and trade unions between 1992 and 1999. The chapter explained that a case study research method was applied to collect and analyse information for answering the remaining questions of this study, RQ3, RQ4 and RQ5.

The central object of this chapter is to report findings on the effects of the reform agenda on trade unions and on their responses using the models developed in chapter 2 (Figures 2.1 and 2.2). This information is gathered from structured personal interviews with officials from the MEU and the VSEB of the ASU. This is supplemented, where necessary, with information from union documents and from relevant secondary sources (Appendix 1.6).

The chapter commences with a review of some background information on the formation of the ASU (section 5.2). This review briefly describes the origins of the two union branches and their amalgamation into the ASU. The next sections deal with the effects of the reform on the ASU (section 5.3) and their responses during the reform period (section 5.4). Following this, a discussion of the overall outcomes experienced by the ASU will be undertaken. A summary of the findings will then be added to the relevant elements of the analytical framework in Figure 5.4 (section 5.5). The chapter concludes with a summary regarding the research questions answered and those that require further investigation (section 5.6).

5.2 Formation of the Australian Services Union

This section commences with a discussion of the origins of the MEU and the VSEB, the two local government branches of the ASU. This is followed by a brief review of the structure and formation of the ASU and main organisational characteristics of these two branches.
5.2.1 The origins of the MEU and VSEB

The origins of the MEU can be traced back to 1885 when a small group of contractor labourers working on behalf of the Melbourne City Council (MCC) formed the Corporations Labourers Union (CLU) (Best 1986). A study undertaken by for the MEU by Best (1986), *The History of the Municipal Employees Union in Victoria: 1885-1985*, described how the CLU was formed as a means of improving the conditions of contract workers, supplying manual services to the MCC. Throughout the next 15 years CLU had managed to recruit some additional members working as contractors in other metropolitan councils (Best 1986).

Through campaigns targeting issues of low pay and conditions and poor service quality, the CLU was successful in gaining the support of councillors, rate-payers and parliamentary representatives in the MCC’s decision in 1900 to reduce the use of contracting, and to bring service provision in-house. The delivery of local government services had, up this point of time, been provided by contractors in all local councils (Best 1986). This MCC’s decision had ramifications across the entire local government tier with the remaining local councils following suit and bringing service delivery in-house (Best 1986).

The CLU registered as a trade union under the *Commonwealth Conciliation and Arbitration Act 1904* in March 1917, and became known as the Federated Municipal and Shire Council Employees Union of Australia. The first federal award establishing minimum wages and conditions for all manual workers engaged in local government was subsequently obtained in December 1919 (Best 1986).

The decision by local councils to bring service provision in-house and the subsequent registration of the MEU proved beneficial to the union’s membership levels, because the award provided it with coverage of manual workers in other government instrumentalities, including local council electricity and water and sewerage organisations. The decision also provided the MEU with the potential to represent the interests of the remaining workers in clerical and managerial positions. However, a small number of indoor or non-manual workers in the MCC commenced a campaign for the creation of a separate union for themselves at this time (Best 1986).
The indoor workers employees perceived no ‘community of interest’ between themselves and manual workers in terms of the nature of their jobs, lines of promotion and political affiliations (Municipal Officers’ Association of Australia 1970). After initial attempts to gain registration during 1918-19 failed, the Municipal Officers Association (MOA) registered as a trade union under the *Commonwealth Conciliation and Arbitration Act* 1904 on 1 April 1921. This union became the predecessor to the VSEB. A subsequent federal award for Victorian ‘indoor’ workers was obtained on 30 March 1922 (MOA 1970). Similar to the MEU, MOA then expanded membership to include non-manual workers in the local government water and sewerage and electricity sectors and some white-collar employees working for metropolitan transport organisations. The union also gained members in State public sector water and sewerage and electricity instrumentalities (MOA 1970).

While the structure of the MEU remained unchanged until 1993, the MOA underwent a number of amalgamations, with the main ones occurring in the 1990s. The MOA amalgamated with the Australian Transport Officers Federation (ATO F) and the Technical Services Guild of Australia (TSGA) in July 1991 (VSEB Assistant Branch Secretary 2001). The new union registered with the Australian Industrial Relations Commission (AIRC) under the name of the Australian Municipal, Transport, Energy, Water, Ports, Community and Information Services Union. The shorter trading name, Australian Services Union Mark 1 was subsequently adopted (VSEB Branch Secretary 2001). The reason for calling the union, Mark 1 at this stage, was due to the planned amalgamations in 1993 to expand the union even more to include the MEU and some other public and private sector unions (VSEB Branch Secretary 2001). At the time the Kennett government came to power, the MEU and ASU (Mark 1) remained separate trade unions, representing the majority of workers in Victorian local government (MEU Branch Secretary 2001; VSEB Branch Secretary 2001).

5.2.2 The structure and organisation of the ASU

ASU branch officials provided important background information on the formation and structure of the ASU. Branch officials recalled that in July 1993 the Federated Clerks’ Union (FCU) membership was distributed to both the MEU and ASU (Mark 1), depending on the members’ pay scale, to form the Australian Municipal, Administrative, Clerical and Services Union (AMACSU). The trading name remained known as the ASU. The former
ASU (Mark 1) as at July 1993 became the Victorian Services and Energy Branch and the MEU was formed as the MEU-Private Sector Branch. Each of the branches had two divisions, one for local government and the other for the private sector (MEU Branch Secretary 2001; VSEB Branch Secretary 2001). The central focus of this study was only on the local government divisions of each of these two branches.

The ASU covers a wide range of industries and professions in both the private and public sector, ranging from local government, energy, water, public transport, airlines, shipping, travel, ports, social and community services, information technology, clerical and administrative areas, and call centres (MEU Assistant Branch Secretary 2000a). At the time of the structured personal interviews, the ASU comprised fourteen branches and these included:

1. Airlines Branch,
2. Central and Southern Queensland Clerical and Administrative Branch,
3. MEU-Private Sector Branch (Vic),
4. New South Wales Clerical and Administrative Branch,
5. New South Wales Local Government, Community Services, Public Authorities and Racing (MEU),
6. New South Wales and ACT (Services) Branch,
7. North Queensland Clerical and Administrative Branch,
8. Queensland Services Branch,
9. South Australian and Northern Territory Branch,
10. Tasmanian Branch,
11. Taxation Officers’ Branch,
12. Victorian Services and Energy Branch,
13. Western Australian Branch, and
14. West Australian Clerical and Administrative Branch (MEU Assistant Branch Secretary 2000a).

Figure 5.1 provides a visual description of the structure of the ASU at the time interviews were conducted for this study. The diagram also provides a sketch of the formation of the two local government branches.
Figure 5.1: The Structure of the Australian Services Union, 1993-1999

The establishment of the ASU in 1993 was the result of the Australian Council of Trade Unions’ (ACTU) policy of ‘strategic unionism’ (MEU Branch Secretary 2001; VSEB Branch Secretary 2001). In 1987, the ACTU published a plan, *Future Strategies for the Trade Union Movement* (ACTU 1987b), to address declining union membership (Carter and Cooper 2002).

The *Future Strategies* policy was influenced by the ACTU’s 1986 tour of Western Europe with the Trade Development Council (TDC). This tour produced a report: *Australia Reconstructed* (1987) that recommended the creation of twenty ‘super unions’ based on industry lines to replace the hundreds of smaller craft-based unions that to that time had dominated Australian trade unionism (ACTU 1987a). This number was brought back to 18 by the end of 1987 (ACTU 1997b). Many union movements around the world were similarly responding to declining membership levels by encouraging union mergers or amalgamations (Buchanan 2003).
The *Future Strategies* (ACTU 1987b) policy concluded there were 18 categories in which it felt most Australian unions could fit. These included:

1. Textile, Clothing, Footwear,
2. Shipping and Stevedoring,
3. Rail and Tramway,
4. Road Transport,
5. Food and Transport,
6. Airline Industry,
7. Public Service Federation,
8. Education,
9. Post and Telecommunications,
10. Printing and Publishing,
11. Local Government and Services,
12. Large Union Amalgamation,
13. Australian Government,
14. Building Construction and Trade,
15. Retail and Clerical,
16. Banking and Insurance,
17. Health Industry, and

'Super' unions were expected to be more efficient and effective in delivering services to members, and thereby helping to improve membership numbers (ACTU 1987b). In addition, 'super' unions were capable of cutting across craft and occupational divisions, which in the past had been the cause of inter-union rivalry over rights of representation and rights to perform particular forms of work (that is, demarcation disputes) (Alexander and Lewer, 2004). The ACTU also argued that the reduction of the number of unions in individual firms would improve a union’s ability to present a united front in negotiations with employers and improve their leverage when bargaining with employers (Alexander & Lewer, 2004). Furthermore, a ‘super’ union would be better suited to raising the level of workplace activism and less reliance on central officials (Berry and Kitchener 1989).
The ACTU promoted union amalgamations through national conferences and the provision of additional policy statements, such as, *Union Rationalisation* (ACTU 1993). Union amalgamations were also supported by the political wing of the labour movement, the ALP, as a key initiative necessary to arrest the decline of union strength in general and of membership levels in particular (Buchanan 2003).

Although the emergence of the ASU did not fit exactly in the way the ACTU had planned, all the former unions principally covering local government workers in Australia came together under one umbrella union (MEU Assistant Branch Secretary 2000a). In addition, the ASU’s relatively unique branch structure differs to most other Australian trade unions (MEU Assistant Branch Secretary 2000a; VSEB Branch Secretary 2001). The branches have only a weak association with one another, and operate more or less independently from one another, within the broad framework of rules and regulations established by the National Office of the ASU (ASU Assistant National Secretary 2001). Such branch autonomy is a legacy of the amalgamation of several smaller craft and occupational trade unions to form the ASU in the early 1990s (VSEB Branch Secretary 2001).

The ‘National Executive’ of the ASU, which meets three times a year, is responsible for the administration and management of the ASU’s property and determining the benchmark by which annual subscriptions rates are struck. The Executive also has the power to decide when and if an industrial dispute or issue should be submitted to the AIRC or some other industrial tribunal, but only if the dispute or issue of concern is likely to have ramifications for two or more branches (MEU Branch Secretary 2001).

There is also a National Office that deals with the day-to-day operations of the ASU. The National Office provides representation where there are national industries and employers whose workers are covered by national awards and agreements and acts as a disseminator of information and facilitates the sharing of experiences and resources between branches. The National Office also represents the ASU in national test cases brought before the AIRC in full first time, as well as representation on other bodies and issues of national importance to its membership, such as the Productivity Commission and Senate Inquiries (MEU Assistant National Secretary 2001).
The ASU’s rules permit each branch to develop their own profession or industry specific policies and rules, so long as they are formulated within a broader framework of guidelines established by the National Executive of the ASU. Branches have rights to enter into industrial agreements, set different subscription rates, and determine whether disputes or other issues should be submitted to the AIRC (MEU Branch Secretary 2001). Major characteristics of the membership and organising activities of the two local government branches in Victorian local government, the MEU and VSEB are examined in turn.

5.2.3 The MEU-Private Sector Branch

The MEU-Private Sector Branch had two divisions at the time of data collection, a local government division and private sector division. Membership is determined by the nature of the work performed and the level of pay rates they attract. Typically, this includes employees on the lower bands of local government pay scales (i.e., bands 1 to 5) set out in the Victorian Local Authorities Interim Award 1991. These are mainly manual workers, but the rules also allowed coverage of workers in leisure and recreation centres, and home and community care workers’ (MEU Assistant Branch Secretary 2000b). The Branch also covers workers employed in the water and sewerage industries, catchment and foreshore authorities, and cemetery trusts (MEU Branch Secretary 2001).

Branch membership had traditionally been male dominated, with members occupying roles such as labourers, plant and equipment operators, and certain tradespeople (MEU Assistant Branch Secretary 2000b). However in recent years the Branch has witnessed a changing gender structure, as a result of membership from leisure services and particularly from coverage of home and community care workers. The MEU Assistant Branch Secretary said that female workers represented approximately a quarter of the total membership (MEU Assistant Branch Secretary 2000b).

From the mid-1980s to the election of the Kennett government, membership had grown steadily to approximately 14,500 (MEU 1991). The MEU Assistant Branch Secretary (2000b) recalled:

‘… the 1980s was a good period of membership growth. We were integrally involved with the Federal government’s labour market programs, which were primarily directed at local government projects. We gained about 1,000 members through these
programs. But, the Coalition Federal government stopped these programs in 1996’ (MEU Assistant Branch Secretary 2000b).

The Branch Secretary oversees the daily activities of the Branch in relation to private sector and local council matters, whilst the Assistant Branch Secretaries are principally involved in the industrial representation and organising activities of the Branch. There are seven *organisers* and each is allocated a specific region in the state (usually some metropolitan councils and some rural councils), and those dealing with local councils are expected to have had previous employment experience within the local government sector. They are also required to have had at least two years experience as a shop steward in a local council (MEU Assistant Branch Secretary 2000a). These requirements were also echoed by MEU organisers interviewed for this study (MEU Organiser 1 2000a; MEU Organiser 2 2001). As one official recalled, ‘unlike the VSEB, we need to have had local government and shop steward experience’ (MEU Organiser 2 2001).

Organisers are primarily responsible for day to day communication between the union and the workplace. An important part of their role is the face-to-face communication with members, which was a major feature of the origins of the CLU (Best 1986). Organisers are required to visit each local council workplace regularly in their assigned regions and to hold a minimum of two general meetings with members in each local council every year (MEU Assistant Branch Secretary 2000a). As one official noted, ‘this means we often can travel around 100,000 kilometres per year’ (MEU Organiser 1 2000a). These general meetings are used to inform members of the activities of the national and state ASU, discuss EBAs, and facilitate the election of workplace representatives or shop stewards.

Organisers’ roles also include enrolling new members, collecting subscriptions, interviewing members, investigating and handling grievances and disputes, following up on member concerns, and ensuring employers abide by the terms and conditions specified within awards and agreements (MEU Assistant Branch Secretary 2000a). A fortnightly meeting was also held between each of the organisers and the Branch Executive during the reform period to discuss matters attended to at the local council level, such as disputes or breaches of awards, and to discuss any matters with implications across other local council workplaces (MEU Branch Secretary 2001).
The MEU Branch also has workplace delegates or representatives in the form of unpaid shop stewards. Members in local councils elect shop stewards in workplace ballots held once every two years. Shop stewards are expected to represent workers’ day-to-day industrial relations concerns and to provide a line of communication between members and the Branch. Their responsibilities also include interviewing and recruitment of new members, monitoring developments in the workplace which may have an impact on members, ensuring members receive their award entitlements, assisting members with grievance handling procedures, monitoring health and safety standards, ensuring equal opportunity rights are maintained, ensuring members receive all union publications, promoting and publicising union activities, and assisting organisers when they are called in to deal with industrial relations matters (MEU Assistant Branch Secretary 2000a).

5.2.4 The VSEB Branch

The VSEB is organised in terms of several industry divisions, which included a Local Authorities Division, Energy Division, Information Technology Division, Social and Community Services Division, Shipping and Travel Division, Water Division and Transport Division (VSEB Branch Secretary 2001). For the purposes of this study, references made on the VSEB refer only to the local government division. The VSEB Branch Secretary claimed:

‘... the Local Authorities Division of the VSEB is one of the most important Industry Divisions. Its sheer size dictates this emphasis. But it is also spread out in 78 councils and this requires more resources. Our other Industry Divisions are more centralised and thus easier to service’ (VSEB Branch Secretary 2001).

The VSEB represents local government employees engaged in administrative, supervisory, technical and professional roles, the non-manual activities of local councils. The eligibility of local government employees for membership to the Branch is similar to the MEU and dependent upon pay rates and the type of work performed. In this instance, membership is typically made available to employees on the upper bands of local government pay scales, bands 5-8. The Branch also covers indoor administrative employees on lower pay bands, 1 to 4, who perform clerical and administrative functions (VSEB Assistant Branch Secretary 2001).
Membership data has been more difficult to collect for this branch because of the continual mergers occurring during the 1990s ((VSEB Branch Secretary 2001). However, the 1980s witnessed a major growth in membership numbers of the former MOA due primarily as a result of the introduction of preference clauses in awards during the late 1970s and early 1980s that required new employees to join the MOA. Membership rose 8,000 to 22,500 from 1980 to 1984 (Huntley, 1979, 1986). By the start of the 1990s, a senior official recalled membership levels of approximately 16,000 in the VSEB (VSEB Branch Secretary 2001).

The rules and policy of the Branch are determined by the Branch Council, which consists of the Branch Executive and a number of representatives drawn from each Industry Division. The number of representatives is in turn dependent on the number of members employed within the respective industry divisions. The Executive itself consists of a President, several Vice-Presidents representing each industry division and one representing women, a Treasurer, a Secretary, an Assistant Secretary and a First Assistant Secretary, all of which are subject to election on a four year basis (VSEB Branch Secretary 2001).

The Executive manages the administrative affairs of the Branch and is responsible for the appointment of staff. There is also Industry Division Committee that is accountable to the Executive, but is responsible for managing the industrial affairs of the respective industry divisions (VSEB Assistant Branch Secretary 2001; VSEB Branch Secretary 2001).

The conditions, responsibilities and activities of VSEB organisers (Industrial Officers) are similar to those of MEU organisers. There were five representatives attached to the local councils, regional water boards and libraries across the state at the time of data collection. Each Industrial Officer is responsible for a mixture of rural and metropolitan workplaces (VSEB Assistant Branch Secretary 2001). A senior official said that:

‘… the expected role of an Industrial Officer is to represent a number of workplaces in an allocated region. They need to represent individual members, organise and put in place action that will improve networks between members of different councils, recruit members and be heavily involved in the negotiation of EBAs’ (VSEB Assistant Branch Secretary 2001).
However, unlike the requirements of MEU Organisers, VSEB Industrial Officers are not required to have had previous employment experience within local government. ‘We do not have any Industrial Officers whose initial career was in local government’ (VSEB Assistant Branch Secretary 2001). In addition, there is no specific requirement for Industrial Officers to hold two face-to-face general meetings of members at each council each year. Traditionally, the MOA had functioned in a centralist fashion, meeting members of an individual basis on rare occasions at the workplace. The majority of contact was by telephone and through union publications (VSEB Assistant Branch Secretary 2001).

The responsibilities and activities of local ASU representatives are similar to those of MEU shop stewards. The VSEB Branch Secretary (2001) claimed:

‘… our local ASU representatives need to be appropriately trained, represent members at councils, represent the union on joint consultative committees, help negotiate EBAs, deal with individual grievances, recruit new members, and work closely with the appointed Industrial Officer’ (VSEB Branch Secretary 2001).

Prior to the 1992 Victorian State government election, the both the former MEU and ASU Mark 1 had been primarily engaged in discussions in local councils about the implementation of the *Victorian Local Authorities Interim Award 1991* (MEU Branch Secretary 2001; VSEB Industrial Officer 1 2001).

This award brought together all the existing local governments awards within one overall set of conditions and was signed by each of the unions operating in local government. The *Victorian Local Authorities Interim Award 1991* reduced the number of pay classifications from over 400 in the previous awards to just 30, through a broadbanded and single stream classification structure (VSEB Assistant Branch Secretary 2001). The award also included new clauses covering structural efficiency, joint consultation, training, absorption of over award payments, multiskilling, position descriptions, staff development scheme, annual review and senior executive officers (MEU Assistant Branch Secretary 2000a; VSEB Assistant Branch Secretary 2001). This proved a tough exercise for the ASU Mark 1.
The translation from previous salary classifications to the new salary bands was a massive undertaking and one which created mixed feelings among members (VSEB Branch Secretary 2001). An Industrial Officer of the VSEB recalled:

‘… we coped with the full range of emotions. We had young confident males willing to grasp change and reluctance from the older members. Older workers were destabilised by this process and this contributed to why they left the industry after amalgamation’ (VSEB Industrial Officer 1 2001).

The VSEB Assistant Branch Secretary also recalled the challenges facing local government unions on the eve of the election of the Kennett government.

‘We were trying to re-orientate our members to the new award and they were struggling to comprehend how their salaries were going to line up. We realised some councils were looking at the closest equivalent, and basing entirely on budget concerns’ (VSEB Assistant Branch Secretary 2001).

To summarise the discussion so far, this part has provided some important background to the ASU and the branches which are to be investigated during the local government reform period. The section has looked at the operations and organisation of two branches, with the MEU primarily representing blue-collar or manual workers employed by local councils, and the VSEB representing white-collar or non-manual workers. Each had their own way of dealing with the local government reforms enacted over the Kennett years, as discussed below in the next section, and often this reflected the traditional ways the original MEU and MOA had operated.

5.3 The effects of public policy changes on the ASU

The purpose of this section is to discuss the effects on the ASU and especially the local government branches arising from the reform agenda implemented in local government between 1992 and 1999. Arising from the literature review conducted in Chapter 2, a model (Figure 2.1) was developed for analysing the effects of public sector reform on trade unions. The model identified challenges to trade unions in four principal areas arising from the Victorian local government reform agenda. These included:
1. influence in policy determination and implementation,
2. membership levels,
3. bargaining outcomes, and
4. intra- and inter-trade union relations.

In addition, the model (Figure 2.1) provides a visual representation of the level of impact, ranging from minimal impact to more extensive consequences. This is helpful in describing from the union’s perspective the relative direction of the impact the Kennett government had in each of the four areas.

Data is drawn primarily from interviews conducted with officials from each of the two branches MEU and VSEB, reporting on their perceptions and experiences of the reform period. This is supplemented with information from internal union documents, such as training manuals and from other relevant studies on trade union responses and government media publications (Paddon 2001; Teicher et al. 1999; Teicher and Van Gramberg 2002; Van Gramberg et al. 2002). The findings gathered here will contribute to answering RQ3 and each of the sub-questions, as listed here:

**RQ3. How did the reform agenda effect trade unions in Victorian local government?**

**RQ3.1 What effect did the reform agenda have on the level of influence in policy determination and implementation?**

**RQ3.2 What effect did the reform agenda have on union membership?**

**RQ3.3 What effect did the reform agenda have on bargaining outcomes?**

**RQ3.4 What effect did the reform agenda have on intra- and inter-union relations?**

The discussion commences with the effect the reform agenda had on the ASU’s level of influence in the development and implementation of the reform agenda. This is followed by sections on each of the other effects. The final part of section 5.3 sums up the effects on the ASU arising from the Victorian local government reform agenda, 1992 to 1999 as identified by union officials and places these in the model of union effects.
5.3.1 Public Policy Determination and Implementation

The involvement of trade unions in the formulation and administration of government policy has long been regarded as a key element of their activities (see, for example: Webb and Webb 1894). The aim of these efforts has typically been to encourage legislation and policy that favours or is sympathetic to trade unions in their relations with business. The prospects of achieving this aim have historically been higher when the ALP has held office, whether at the federal or state levels (Brambles 2001).

This was the case in the decade leading up to the election of the Kennett government when, as financial contributors and affiliates of the ALP, the ASU was able to exert a significant level of influence over public policies. This was especially illustrated in the level of union involvement in labour market programs (MEU Assistant Branch Secretary 2000a; VSEB Branch Secretary 2001).

In the campaign conducted by the Kennett government in the lead-up to the 1992 election, the ASU had only a slight idea of how the union’s political influence would be diluted if the ALP were to lose office. Although the ASU was aware of the potential attack on the State public sector if a Kennett government was elected. The MEU Branch Secretary recalled:

‘… we saw Kennett going around the State before the election claiming the State had a huge number of public servants who produced not one ounce of wealth. The potential attack through privatisation was most threatening to membership levels but we did not think too much about the government’s potential exclusion of traditional interest groups in the development of their reform agenda’ (MEU Branch Secretary 2001).

Only after the election of the Kennett government and the subsequent introduction of local government legislation in its early parliamentary term did the ASU became fully aware of the government’s anti-union intentions. The Kennett government’s approach to implementing the reform agenda of minimal consultation over policy changes as explained in Chapter 3 undermined the traditional level of trade union involvement, particularly with the ALP government in the previous decade. The Kennett government had won a majority of seats in both Houses. The relatively few ALP members left in parliament after the 1992 election meant that the avenues of political access previously open to the ASU were severed
(MEU Assistant Branch Secretary 2000a). The ASU also recognised that consultation was not just excluded with the union movement but also to local councils as well.

The MEU Branch Secretary recalled ‘the government was not interested in listening to any alternative reform strategies’ (2001). Moreover, the MEU Assistant Branch Secretary claimed ‘the government were quite adamant that we (the ASU) had no friends in Parliament’ (MEU Assistant Branch Secretary 2000b).

The VSEB echoed similar sentiments about the attitude of the Kennett government to union consultation and involvement in reforms to local government. The VSEB Branch Secretary claimed that ‘we saw that the Kennett government wanted to impose state government power on local government, with the intention of ensuring local government knows its place’ (VSEB Branch Secretary 2001). A VSEB Industrial Officer also said ‘a fortress mentality was adopted by the Kennett government and we were immediately cut off from State government policy’ (VSEB Industrial Officer 2 2001). Another Industrial Officer recalled that ‘we would no get answers to our letters. This was a most unusual environment for us to work within (VSEB Industrial Officer 2 2001). The VSEB Assistant Branch Secretary further noted that:

‘… any contact we tried with Hallam (Minister for Local Government) fell on deaf ears. We wanted amalgamation bedded down before CCT was introduced, but the State government was annoyed that we got the restructuring agreements through the gate’ (VSEB Assistant Branch Secretary 2001).

Recollections of the time also revealed that the ASU did not think local government was a target of extreme change (VSEB Branch Secretary 2001; MEU Branch Secretary 2001). One senior official recalled, that ‘the reform agenda was only vaguely expected to have application to local government, apart from some possibility of some inner metropolitan and regional council amalgamations (MEU Assistant Branch Secretary 2000a).

The ASU was largely unprepared for the state-wide amalgamation and the additional policy instruments (MEU Assistant Branch Secretary 2000a; MEU Organiser 1 2000; VSEB Industrial Officer 1 2001). The approach adopted by the Kennett government to the reform process also made it difficult for the ASU to mount credible arguments to persuade public
opinion to favour its campaigns to overturn the worst excesses of the reforms, or alternatively to support tenders by its members for their former jobs (MEU Branch Secretary 2001).

The pace at which the policy instruments were enacted also reduced the ability of the ASU to actively engage in debate about the policy instruments. A MEU official recalled the government held ‘marathon sittings in Parliament, sometimes 22 hours at a time, steamrolling through the changes’ (MEU Organiser 1, 2001). This meant the ASU had ‘minimal information on which to act’ (MEU Assistant Branch Secretary 2000a). Both branches believed they could not keep up with all the council changes. Each were forced to ‘run around the State and put out spot fires’ and the union found it almost impossible to develop a coordinated strategy’ (MEU Assistant Branch Secretary 2000b; VSEB Industrial Officer 1 2001).

The alienation of the ASU at the political level was also extended to the administrative level. The Office of Local Government (OLG) would not receive or hear any representations from the union (MEU Branch Secretary 2001). Indeed, in the view of two ASU’s senior officials, the agency was thought prone to act like a ‘secret police force’ that took great pleasure in ‘bludgeoning and bullying anyone who defied its directives’ (ASU Assistant National Secretary 2001; VSEB Branch Secretary 2001). In the shared view of these officials, this was a relationship that was to endure the entire period of the Kennett government, despite claimed persistent efforts on the part of the ASU to approach the OLG to represent the interests and concerns of workers employed in local government (ASU Assistant National Secretary 2001; VSEB Branch Secretary 2001).

The replacement of elected councillors with appointed commissioners and interim CEOs was also an unexpected component of the amalgamation program (MEU Assistant Branch Secretary 2000b). This also had the effect of alienating the ASU and limiting its more immediate political leverage at the local council level. The appointment also withdrew the ability of the ASU to influence the manner in which the policy instruments were implemented. The union viewed the appointment of commissioners as a means by which ‘tougher decisions on employment matters and asset sales could be made without facing scrutiny by the local community and other interest groups’ (MEU Assistant Branch Secretary 2000b). This official recalled that:
‘… commissioners often scheduled council meetings in rural areas at times that deliberately constrained local community participation, such as holding meetings on a Friday afternoon at 4.00pm. This often clashed with dairy farmers’ working hours. We saw this as a means of limiting and avoiding any backlash from the community’ (MEU Assistant Branch Secretary 2000b).

This lack of consultation had traditionally been illustrated in rural councils. A sense of the prevailing feeling, was, as one senior official put it, ‘a hanging tree was often set up in the back of rural council chambers for union organisers’ (ASU Assistant National Secretary 2001). Although this was a colourful exaggeration, such a view was said to be widely shared among many ASU officials, and signified how poorly their solicitations were received by many local councils over the early period of the reforms (MEU Assistant Branch Secretary 2000b; MEU Branch Secretary 2001).

Commissioners, largely acting on weekly instructions from the OLG, were reluctant to discuss the changes with the ASU and ‘would send us to the interim CEO’ (MEU Organiser 1 2000). However, the actions of these managers also restricted access by the ASU. As one official recalled, ‘the interim CEOs were even less reluctant to discuss what changes were to occur under amalgamation, as these CEOs were eager to please the government and trying to position themselves into full-time positions in the newly created councils’ (MEU Assistant Branch Secretary 2000b). Councils were driven to implement the policy instruments as decreed by the government and in the manner directed by the OLG (MEU Branch Secretary 2001; VSEB Branch Secretary 2001).

The denial of political access in the development of the local government reform agenda meant that the ASU found it difficult to gain access to local council information, on which union access to policy implementation could be built. The MEU Assistant Branch Secretary said, ‘this was our greatest challenge at the local level in the initial days of reform’ (MEU Assistant Branch Secretary 2000b). Many officials recalled the ‘fear’ within local council management of doing anything that appeared slightly ‘out of line’ with the government’s intentions and this meant no consultation with trade unions over the way in which assets were identified for sale, in the manner in which rating systems were to be developed (MEU
Assistant Branch Secretary 2000b; MEU Branch Secretary 2001; VSEB Branch Secretary 2001).

The lack of access to information was especially damaging with the introduction of CCT. The MEU Assistant Branch Secretary recalled that it was difficult to obtain important information, particularly like labour on-costs (employment overhead costs) that existed within various local councils prior to services being tendered out. Obtaining this information was crucial in determining the level of competitiveness of in-house units. He claimed that:

‘… we were aware that on-cost rates differed substantially between councils to the extent that it could mean the difference between winning and losing a tender bid. Some inner-metropolitan councils, for instance, typically had a rate of around 70 per cent at the time, whilst most other councils in the state had rates in the order of 30 per cent. These oncosts were added to the tender quote submitted by in-house units and, as a consequence, a higher rate would make the in-house bid higher and could adversely affect the chances of in-house success’ (MEU Assistant Branch Secretary 2000b).

The union was eager to address these discrepancies early in the tender process, however, in many instances officials had to rely on uncertain information being secretly supplied by members from within the local councils, until the EBAs were negotiated. The EBAs permitted some access to CCT information to our members, particularly about service reviews (ASU Assistant National Secretary 2001). The lack of input at a local level in turn made it difficult for the ASU to counter the claims of inefficiency and ineffectiveness levied by the Kennett government against local government workers.

Access in some local councils also became more open after the return of elected councillors from 1996. The VSEB Assistant Branch Secretary recalled that ‘we breathed a sigh of relief on the return of elected councillors, as they seemed to have the same types of concerns about the drop in employment levels and service quality levels as being expressed by the ASU (VSEB Assistant Branch Secretary 2001). The same official did also admit that although councillors were not going to carry the union banner, they agreed with us about the social costs of the changes’ (VSEB Assistant Branch Secretary 2001). Another official also
recalled that councillors in many rural councils were starting to ‘listen to the concerns about CCT we had been raising since the policy was introduced in 1994’ (MEU Organiser 2, 2001).

The ASU was able to exert some degree of influence over the employment changes made during amalgamation as a result of their bargaining actions. The EBAs also permitted some level of union access and influence on CCT matters (ASU Assistant National Secretary 2001). These are discussed in detail in section 5.4. The second area of impact on the ASU arose in terms of membership levels, which is discussed next.

5.3.2 Membership and recruitment

The second area of challenge arising from the local government reform agenda for the ASU was in the consequential changes to membership levels. Both branches had experienced steady increases in membership throughout the 1980s, particularly as a result of the growth in local government employment levels (Figure 3.3). Accurate figures for branch membership of the ASU were not available to the researcher, however data from interviews with branch officials reported the MEU branch had a membership of approximately 14,400, and the VSEB had a membership of approximately 16,000 by 1992 (MEU Branch Secretary 2001; VSEB Branch Secretary 2001).

As local government is the most labour-intensive of all governments in Australia (Jones 1993), policies seeking to target the cost and size of local government had immediate impacts on employment numbers and subsequently union membership levels. Information on the decreases in local government between 1993 and 1999 resulting from the policy instruments was provided in Chapter 3 (Figure 3.7). This figure showed that employment numbers decreased dramatically during the Kennett years, from 46,000 to 31,500. Many of those who left initially were male employees and particularly those aged over 55 years old (ABS 1995; Martin 1999). Moreover, most of those employees who left local government had been long-serving trade union members (MEU Assistant Branch Secretary 2000b).

Accurate figures were also unavailable as to the exact decline in branch membership levels. Branch officials reported that by 1999 there were approximately 8,000 members in the MEU and approximately 6,000 in the VSEB (MEU Assistant Branch Secretary 2000b; VSEB Branch Secretary 2001).
Looking more specifically at the reforms themselves, VSEB officials claimed that the amalgamation policy contributed more to membership loss than the implementation of CCT. Council mergers resulted in a large number of jobs to be lost in administration and finance, largely as a result of potential duplication. As a senior official said, ‘these positions were our principal source of membership for the VSEB’ (VSEB Branch Secretary 2001). Another VSEB official also recalled, ‘we got a hiding from amalgamation. The exodus from councils of indoor or non-manual was enormous, with members just happy to get out’ (VSEB Assistant Branch Secretary 2001).

The MEU reported suffering significant membership losses from both amalgamation and CCT. Branch officials claimed that decisions on cutbacks in employment during amalgamation were being based on the perceived levels of workers required for the full 50 per cent implementation of CCT (MEU Branch Secretary 2001; MEU Assistant Branch Secretary 2000b).

MEU officials recalled that the amalgamation processes caused the most significant decline in union membership; indeed the union was seen as being ‘stormed by members wishing to take up voluntary departure packages (VDP) offered by local councils’ (MEU Assistant Branch Secretary 2000a; MEU Organiser 2001). These departure packages appeared attractive to ‘outdoor’ or manual employees in comparison with their annual wages, for they could use the money to pay out their house loans or purchase a new car’ (MEU Assistant Branch Secretary 2000a). But amalgamation was only part of the problem impacting on membership.

According to officials from both branches, the introduction and operation of CCT was far more threatening to job security for MEU members (MEU Assistant Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001). MEU officials reported that all councils tendered the easiest services first, which were outdoor or manual services, which was the ‘heart’ of their membership (MEU Assistant Branch Secretary 2000a; Organiser 1 2000).

The VSEB faced minimal challenge from the direct implementation of CCT. Local councils did tender some non-manual areas, which had contained VSEB members, which also resulted in further declines in membership after amalgamation. However, the introduction
of performance contracts to senior officers in councils also witnessed a further reduction in branch membership levels, as these employees were reluctant to join a union (VSEB Assistant Branch Secretary 2001; VSEB Industrial Officer 2 2001).

The reduction in employment in local government also hampered efforts in recruiting new members. Any increase in employment numbers was often at the expense of full-time employees (MEU Assistant Branch Secretary 2001; VSEB Assistant Branch Secretary 2001). Other research studies confirm that most local councils were hiring mainly part-time and casual workers to fill their labour requirements, particularly in areas subject to CCT (Aulich 1997a, b; Ernst et al. 1997). In common with problems experienced by trade unions more generally, the ASU found difficulties in trying to attract members from among the part-time and casual employees (MEU Organiser 1 2001).

The reduction in membership levels resulted in a number of consequences for the ASU’s influence and position in local government. Firstly, the loss of membership saw a dramatic reduction in the ASU’s financial and organisational resources. ‘We had to reduce the number of union officials as a result of membership dues falling’ (VSEB Industrial Officer 1 2001). This occurred at a time when bargaining at the workplace level was required, and this restricted the ASU from closely overseeing, and often, from influencing the final agreements (ASU Assistant National Secretary 2001). In addition, complex legal challenges and major political campaigns to counter the validity or merits of the Kennett government’s local government reforms were also not available because of the cost’ (MEU Branch Secretary 2001).

Second, the union suffered from the ‘considerable loss of knowledge’ about what was going on in local councils (MEU Assistant Branch Secretary 2000a; VSEB Assistant Branch Secretary 2001). As a MEU official recalled, ‘the union lost around one-third of its shop stewards after the amalgamation of the councils’ (MEU Organiser 1 2001). The Assistant Branch Secretary of the MEU also recalled that ‘they had often been in the role for many years and sometimes been part of a generation of shop stewards’ (MEU Assistant Branch Secretary 2000b).

Third, the amalgamation of local councils broke down the previously formed representative networks that had been developed between shop stewards in the former councils. The loss
of many shop stewards from councils during the amalgamation process had removed these important avenues for member contact (MEU Assistant Branch Secretary 2000b). As one senior VSEB official also recalled, ‘representative networks were severely eroded, leaving only relatively inexperienced local ASU representatives in local councils’ (VSEB Branch Secretary 2001).

Officials from both the VSEB and MEU nonetheless suggested that their membership positions could have been made worse had the Kennett government decided to implement amalgamations and the requirement to seek competitive tenders for 50 per cent of services simultaneously (MEU Branch Secretary 2001; VSEB Branch Secretary 2001). Such a scenario would have left local council employees and the branches floundering in trying to respond to such massive changes. As it was, officials recalled that the amalgamation process involved an initial rationalisation of local council workforces helped in-house bids (MEU Assistant Branch Secretary 2000b; MEU Organiser 1 2000). The success of in-house units across the State was also instrumental in restricting further dramatic declines in membership in both branches (MEU Assistant Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001).

In addition, the ASU also recalled that the diverse approaches to CCT in local councils and levels of competition faced had resulted in varying impacts on membership levels. Those councils that were supportive of in-house units often had lower employment decreases and subsequently lower reductions in union membership (MEU Assistant Branch Secretary 2000a; MEU Organiser 1 2000). As one official recalled:

‘… we faced differences in how councils approached CCT. Some councils, mostly metropolitan ones, took the approach that we will tender everything. However, most rural councils were reluctant because if they had to close a works depot it would have severe ramifications on the viability of the particular town. Local councils were often the main employer in small rural areas and if jobs were lost, then the redundant workers would be forced to leave the area’ (MEU Organiser 2 2001).

In addition, officials reported that many services faced minimal competition and this helped ensure the continuation of in-house services, even though most councils still reduced
employment in these units before the tender bids (MEU Organiser 1 2001; MEU Organiser 2 2001).

The ASU was also able to retain some members who went to work for private contractors. The Assistant Branch Secretary noted, ‘we found that most external contractors who won tenders in the initial period, 1994 to 1996, had employed former local government employees because they required no induction and were already more skilled and knowledgeable about the work than those from other private contractors’ (MEU Assistant Branch Secretary 2000b).

Moreover, the ASU was able to negotiate increased redundancy entitlements for local government workers through bargaining agreements. This, as discussed below (section 5.4.3.2: Bargaining and Industrial Action), assisted in making some councils more reluctant to seek external tenders. The third area of impact on the ASU arose in terms of bargaining outcomes, which is discussed next.

5.3.3 Bargaining outcomes

The third challenge arising for trade unions from public sector reform was in the area of industrial bargaining. ASU officials recalled the impacts of the local government reform agenda arose in three areas of bargaining. These included the changing bargaining format, the harsher negotiating environment, and also the impacts on terms and conditions (MEU Assistant Branch Secretary 2000b; MEU Branch Secretary 2001; VSEB Assistant Branch Secretary 2001; VSEB Branch Secretary 2001).

The Kennett government initially instructed commissioners and interim CEOs to negotiate EBAs in the newly formed local councils. This form of agreement was made accessible under changes to federal industrial legislation, the *Industrial Relations Act, 1993* and later extended further in the *Workplace Relations Act, 1996*. In addition, councils were encouraged by the government to decentralise bargaining even further to the work group level and create local area work agreements (LAWAs) (Aulich 1997a). LAWAs are certified agreements, under the *Industrial Relations Act, 1993*, between an individual council and workers in a particular service or in-house work group.
The government’s instruction on EBAs represented a major shift from the previous way in which terms and conditions were decided in local government. Up to this time, state-wide awards had been negotiated between individual unions such as the MEU and MOA and the main representative for local councils, the Municipal Association of Victoria (MAV) (MEU Assistant Branch Secretary 2000b). In addition, the *Industrial Relations Act, 1993* required the various unions who had members in a workplace to form a single bargaining unit for the negotiation and development of EBAs.

The Kennett government’s support for EBAs was expected by the ASU since the business associations, conservative politicians and right-wing lobby groups, (like the IPA) had proposed such bargaining arrangements since the mid 1980s (see, for example: BCA 1987, 1989). EBAs were expected to produce greater levels of workplace flexibility than possible under state-wide awards. In addition, options were available within the legislation, and particularly the *Workplace Relations Act 1996* for non-union agreements to be negotiated (MEU Assistant Branch Secretary 2000b).

The introduction of EBAs represented a major threat to the traditional standardised terms and conditions applying across industry sectors (Buultjens and Howard 2001; Cairncross and Buultjens 2007). Decentralised negotiations threatened to introduce more flexibility in terms and conditions, both within councils and between councils, than was the case under centralised awards (Teicher et al. 1999). This threatened the ability of the ASU’s to guarantee standardised pay-rises and condition improvements across the entire local government sector.

An additional consequence for the ASU was that these new bargaining arrangements were more legalistic in comparison with the previous over-award arrangements that had been negotiated with some individual councils prior to 1992. These over-award agreements had been settled by letters of exchange between a council and the union’ (MEU Organiser 1 2001).

In addition, EBAs required more union resources than had been the case when the main instrument setting terms and conditions was through an award. Many more meetings were required between central officials and union members than was the case under award negotiations (ASU Assistant National Secretary 2001). Union officials from both branches
agreed that EBAs took much time going through all the fine detail with members than was the case under awards (MEU Organiser 2 2001; VSEB Industrial Officer 2 2001). There was also a greater strain on union central resources because of the departure of experienced shop stewards/local representatives during the amalgamation process. Senior ASU officials recalled the challenges at the workplace arising from EBAs.

‘The representatives remaining often lacked the necessary experience and confidence in dealing with minor industrial matters at the workplace level. They were particularly reluctant to take over negotiation in respect of CCT (ASU Assistant National Secretary 2001).

‘Another problem was that after we trained up shop stewards in EBA negotiations and tender, they were loath to take on responsibility at the workplace for they feared they would be held personally responsible by members if a tender bid was lost’ (MEU Branch Secretary 2001).

A further concern that arose for the ASU was the knowledge that some MEU shop stewards and VSEB local representatives had ‘engineered themselves a departure package’ and, as such, they had not negotiated in the ‘best interests of members’ (MEU Organiser 1 2000; VSEB Industrial Officer 1 2001). This, as shown below in the section on the ASU’s responses, was a major reason for central officials taking a leading role in negotiations over terms and conditions through EBAs and LAWAs.

The local government reform agenda also created a more varied and ‘harsher’ negotiating environment than had previously been experienced by the MEU and VSEB. As one official recalled, ‘it was a difficult environment in which to negotiate. ‘Our members felt pressure, fear and intimidation all imposed by management’ (MEU Organiser 1 2001). Another ASU official noted, ‘we had some managers coming into local government without any appreciation of local areas and local politics and wanting to change everything’ (MEU Organiser 2 2001).

A second area of challenge in terms of bargaining arose in respect of the bargaining climate. A harsher negotiating climate, according to ASU officials, was created initially in the amalgamation process and often flowed through to EBA negotiations. Some commissioners
and interim CEOs decided ‘minimal’ consultation would be the approach taken to restructuring and this immediately established a confrontational atmosphere (MEU Assistant Branch Secretary 2000a; MEU Organiser 1 2000). Union officials recalled that some councils diverted from the intent of the change clause contained within the *Victorian Local Authorities Interim Award 1991* (clause 21) (ASU Branch Secretary 2001; MEU Assistant Branch Secretary 2000a; MEU Organiser 1 2000). This clause stated:

‘Where an employer has made a definite decision to introduce major changes in production, program, organisation, structure or technology that are likely to have ‘significant effects’ on employees, the employer shall notify the employees who may be affected by the proposed changes and the relevant Union. Significant effects included termination of employment, major changes in the composition, operation or size of the employer’s workforce or in the skills required; the elimination or diminution of job opportunities, promotion opportunities or job tenure; the alteration of hours of work; the need for retraining or transfer of employees to other work or locations and the restructuring of jobs provided that where the award makes provision for alteration of any of the matters referred to herein an alteration shall be deemed not to have significant effect’ (*Victorian Local Authorities Interim Award 1991*).

MEU officials reported that this clause should have guided councils as to what to do in response to amalgamation, which was to discuss the introduction of changes with the employees affected and the relevant union and give ‘prompt consideration to matters raised by the employees and/or the relevant Union in relation to the changes (MEU Assistant Branch Secretary 2000a; MEU Organiser 1 2000). However, as recalled by the Assistant Branch Secretary, ‘councils would deliberately hold off announcements about redundancies, and then only informed employees in writing with one day’s notice’ (MEU Assistant Branch Secretary 2000b). This created considerable stress on members and for officials. As one senior official noted, ‘we needed to quickly arrange meetings with council management so as to avoid going down a dispute path, which would have been more resource intensive for us (ASU Assistant National Secretary 2001).

The third outcome arose from the changes to terms and conditions. All ASU officials interviewed in the study noted that the climate of fiscal austerity which resulted from imposed savings targets, rate cuts and CCT, forced local councils to negotiate on existing
employment levels and work practices to an extent unparalleled in the sector. Similar to the situation found by UK unions as discussed in Chapter 2, the ASU was increasingly caught between the demands of council managers wanting to reform work practices and reduce workers’ conditions, and the demands of its members fearful of their employment security (Colling 1994; Foster 1991, 1993). As one MEU organiser said, ‘no longer could local council jobs be considered a job for life in this new era’ (MEU Organiser 1 2001).

Officials reported that the main changes to terms and conditions stemmed from local area work agreements (LAWAs). As one official recalled, ‘we initially saw LAWAs as being an invention of the employer because they did not trust unions over flexibility changes agreed to in EBAs’ (MEU Organiser 1 2001). Another official said ‘managers often used the argument that private sector competitors had lower terms and conditions and would probably win tenders unless council employees matched their conditions and this was possible through LAWAs’ (MEU Branch Secretary 2001). Another claimed that ‘we saw that members were being cajoled into agreeing with the LAWAs, even where council units faced limited or no competition’ (ASU Assistant National Secretary 2001).

Prior research studies also noted the way in which the terms and conditions of local government workers were being reduced through LAWAs (Aulich 1999b; Gough and Patterson 2003). Aulich (1999b) noted that councils used LAWAs ‘as a lever for change to workplace practices and conditions’, particularly in service units placed to tender (p.41). Ernst et al. (1997) also found that many managers were using CCT as an agenda in its own right to ‘control and coerce’ staff into accepting changes to terms and conditions (Ernst et al. 1997, p.36). Case study investigations conducted by Hall (2000) also found that council staff were expected to work more flexibly and productively in line with that of private sector practices. In addition, studies identified penalty rates, travel allowances, and standard hours of work as being the main targets for change (ASU 1996; Aulich 1997b).

Of particular concern to the ASU was the introduction of productivity schemes or gain sharing arrangements in many LAWAs and some EBAs. These were being offered to workers at some local councils as alternatives to specific, percentage pay rises and often formed a crucial part of the trade-off with terms and conditions in LAWAs (ASU Assistant National Secretary 2001). The MEU Assistant Branch Secretary said that ‘we saw gain sharing schemes as lowering members’ conditions and were concerned that workers would
He also claimed that the ASU strongly believed that some councils would deliberately falsify the figures to minimise the gain paid to workers (MEU Assistant Branch Secretary 2000b).

The ASU’s National Office ‘reluctantly’ signed off on LAWAs even though officials perceived the agreements were not meeting the ‘no disadvantage test’ under the Workplace Relations Act 1996 (ASU Assistant National Secretary 2001; MEU Assistant Branch Secretary 2000b). However, taking action against councils seeking such reductions was not a viable option for the ASU. As one MEU Organiser recalled, ‘if we didn’t agree to reduce terms and conditions to get close to possible external contractors, our members would lose their jobs’ (MEU Organiser 1 2001). Another Organiser also said, ‘if we didn’t agree to flexibility changes in LAWAs and service areas were put to tender and won by external contractors, no one would gain’ (MEU Organiser 2, 2001).

A further finding was that the reduction in terms and conditions was more prevalent in the home help and community services areas, subject to competitive tendering. As one Organiser recalled, ‘home carers copped it pretty bad because travel allowances and penalties were cut’ (MEU Organiser 2 2001). The Assistant Branch Secretary (MEU) also had noted that ‘child care workers have minimal industrial strength relative to garbage workers and as such more severe cuts to the conditions of these workers’ (MEU Assistant Branch Secretary 2000b).

This inequity was also found by Walsh and O’Flynn (2000) in their study of changes to terms and conditions contained in LAWAs negotiated in Victorian local councils. Traditional outdoor workers were able to negotiate better gain share agreements than those of the community services workers. In addition, the latter suffered larger cuts to penalty rates and travel allowances (Walsh and O’Flynn 2000). Kenna (1998) also observed home care workers were found to have taken cuts in pay and allowances in order to be competitive. This was despite the fact that there is a minimal competition from private sector home care providers. Kenna (1998) found that by May 1998, 72 of 78 Victorian councils had put their home care services through a tendering process, with 67 councils continuing in-house provision.
The fourth area of impact on the ASU arose in terms of internal and external union relations, which is discussed next.

5.3.4 Intra- and Inter-Union Relations

The fourth area of impact to the ASU arising from the local government reform agenda was expected in the area of intra- and inter-union relations. ASU officials agreed that the Kennett government sought to undermine the collective identity of the union movement through their policy agenda, and most notably through the implementation of CCT (MEU Assistant Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001).

Internal union relations were impacted in three main ways. Firstly, ASU officials reported that the reform agenda appeared to have had a negative impact on relations between MEU and VSEB members. Although there was a traditional ‘divide’ between members of these two branches (Best 1986), union officials reported on additional tensions caused by CCT (MEU Organiser 1 2001; MEU Organiser 2 2001; VSEB Industrial Officer 2 2001). As reported in Chapter 3, CCT required local councils to split their organisations into client and provider functions to improve the functioning of CCT. However, this often meant that VSEB members were placed in client roles, which were not placed out to competitive tendering and MEU members were located on the competitively tendered or provider side (MEU Assistant Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001).

Officials reported that this organisational split caused rifts between manual and non-manual employees because was motivated by different factors. Relations between members were particular tested during EBA and LAWA negotiations. An MEU Organiser recalled, ‘our members felt why should we negotiate an EBA with the indoor because they were not going through the pain we were’ (MEU Organiser 1 2001). The split also made it more difficult for the ASU to gain solidarity in some local councils for joint or collective action (MEU Assistant Branch Secretary 2000b; MEU Organiser 1 2001; VSEB Assistant Branch Secretary 2001).

The second impact on intra-union relations was reported in terms of relations between the MEU and VSEB (MEU Organiser 1 2001; VSEB Industrial Officer 2 2001). As noted above, there had always some tension between members of these two branches, and particularly when each branch operated as a separate union (Best 1986; MEU Assistant
The main source of tension lay in the views of officials toward each branch. The MEU Assistant Branch Secretary claimed, ‘we have officials who still refer to the VSEB as the “bosses union”’ (MEU Branch Secretary 2001). A VSEB official also noted that ‘there appeared a fundamental mistrust of VSEB from MEU officials, who saw us as the union mainly for representing local council managers’ (VSEB Industrial Officer 1 2001).

Differences between the branches became more evident when potential actions were discussed (see section 5.4: The ASU’s Responses). However, as noted in that section, the branches were able to overcome these differences when they fronted members, particularly in EBA negotiations, for the debate had occurred in the central office (MEU Organiser 1 2001; MEU Organiser 2 2001; VSEB Industrial Officer 2 2001).

The third impact on internal union relations was reported in terms of member-official relations. ASU officials reported that relations between officials and members became strained during the reform period. CCT, in particular, provided the context for setting groups of workers against union officials. An ASU official recalled:

‘… our main problem arose when negotiating EBAs and particularly LAWAs. We had members who appeared to trust management more so than us as their union representatives. This was very evident in rural communities where managers often were involved in community activities. Our members often had a favourable impression of them because of this’ (MEU Organiser 2 2001).

Discussions over gain sharing agreements proposed by management also created wedges between members and central officials. As one MEU official said, ‘we saw gain-sharing arrangements as creating a greater tie between workers and management’ (MEU Assistant Branch Secretary 2000b). Another MEU official recalled, ‘we had members saying to us what right we had to come from Melbourne and tell them what to do when they believed they knew better’ (MEU Organiser 1 2001). The VSEB also reported similar sentiments. The Assistant Branch Secretary said that ‘we had members who said central officials do not understand local conditions’ (VSEB Assistant Branch Secretary 2001).
External relations or relations between the ASU and other unions were not greatly impacted by the reform agenda. Although there was a potential for the ASU to lose members to private sector unions if competitive tenders were won by private sector suppliers, previous agreements shielded the ASU from any major negative relations. The ASU felt that it was relatively sheltered from harm because of very well established ‘rules’ about membership coverage. ‘We have good relations with the main private sector unions. There is a mutual understanding over membership’ (MEU Branch Secretary 2001). This mutual understanding meant that if local government had initially run the service, then the MEU had the right over membership (MEU Assistant Branch Secretary 2000b). The MEU Assistant Branch Secretary also added, ‘we (ASU and the private sector unions) were all joined by a common aim of ensuring that no ‘fly-by-nighters’ won local government contracts’ (MEU Assistant Branch Secretary 2000a). The relationship between unions was also aided by a common objective to oust the Kennett government (MEU Branch Secretary 2001).

The next section sums up the effects in each of the four areas identified by union officials as arising from the Victorian local government reform agenda, 1992 to 1999.

5.3.5 Summing up: The effects of the local government reform agenda on the ASU

Drawing on the findings gathered on each of the four areas of impact on the ASU, some conclusions can be reached on each of the sub-parts of RQ3.

RQ3.1: What effect did the reform agenda have on the level of influence of the ASU in policy determination and implementation?

Interviews with ASU officials showed that the level of union involvement and influence in local government policy determination and implementation was dramatically curtailed during the Kennett years. On first being elected, the Kennett government immediately excluded the ASU from discussions on the reform agenda and consequently information about the reforms was less forthcoming for the union. The union’s political voice was also reduced at the bureaucratic level through the Office of Local Government (OLG) and this remained throughout the reform period. ASU officials also reported on varied levels of influence in local councils. For the most, access was severely curtailed, particularly while commissioners were running councils (1993 to 1996). Some increased levels of access to
information were obtained in a limited number of councils after elections were reinstated in 1996. These were mainly ALP-controlled local councils. In addition, some limited access and influence was obtained as a result of organising and bargaining actions taken by the ASU in response (see section 5.4: The ASU’s responses).

RQ3.2: What effect did the reform agenda have on union membership?

The policy instruments imposed on local councils as part of the Kennett government’s local government reform agendas had an almost immediate impact on employment levels and consequently union membership. Union officials reported on reductions of up to 50 per cent in membership levels during the reform period. Recruitment of new members was also hampered by the lack of growth in employment during this period and inability to extend unionism into the newly restructured local councils, particularly in the case of the VSEB.

The decrease in membership had major ramifications of the organisational and financial resources of the ASU. Both the MEU and VESB lost substantial membership dues and each experienced problems in needing to replace a large number of local representatives during this period. The loss in union finances also required the branches to reduce the number of organisers they could employ to service members.

However, the ASU also recognised the situation could have been far worse had it not been for certain fortuitous events and in actions they took in response. Both branches agreed that the order of the government’s policy instruments had shielded them from potential greater reductions in membership. The imposition of the amalgamation policy instrument first had provided local councils the opportunity to reduce workforce sizes through voluntary departures. This overcame the necessity to impose major levels of forced departures that could have occurred if the 50 per cent CCT target had been imposed earlier.

The success of local council in-house units also halted further major declines in employment levels and consequently union membership. The ASU also reported that their bargaining political and legal actions all contributed in some ways to assisting in-house success in competitive tendering and consequently aiding in limiting further major declines in union membership as were experienced initially under amalgamation (see section 5.4: The ASU’s responses).
**RQ3.3: What effect did the reform agenda have on bargaining outcomes?**

Bargaining outcomes were identified in three areas including the consequences of the shift in bargaining from centralised awards to workplace or EBAs, the impacts arising from the harsher bargaining environment caused by the policy instruments and thirdly, the changes resulting to terms and conditions.

The decentralisation of bargaining to the workplace made available under newly enacted federal legislation, *Industrial Relations Reform Act 1993*, posed a significant challenge to the traditional ways of operating for the ASU and predecessor unions, the MEU and MOA. Although the EBA arrangements were not established by the Kennett government, they were supportive of the decentralisation of collective bargaining as a means to break down state-wide terms and conditions and, potentially reduce the ability of the ASU to actively be involved in all negotiations. ASU officials reported that the shift to EBAs occurred at the same time they had lost many experienced local representatives and shop stewards, who may have been able to take over negotiations. This placed additional resource strains on the ASU and consequentially resulted in the inability of the ASU’s central office to maintain state-wide terms and conditions as local councils negotiated a range of conditions to suit their local context.

The inability to maintain previously negotiated terms and condition was also the result of the harsher bargaining climate created by the Kennett government. It was in this area that the Kennett government possessed greater direct control. Chapter Three reported research that showed that local councils ‘lived in fear’ of reprisals from the Kennett government if found to be ‘doing something wrong’ (Tesdorpf 1996; Munro 1997) and this contributed to establishing an anti-union climate. Moreover, the policy instruments were aimed at reducing costs, the majority of which for local councils were labour-related (Jones 1993).

Management took a firmer line against union claims. ASU officials claimed local managers ‘intimidated’ employees into reducing terms and conditions in readiness for competition from external providers. The ASU like unions in the UK subsequently had to balance the loss of terms and conditions with job security (Colling 1995). Similar to the UK experience, service units exposed to competitive tendering were forced to reduce costs and this often
resulted in altered terms and conditions for workers in these service units (Colling 1993; Foster 1991).

Similar to the previous two effects, the ASU was able to negate the extremity of the challenges arising in this area through actions taken in response (see section 5.4: The ASU’s responses).

*RQ3.4: What effect did the reform agenda have on intra- and inter-union relations?*

The fourth main area of challenge was in respect of intra- and inter-union relations. ASU officials claimed that a traditional strength of their union and predecessor unions was the ability to maintain effective servicing relations with members and solidarity with other unions. Further, the policy instruments were formulated to break down these previous levels of good relations (MEU Assistant Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001).

ASU officials reported on the internal relationship concerns they experienced during the reform period. They reported on CCT as being a major policy instrument that set members against members and put the two branches at odds at times (ASU Assistant National Secretary 2001; MEU Assistant Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001). MEU members were more subject to tendering than VSEB members and were often subject to greater changes in terms and conditions through LAWAs and also faced greater job insecurity than non-tendered workers (MEU Organiser 1 2001). This sometimes created tensions between officials and members, with some council workplaces supporting, and consequentially requiring union acceptance of, management options for changes to terms and conditions over union suggested changes (MEU Assistant Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001).

While there had been some level of traditional disagreement between the former MEU and MOA, the policy instruments potentially exposed more damaging relations between the branches. The MEU officials recalled frustrations at the lack of VSEB commitment to some of the actions pursued (see section 5.4: The ASU’s responses). However, the need to represent members as a single-bargaining unit enabled these differences to be dealt with at
the central, rather than workplace, level (MEU Assistant Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001).

In addition, relations with external unions could also have turned for the worse under CCT. As services could potentially be delivered by private sector organisations, so could workers be recruited by other unions, resulting in further damage to ASU membership. However, previous arrangements with potential competitor unions had been put in place during the 1980s reducing the likelihood of battles over members transferred to private sector organisations (MEU Assistant Branch Secretary 2000b).

The model of effects of public sector reform on trade unions developed from the literature review in chapter 2 (Figure 2.1) can also be used to represent these findings visually. As explained in Chapter 2, the model is not a precise measurement of effect, there is no scale developed nor has a base line been created to measure the relative impacts compared to the pre-Kennett period. However, the central purpose of the model is to visually present the areas of challenge mostly experienced by the ASU and identify the direction of the challenges faced by the ASU in each area based on union officials’ perceptions.

Based on these interviews, union officials reported that apart from the fourth effect, the impacts approached the worst case scenarios, in line with the assumed level of impact sought by the Kennett government. These findings are summarised in Figure 5.2.
Prior to concluding about the overall impacts in each of these areas, discussion of union responses is required. Throughout the interviews, ASU officials stressed that the union’s response was important in halting or limiting the continued negative direction of these changes. The ASU’s response is the focus of the next section.

5.4 The ASU’s responses

The previous section considered the effects of the local government reform agenda on the ASU. A common recollection of ASU officials was their perception that the actions the union took during this reform period relieved the extent of negative impact in each of the four areas.
Arising from the literature discussed in Chapter 2, a model was developed for guiding the analysis of trade union responses to the local government reform agenda. The model (Figure 2.2) identified three main components of union responses:

1. Union position/stance toward reform agenda,
2. Initiation of/direction for union action, and
3. Union actions.

In addition, the model indicated possible choices or options available to trade unions in each of these components. Data is drawn primarily from interviews conducted with officials from each of the two branches MEU and VSEB, reporting on their perceptions and experiences of the reform period. This is supplemented with information from internal union documents, such as training manuals and from other relevant studies on trade union responses and government media publications (Paddon 2001; Teicher et al. 1999; Teicher and Van Gramberg 2002; Van Gramberg et al. 2002). The findings gathered here will contribute to answering RQ3 and each of the sub-questions, as listed here:

**RQ4. How did trade unions respond to the reform agenda?**

**RQ4.1 What position or stance did trade unions adopt in response to the reform agenda?**

**RQ4.2 Where did union action originate or be directed from?**

**RQ4.3 What internal and external actions were taken by trade unions?**

The discussion commences with the overriding position taken by the ASU to the local government reform agenda. This is followed by sections on the other two parts. The final section sums up the responses identified by union officials and places these in the model of union responses.

**5.4.1 Union position or stance**

The first component of union responses deals with the approach to the local government reform agenda taken by the ASU. This is an important component driving how actions are determined and implemented. Union officials regularly talked about the primacy of survival of the ASU during the local government reform period, as they perceived the reform agenda
as a major attack on the influence and position of the ASU (ASU Assistant National Secretary 2001; MEU Assistant Branch Secretary 2000a; VSEB Branch Secretary 2001).

Two options were recalled by union officials, both of which aligned to the model (MEU Assistant Branch Secretary 2000b; MEU Organiser 1 2000; VSEB Assistant Branch Secretary 2001). Non-involvement describes a strategy whereby unions actively shun opportunities to be involved in the change process (Foster and Scott 1995). This was regarded as a non-viable option for both branches, but particularly for the MEU. Involvement represented the other option examined by the ASU. This position assumed that no effective opposition could be mounted if the union remained excluded from the change process. This was not a position of acceptance of the reform but rather a perception that involvement permitted better protection for members (Foster and Scott 1995).

The MEU was adamant that the ASU become an integral part in the implementation of the reform agenda and opted for involvement through any means possible. The MEU Assistant Branch Secretary explained that the ASU needed to get involved early because ‘we could see councils would bring in the poorest contractors and we needed to keep the bastards honest’ (sic) (MEU Assistant Branch Secretary 2000a).

In a second interview, the MEU Assistant Branch Secretary explained:

‘…this branch, whether it was right or wrong, took the view that we had to be involved in the process of change. We saw it as doing members disfavour if we ignored the changes. Our main concern was that if were not involved we would be leaving it up to managers or even worse, consultants, to run the show and that would have spelt grave dangers to the viability of the union and for members’ (MEU Assistant Branch Secretary 2000b).

The position taken by the VSEB shifted over the course of the reform period. VSEB officials recalled adopting a non-involvement position to the Kennett government in the initial period of amalgamation between 1993 and 1994 (VSEB Assistant Branch Secretary 2001; VSEB Branch Secretary 2001; VSEB Industrial Officer 2 2001. VSEB was initially reluctant to become too involved in the implementation of the reform as ‘we felt we were
not going to influence the government one way or the other’ (VSEB Branch Secretary 2001).

Although the VSEB was less willing to adopt an involvement position at the time of the election of the Kennett government, the impacts of membership loss from amalgamation began to hit and they consequently joined the MEU in adopting this approach. The Assistant National Secretary of the ASU recalled:

‘… some officials within our union thought that if we got involved it would like we were complying with the reforms. However, we knew to beat the reform we could not achieve it in one go. So to mitigate the ill-effects on our members, we chose to be a major player’ (ASU Assistant National Secretary 2001).

The involvement position was also reported in other studies that had briefly examined union responses to local government reform (Teicher and Van Gramberg 2002; Van Gramberg et al. 2002). Van Gramberg et al. (2002) reported that although the ASU was ‘vigorously opposed’ to CCT and the union had little power to stop its implementation, the ASU preferred to sustain a representative role in local councils (Van Gramberg et al. 2002). The second component of the model of union responses deals with the way in which the union set out about developing actions to maintain an involvement position in the reform agenda. This is discussed next.

5.4.2 Initiation of/direction from union action

The second component of union responses examines the way in which union actions are planned and implemented. The model from Chapter 2 (Figure 2.2) suggested union actions, as described in the next part, could be initiated and implemented from the central level or from the workplace level. A centralist approach was described in chapter 2 as being similar to the traditional ‘service’ model approach usually assigned to union operations. The ‘service’ model was based on the idea that the main function of a union is to deliver collective and individual services to members who are dependent on the formal organisation and its hierarchy of officers to provide what they require (Heery et al. 2000). Initiation of action from the workplace level corresponded more closely to the ‘organising’ model. Under an organising approach rather than members calling on the union to provide services
in return for their membership fees, the members are the union (Bronfenbrenner 1997; Bronfenbrenner et al. 1998).

ASU officials reported the union took deliberate steps to take a centralist or service-oriented approach in response to local government reform (MEU Assistant Branch Secretary 2000b; MEU Organiser 1 2001; VSEB Branch Secretary 2001). Officials from both branches recalled that the main initiation of union responses was from central officials and not from any workplaces. In part this was a continuation of the traditional approaches by the branches. Both branches had a tradition of operating as service unions (MEU Branch Secretary 2001; VSEB Branch Secretary 2001). The MEU Assistant Branch Secretary also noted that:

‘… although we had adopted an organising model in terms of recruitment, we did not feel comfortable in handing everything, like bargaining and campaign organising, over all to the workplace level. We wanted local representatives to get to a point where most things are fixed but not too far through the EBA process. We believed a state-wide approach yielded the best protection for members and better overall conditions’ (MEU Assistant Branch Secretary 2000b).

However, it was also a reflection of the circumstances facing the ASU at the time. Officials from both branches recalled the loss of workplace representatives as a result of council amalgamations was one of the principal reasons for adopting a centralist position (MEU Branch Secretary 2001; VSEB Branch Secretary 2001). A VSEB official said, ‘our Industrial Officers had to do more because of the level of inexperience at the local level both with members and with management over EBAs’ (VSEB Branch Secretary 2001). Another official claimed that ‘our Industrial Officers could no longer rely on local experienced members to take up more prominent roles in initiating or managing action at the workplace level’ (VSEB Assistant Branch Secretary 2001).

The MEU also reported on members actively seeking direction from the central office and wanted to maintain a servicing role (MEU Assistant Branch Secretary 2000b; MEU Branch Secretary 2001; MEU Organiser 1 2001; MEU Organiser 2 2001). Both branches also highlighted there was reluctance by workplace representatives and members to take on greater responsibility for negotiating changes at the local council level. A common
response was that ‘shop stewards just wanted to hand over all negotiations to union officials’ (MEU Organiser 2 2001). Another MEU official recalled:

‘… despite their training, shop stewards believed the pressure they experienced locally turned them off from wanting to be fully involved. The pressure came from our own members. That is why the stewards kept calling us. They did not want to be in the spotlight if a tender bid was not won by an in-house unit’ (MEU Assistant Branch Secretary 2000b).

VSEB officials recalled similar sentiments. An Industrial Officer said ‘we struggled to get members to actively get involved and to oppose the policy push’ (VSEB Industrial Officer 1 2001). The Assistant Branch Secretary also noted ‘it was hard to engage members about CCT because they didn’t see it affecting them’ (VSEB Assistant Branch Secretary 2001).

A centralist stance was also justified on the basis that local officials were not representing members’ best interests. The MEU Assistant Branch Secretary summed up these sentiments as follows:

‘… the situation was not helped by instances where some shop stewards, particularly in metropolitan councils, were actually engineering themselves into a redundancy package. They were not in it for the benefit or protection of our members. This meant we had to take a stronger centralist role’ (MEU Assistant Branch Secretary 2000b).

The first two components set up the context to the actions that were subsequently taken by the ASU. The third component of the model of union responses deals with the actions pursued by the ASU during the reform period. It was through these actions that the ASU was able to negate some of the loss of influence and position in local government and these are discussed in the next section.

5.4.3 Actions taken by ASU in response to the reform agenda

The third component of the union responses model examines the actions pursued by the ASU to the reform agenda. The model from chapter 2 (Figure 2.2) identifies union action as consisting of internal and external actions. ‘Internal’, as the term suggests are focused on
the workplace level and consist of action such as organisational activities of member communication, recruitment of new members in private contracting organisations, training of members and workplace union officials, and bargaining activities on behalf of members (Ascher 1987; Colling 1994; Foster 1993; Foster and Scott 1998). Externally actions are focused on the wider community and included political and legal activities. Political activities included campaigns to raise community awareness of the costs of CCT to service quality, local jobs and the like and development of networks with other anti-CCT organisations. Legal action represented the activities of unions that were pursued through industrial courts (Foster and Scott 1998).

ASU officials reported that union actions taken during this period were central to their response and, as such, much more data existed than on the previous two components of the model. ASU officials claimed that these actions were important in halting, and in some cases helping swing the impacts away from the ‘worst case’ position facing the ASU. The actions were also perceived as being instrumental in maintaining their influence and position of the ASU in local government. Each of the internal and external actions pursued by the ASU is discussed in turn, commencing with the organisational actions pursued by the ASU.

5.4.3.1 Organisational actions

The first set of internal actions is classified as ‘organisational’ actions. The actions included member communication, refining roles of organisers/industrial representatives, training activities, recruitment of union members, and the establishment of a temporary employment database or job network. These actions were mostly undertaken to redress the union’s limited access to information about the reform agendas and also provide opportunities for union involvement in how the policy instruments were being implemented by local councils (MEU Assistant Branch Secretary 2000b).

Member communication activities

Member communication activities are those that are focussed on information dissemination between central officials and members in local councils (Ascher 1987). ASU officials reported on the increased importance of member communication during the reform period for two main reasons. Firstly, the climate of organisational 'uncertainty’ created by the
rapid implementation of the policy instruments and the breakdown in traditional information networks for members arising from amalgamation required more frequent communication between officials and members. Officials recalled that ‘we saw members seeking union advice more so than at any other period of the union’s history’ (MEU Organiser 1 2000; VSEB Assistant Branch Secretary 2001).

Second, the decentralisation of collective bargaining necessitated more frequent contact with members. Central officials remained part of the negotiation, albeit to varying degrees, in all EBAs and LAWAs negotiated in local government (MEU Branch Secretary 2001; VSEB Branch Secretary 2001). This necessitated more frequent face-to-face meetings in local council workplaces so as to keep members informed of the ASU’s position on the reform agenda and EBA and LAWA process.

These same meetings were an important source of information for union officials about the views and opinions of members and importantly knowledge of local council intentions for implementing the policy changes. As one MEU official recalled:

‘… the member meetings were good forums for listening to the pressures faced by members in the change process and for identifying the strength of their willingness to fight against strong-arm management threats. The meetings also provided us with information about the council and about their issues of concern. This information often helped shape our responses in these councils. We were able to tap into these sentiments, using both to move the membership to undertake campaigns at our behest, as well as to accept our leadership and recommendations when negotiating EBAs in most cases’ (MEU Assistant Branch Secretary 2000b).

The ASU also increased the publication of newsletters and bulletins to further disseminate information about the reforms and the negative impacts, both actual and potential, they policy instruments were causing or seemed likely to cause to the interests of local council workers and local communities more generally (MEU Branch Secretary 2001; VSEB Branch Secretary 2001). The Assistant National Secretary said that ‘we focused on highlighting the problems of lower employment in rural and regional areas and the lower service standards resulting from contracting out practices’ (ASU Assistant National Secretary 2001). These publications were also used to report on gains made by the ASU.
This was important for maintaining the morale of the members and to prove to them how the union was fighting for them’ (ASU Assistant National Secretary 2001).

The increased communication also proved ‘beneficial in raising the level of union consciousness and activism amongst the membership’ (MEU Assistant Branch Secretary 2000a). This official also recounted how members became much more politically aware as the workplace ramifications of the Victorian government’s reform policies unfolded (MEU Assistant Branch Secretary 2000a).

All forms of communication increased during the reform period. A key part of the communication was undertaken by union officials, particularly organisers and industrial representatives, in face-to-face representation of members and this is examined next.

**Role of Organisers/Industrial Representatives**

The ASU argued that a key way of increasing the level of communication both to members and from members was through their organisers or industrial representatives (MEU Branch Secretary 2001; VSEB Branch Secretary 2001). The lack of information stemming from the Kennett government about the reform agenda and from councils about their implementation decisions and also the introduction of EBAs required additional direct contact between members and central union officials (MEU Branch Secretary 2001; VSEB Branch Secretary 2001).

Direct contact with members had always been a major feature of the MEU’s style of unionism (Best 1986). The MEU Assistant Branch Secretary claimed that ‘blue-collar or manual workers expect to see you as officials and meet with them face-to-face. It’s traditional and about looking into members’ eyes’ (MEU Assistant Branch Secretary 2000b). Another official said ‘MEU organisers are experienced in going out to local councils and dealing with members and management’ (MEU Organiser 1 2000).

However, the VSEB often relied on published material sent to members. But, like the MEU, the VSEB also faced increased pressure to adapt to the changing environment and hold more frequent face-to-face meetings. The VSEB Branch Secretary recalled:
‘… we needed to increase the level of personal contact between members and Industrial Officers in order to develop new networks for local ASU representatives. We realised the benefits for us in the longer term on relieving some of the pressure on Industrial Officers (VSEB Branch Secretary 2001).

The introduction of EBAs and LAWAs also required an expansion in the negotiating role of MEU organisers and VSEB industrial representatives (MEU Branch Secretary 2001; VSEB Branch Secretary 2001). Prior to 1992, these officials had only a limited role, as most negotiations occurred at a state-level with union representatives often being the Branch Secretaries and Assistant Secretaries (MEU Organiser 1 2000; MEU Organiser 2 2001). As one official recalled, ‘after the election of the Kennett government and introduction of EBAs and LAWAs we were right in the mix, debating with councillors, management and members on virtually every issue’ (MEU Organiser 1 2001).

The MEU also took the unprecedented step of assigning their Assistant Branch Secretary to a full-time role of dealing with competitive tendering matters during 1993/94, just prior to the first year of operation of CCT, 1994/95. This action was undertaken in response to a decision taken by the Melbourne City Council in late 1992 to voluntarily introduce competitive tendering into their organisation. This decision followed an investigation by the CEO into how CCT was being implemented by UK local councils (Friend 1993). The MEU Assistant Branch Secretary recalled:

‘… the MCC signed an enterprise agreement with us based around organisational competitiveness in 1993. This model was built upon the enabling approach. The council planned to competitive tender its services (mostly outdoor services) over an eighteen month period. If the council’s in-house staff were successful in winning the tenders, the staff would be transferred to their newly formed commercial arm, City Wide Services. We had to ensure a union presence and be involved in workplace and organisational changes, and guarantee the actions of City Wide Services would not undermine the sector, by under-cutting neighbouring councils’ terms and conditions’ (MEU Assistant Branch Secretary 2000b).

The ASU benefited from this appointment in four main ways. Firstly, the union gained knowledge about competitive tendering, including costing and service reviews, which
became important ingredients of the CCT process from 1994. Second, the ASU gained experience about the types of services that local councils would most likely tender under CCT. Third, the MCC’s experience provided the union with knowledge of the likely competitors facing local councils under CCT. And four, the union gained an understanding of the likely consequences for members, particularly on matters such as work intensity and redundancies (MEU Branch Secretary 2001).

The ASU also managed two other gains from MEU organisers’ and VSEB industrial representatives’ activities. A major gain was the greater level access to council information by going out into the field (MEU Organiser 1 2000; MEU Organiser 2 2001; VSEB Industrial Officer 1 2001; VSEB Industrial Officer 2 2001). Another major gain was the build up of negotiating experience among organisers and industrial representatives (MEU Assistant Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001). The expertise gathered from these officials was also used in the development of training activities, which is discussed next.

Training activities

Although training activities have always been a main part of organising actions of the ASU, and indeed their predecessor unions (Best 1986; MOA 1970), the local government reform agenda resulted in a more strategic approach to training than had previously been the case (MEU Assistant Branch Secretary 2000b). The focus of training for shop stewards and local ASU representatives was necessary because of the loss of many during the amalgamation process (MEU Organiser 1 2000). This gap in experience in local representation occurred at the same time as EBAs and CCT were being implemented in local councils (MEU Branch Secretary 2001; VSEB Branch Secretary 2001).

The central office of the ASU organised intensive three-day training programmes for shop stewards/local ASU representatives in both metropolitan and regional locations from 1994. The MEU also took their training courses ‘to the bush so as to get as many members trained up as possible’ (MEU Branch Secretary 2001). Between 300 and 400 members were subsequently training in the roles of shop stewards/local ASU representatives between 1994 and 1997 (MEU Assistant Branch Secretary 2000b).
This training was perceived by the ASU as an important step in educating shop stewards/local ASU representatives and other members about the union’s view of the Kennett government’s reform agenda (VSEB Assistant Branch Secretary 2001). The Assistant Branch Secretary (MEU) recalled that ‘we wanted to ensure our officials had a clear understanding of the relevant legislative changes and what process was to be followed’ (MEU Assistant Branch Secretary 2000b). In addition, the training provided a means for further promoting the wishes of the ASU’s central office. ‘The training forums provided us with an ideal opportunity to promote our central messages and stressing that only through sticking together could we weather the changes’ (sic) (MEU Assistant Branch Secretary 2000b). Moreover, the training provided shop stewards/local ASU representatives with greater confidence to take on more responsibility for union roles at the local council level and, in the process, served to relieve some of the strain on central resources.

In addition to this type of training, the ASU also trained shop stewards and local ASU representatives on matters dealing with the two main pressing concerns of the ASU, EBAs and CCT (MEU Assistant Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001). The MEU Branch Secretary recalled that the union’s aim was to train shop stewards up on EBAs and CCT, as previously only central officials had been involved in negotiating awards and in dealing with councils who had attempted to introduce competitive tendering practices during the 1980s. ‘We knew it was going to be physically impossible for our organisers to do everything in regard to EBAs and CCT’ (MEU Branch Secretary 2001).

The ASU’s National Office produced the needed training materials on these two concerns (MEU Assistant Branch Secretary 2000b). The ASU National Office initially prepared a guide for CCT, *A Best Practice Approach to Competitive Tendering in Local Government* (ASU 1994b). The MEU Assistant Branch Secretary claimed that this training was vital since some local council managers had provided employees with minimal understanding of the processes and likely consequences of CCT (MEU Assistant Branch Secretary 2000b). This training provided shop stewards/local ASU representatives with skills in tender specification writing, as well as knowledge of how to formulate and cost internal bids (MEU Organiser 1 2001). The training also provided shop stewards/local ASU representatives with information about the ASU’s preferred process for local councils to follow in the implementation of CCT. At this training, central officials (usually Organisers and the Assistant Branch Secretaries) advised shop stewards/local ASU representatives of a number
of elements in a best practice CCT process that the ASU regarded as being essential to protect members’ interests. These included:

- a committee comprising management and union/employee representatives,
- the development of clear and definable specifications of all tenders,
- an agreement of the weighting of relevant factors when assessing the bids,
- provision of reasonable timelines between certain decisions (for instance, decision to tender, closing of tender, announcement of winning tender),
- councils to devote sufficient resources and training to staff and management, and
- the application of proper costing methodology so as to keep oncost rates low (ASU 1994).

The contents of this training programme was also incorporated into the model EBA claims developed by the ASU and subsequently entrenched in individual EBAs throughout local government from 1995 (MEU Assistant Branch Secretary 2001).

In so far as enterprise bargaining was concerned, the training sought to provide shop stewards/local ASU representatives with the ASU’s preferred process for local councils to follow in respect of EBAs, including the provision of a model agreement in which to serve on the council. In addition, the training sought to improve the negotiation skills of shop stewards/local ASU representatives (ASU Assistant National Secretary 2001). Similar to the CCT training, the National Office of the ASU produced a manual, *Enterprise Bargaining for Workplace Representatives and Stewards* in 1994 (ASU 1994c), for use in the training. Senior officials from both branches recalled that they were unable to guarantee enough organising resources to sit in on all local council negotiations, and accordingly needed to ensure the relevant skills were possessed at the shop stewards/local ASU representative level (MEU Branch Secretary 2001; VSEB Branch Secretary 2001).

The *Enterprise Bargaining* manual set out the parameters for union involvement in negotiations covering the expected roles to be performed by shop stewards/local ASU representatives on joint management-employee consultative committees. The manual set out the ASU’s directions on EBAs. The manual provided a process that included seven stages in developing an effective and acceptable EBA, commencing with the initial discussions, through the bargaining and negotiation phases and then to completion. ‘We
walked them through each part of the manual to ensure they got a common understanding’ (MEU Organiser 1 2001).

Shop stewards/local ASU representatives were advised during the training that the union’s position was that EBAs were not a trade-off or a cost-cutting exercise, but concerned with ways of improving the performance of the entire council. Shop stewards/local ASU representatives were also instructed to ensure that wage increases gained through EBAs were in addition to rates prescribed in awards, and that there be no absorption of over-award payments or wage increases based on productivity improvement schemes. Moreover, central union officials emphasised that the need for union involvement was paramount in all forums dealing with EBAs (ASU 1994). These representatives were also provided with a model EBA developed by the central ASU branches. This model EBA claim set out clauses for such matters as union involvement, CCT, and pay rises (see section 5.4.3.2: ‘Bargaining and industrial action’ later in this chapter).

These training activities provided the ASU with opportunities to communicate with members about the nature of changes at a local level and support the centralist response that had been planned by the ASU as being essential for maintaining union influence and position in local government. Whilst these activities were in part reactive to the effects being felt locally and centrally within the ASU, they also proved to be proactive measures that helped enshrine union involvement in the reform process (MEU Assistant Branch Secretary 2000b). In addition, the training provided essential skills to shop stewards/local ASU representatives on EBAs and CCT (MEU Assistant Branch Secretary 2000b). In addition, to specific training in these areas, the shop stewards/local ASU representatives were also provided with strategies for recruiting members, which is discussed next.

**Recruitment of union members**

The impact on membership levels arising from amalgamation and then CCT was dramatic. As noted above, both branches suffered reductions of 50 per cent during the 1990s as employees left the industry voluntarily or through forced redundancy. With limited growth in employment in the sector and increased casualisation of the workforce, the opportunities available to the ASU for increasing membership and membership density were limited. However, the MEU undertook actions that aided in maintaining members who transferred to private contractors.
Branch officials recalled that there could have been an ‘all out war’ between members employed by local councils and workers employed by the contracting firms, for there was certainly a good deal of hostility between the two (ASU Assistant National Secretary 2001; MEU Assistant Branch Secretary 2000a). ‘We emphasised that it was in the best interests of all to remain united’ (ASU Assistant National Secretary 2001). The ASU also stressed that recruitment among newly employed contract workers was essential to help overcome the financial difficulties confronting the union. ‘We needed to boost membership from these new areas in order to account for the losses from amalgamations’ (MEU Assistant Branch Secretary 2000b). ‘There was some resentment towards a union having contractor workers who took the jobs off members from local government. But at the end of the day, we all learned to co-exist’ (MEU Organiser 1 2001).

Recruiting members from private contractors was also beneficial to the ASU in gaining access to workplaces and regulating the terms and conditions of workers in contractor organisations. ‘If we were able to get in these organisations and negotiate agreements we were more likely to pick new members as well’ (MEU Organiser 1 2000). By targeting contract workers, the ASU was more likely to guarantee the wages and conditions provided by private firms would be no less than those offered in the local government sector (MEU Assistant Branch Secretary 2000a).

Recruitment of members from the private sector was aided by the maintenance of contact with former employees who had taken VDPs and had transferred to private sector organisations. This was achieved mainly through these former employees advising the MEU of their new workplace and also by those willing to maintain their current memberships (MEU Organiser 1 2001). The continued contact also made it possible for the MEU to secure additional members in the private organisations.

By the end of the 1990s, the MEU had approximately 1,000 members working for private contractors. The Assistant Branch Secretary (MEU) said:

‘… the creation of CityWide by the Melbourne City Council as its contracting arm was a clear transmission and we secured the entire workforce of 400 as members and
we gained a further 600 from some other contractors after we entered into an EBA with them’ (MEU Assistant Branch Secretary 2000b).

In addition, to maintaining contact with members who had transferred to the private sector, the MEU was also contacted by other members who had left the industry during amalgamation and now wished to return to work (MEU Organiser 1 2000), which is the focus of the next part.

**Establishment of a temporary employment database**

A further organisational activity undertaken by the ASU in response to the effects of the local government reform agenda was the establishment of a temporary employment database. The MEU branch established an informal employment database in 1995 and they referred to this as the ‘MEU Job Network’ (MEU Organiser 1 2000). The database consisted of names of workers wishing to take up employment in the provision of local government services again. The MEU provided these names to private contracting firms when these firms sought additional workers (MEU Assistant Branch Secretary 2000a). An organiser recalled, ‘we set up in our employment database in response to members’ calling us and requesting assistance to get back into the workforce’ (MEU Organiser 1 2001).

MEU officials recalled that some workers became aware that the size of the VDP, which they had taken after amalgamation, would not provide them with the necessary financial security for the remainder of their lives. Consequently, these former employees sought the assistance of the ASU to gain entry back into local government employment (MEU Assistant Branch Secretary 2000a; MEU Organiser 2000). The tactic, however, only provided partially successful, as only a small number of private contractors contacted the MEU’s Job Network to secure their labour needs. The MEU Branch Secretary explained why this was the case and recalled that:

‘… most former local government employees were able to find work under their own volition so the scheme was abandoned after only six months of operation. However, we saw it as another way to achieve our objectives of service to members and in keeping members aware of their union’ (MEU Branch Secretary 2001).
These actions discussed above constituted the responses the ASU took to inform and mobilise members about the local government reform agenda. The findings illustrated the way in which the ASU initiated ways to address the challenges posed by lack of access to information that had occurred as a result of the Kennett government’s reform agenda. In addition to these activities, the ASU also undertook bargaining action to address the challenges posed by the local government reform agenda. The bargaining actions taken by the ASU are described in the next section.

5.4.3.2 Bargaining Action

While ‘organising’ actions were a necessary and essential response by the ASU to the effects of limited information about the reform agenda and its implementation, ‘bargaining’ action had a critical bearing on the union’s level of influence in local government during the reform period (ASU Assistant National Secretary 2001; MEU Branch Secretary 2001; VSEB Branch Secretary 2001). Brambles (2001) had claimed that the bargaining strategy is central to all union action in his study of Australian trade union strategy since 1945. Bargaining was no less vital to the ASU’s actions during the 1990s. One senior ASU official recalled, ‘we put our efforts into areas where we could display our bona fides, which was bargaining and looking after the interests of our members’ (VSEB Branch Secretary 2001).

The next two parts of this chapter examine the major bargaining activities pursued by the ASU during the reform period, 1992 to 1999. The first deals with bargaining immediately following the election of the Kennett government, which saw the union negotiating restructuring agreements with the former councils prior to amalgamation. The second examines the EBAs and LAWAs pursued between 1995 and 1999 with the restructured local councils.

Municipal restructuring agreements

The ASU’s initial bargaining action occurred within months of the election of the Kennett government in 1992. Senior ASU officials recalled that as soon as the Kennett government announced their intention to amalgamate councils in the Geelong region, the union immediately commenced proceedings to improve on the level of award entitlements for redundant workers and to establish procedures for restructuring decisions (MEU Assistant
Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001). The decision by the
union to address these particular issues arose from feedback obtained from members and
senior managers in the Geelong-based councils who had expressed concerns for their job
security and about the potential size of redundancy packages (MEU Assistant Branch
Secretary 2000a], MEU Organiser 1 2000; VSEB Branch Secretary 2001). The ASU’s
Assistant National Secretary recalled:

‘… we (the union) knew too well that the window of opportunity would close as soon
as amalgamation spread to the rest of the State so we commenced our bargaining
action in the Geelong region and hoped the ensuring agreement could then be applied
to other councils’ (ASU Assistant National Secretary 2001).

The National Office of the ASU set about developing a draft certified agreement, known as
the Section 134 Municipal Restructuring Agreement, detailing the union’s objectives with
respect to employment protection, redundancies and severance pay in the event of major
restructures, like amalgamations, which were likely to occur in the foreseeable future (ASU
Assistant National Secretary 2001). Even though the Victorian Local Authorities Interim
Award 1991 had provision for workplace change and severance benefits for members if
retrenched, the ASU sought to obtain substantial improvements to these conditions through
the newly developed Section 134 Municipal Restructuring Agreement (MEU Assistant
Branch Secretary 2000a). The main elements of the Section 134 Municipal Restructuring
Agreement are listed in Table 5.1.
Table 5.1: The Main Aims of the Section 134 Municipal Restructuring Agreement.

A. (i) To provide that any person who is transferred from a former municipality to a successor municipality becomes an employee of the successor municipality holding an office or employment which has regard for the employee’s skill level and previous responsibility in the former municipality and which is on terms and conditions no less favourable than the terms and conditions of his or her former office or employment

(ii) To provide terms and conditions of employment in respect of transferred employees.

(iii) To provide for payments in the case of retrenchment.

(iv) To provide for consultation between the parties involved and for a method of settling disputes if agreement cannot be reached between the parties.

B. In meeting the objects of this agreement, the terms and conditions of employment of an employee provided by a former municipality may be offset by the terms and conditions of employment of an employee provided by a successor municipality if overall those terms and conditions are no less favourable than those that previously applied.

C. A transferred employee shall be transferred to a successor municipality with the benefits of all rights accrued in respect of his or her employment with the former municipality as if the previous service had been with the successor municipality.

D. Notwithstanding the provisions of subclauses (b) and (c) of this clause, every transferred employee shall be employed in accordance with the relevant Award, Act, Determination or Order (subject to changes in respondency, as required).

Source: Developed for this study from ASU 1994. *Model Section 134 Municipal Restructuring Agreement*

This agreement boosted severance pay entitlements to a maximum of forty weeks pay (compared to the maximum of eight weeks entitlement in the *Victorian Local Authorities Interim Award 1991*) and provided for a lump sum payment of $5,000 to full-time employees who were made redundant (ASU Assistant National Secretary 2001). The agreement also tried to ensure each of the Geelong councils would declare any redundancies as ‘bona fide’ so as to guarantee that these workers would receive their full entitlements to superannuation and have the severance payments subject to the minimum taxation on approval by the Deputy Commissioner of Taxation (MEU Assistant Branch Secretary 2000b). In addition, this agreement sought to protect employees’ wages at the pre-amalgamation rates. This meant that if a local government worker was redeployed in a position at a lower salary/wage, an allowance equivalent to the difference between the rates of pay for the new position to that of the previously held position would be paid by the council (ASU Assistant National Secretary 2001).
The agreement also specified a process to be followed by the Geelong councils in staffing matters, including redundancies, the manner of advertising for employees and the methods of appointment. For instance, if the newly amalgamated council declared a position redundant it was required to re-deploy the employee concerned to a suitable and acceptable position. Existing employees were also to be given preference when applying for vacant positions and be given three months notice, in writing, if required to transfer to different work locations or if their duties and responsibilities were drastically altered as a consequence of the amalgamation process. The ASU also had to be notified of such incidences (ASU Assistant National Secretary 2001).

All effected councils in the Geelong region agreed to these conditions. Union officials recalled that the process was very smoothly implemented and had caused minimal backlash from elected officials in these councils (MEU Assistant Branch Secretary 2000a; MEU Organiser 1 2000). Support from senior managers was also forthcoming. Officials recalled the ‘their support was crucial in getting these agreements signed off quickly and under the guard of the government (ASU Assistant National Secretary 2001). The VSEB similarly reported that the success of the Section 134 Municipal Restructuring Agreement ‘was largely due to the support of councils and senior management’ (VSEB Assistant Branch Secretary 2001).

MEU officials recalled that the Kennett government ministers were angered by how quickly the ASU was able to secure this agreement (MEU Assistant Branch Secretary 2000a; MEU Organiser 2000). The Assistant Branch Secretary (MEU) said, ‘the Kennett government was really taken aback as to how quickly we could move in response. However, as a result of our quick response, the government hastened the amalgamation timetable’ (MEU Assistant Branch Secretary 2000a). The VSEB Assistant Branch Secretary also recalled, ‘the Kennett government was mightily “pissed off” with the ASU in getting these agreements through’ (sic) (VSEB Assistant Branch Secretary 2001).

The ASU’s success in negotiations with the Geelong councils proved to be an educative experience for the union, particularly in providing skills and knowledge of negotiating one-on-one agreements with local councils. Moreover, the agreement provided the ASU ‘with a base line for negotiating restructuring agreements with the other councils in the State prior
to their amalgamation’ (ASU Assistant National Secretary 2001). The Assistant Branch Secretary (MEU) added:

‘… we knew we had to get an agreement with councils before they were amalgamated that would look after the terms and conditions of our members under a successor council. Some councils were also very prepared to sign off as quickly as possible because they really annoyed with the government’s approach to wholesale change and no consultation’ (MEU Assistant Branch Secretary 2000b).

The agreement with the Geelong councils was slightly modified by the ASU and became a model pursued by the ASU for the remainder of local councils. Also referred to by the ASU as a Section 134 Municipal Restructuring Agreement this model agreement increased severance payments from a maximum of 40 weeks to 48 weeks and added an additional lump sum payment based on 40 per cent of unused sick leave.

The National Office of the ASU sent letters to all local councils in February 1994 stating that:

‘… the union has been active in seeking agreement with affected councils for the purpose of ensuring employment protection and a stable industrial relations environment during what otherwise may be turbulent times. The proposed Section 134 agreement seeks to provide job security during the period immediately following any council adjustments’ (ASU 1994a).

Regional and metropolitan meetings were held between union officials and local representatives (including shop stewards) over the contents of proposed restructuring agreements (MEU Organiser 1 2001). These meetings enabled central ASU officials to advise local representatives about the likely terms and conditions local council managers would seek and the tactics that should be adopted by the union branches in response. Local representatives were also provided with a copy of the proposed Section 134 Municipal Restructuring Agreement to serve on their own councils (MEU Assistant Branch Secretary 2000a; MEU Organiser 2000). This tactic proved partially successful, with around one-half of the pre-amalgamated councils (100) signing off on this model agreement within a few months (MEU Assistant Branch Secretary 2000a).
The remaining councils signed a modified agreement over the course of 1994. The modification was necessary as a result of an industrial dispute originating in the Richmond City Council, an inner-city metropolitan council (MEU Organiser 1 2001). After the local representatives and shop stewards had served the model *Section 134 Municipal Restructuring Agreement* on the Richmond City Council, the mayor of the City refused to agree to the claims. This resulted in Richmond union members immediately going on strike and this, in turn, emboldened a further sixteen metropolitan councils to join this council in resisting the claims (MEU Assistant Branch Secretary 2000b).

The general argument from these councils was that they could not agree to conditions, which would bind employment protection provisions to a successor municipality (MEU Assistant Branch Secretary 2000a; MEU Organiser 2000). The two-year job security clause contained in the model *Section 134 Municipal Restructuring Agreement* was the major sticking point in negotiations as well as the requirement to offer vacant positions to current employees.

In their recollections of the incident, interviewed MEU branch officials believed the refusal by these particular councils was more an act of retaliation for past union disputes in the municipalities concerned (MEU Assistant Branch Secretary 2000a; MEU Organiser 2000). This was because the councils that rejected the model *Section 134 Municipal Restructuring Agreement* were the same as those the MEU had been in dispute with during the 1980s over the introduction of new technology in, and over contracting out of, the provision of garbage services (MEU Branch Secretary 2001).

The MEU’s Assistant Branch Secretary also claimed that “some councillors were trying to jockey themselves into becoming commissioners. Resisting union’s claims was a means of mustering favour from the Kennett government. Richmond council even received a letter from the Kennett government commending them on their action” (MEU Assistant Branch Secretary 2000b). Other officials also suggested that in many of the same councils there were elected officials who were hopeful of securing a commissioner appointment (MEU Organiser 1 2000; VSEB Assistant Branch Secretary 2001).
The subsequent dispute with the seventeen councils involved a four-week strike at the City of Richmond and a number of work-bans being placed on service delivery at the other sixteen councils during February/March 1994. The ASU was in the processes of stepping up bans by flagging the intention to implement work-bans in rural councils, which had not signed a restructuring agreement, when the Municipal Association of Victoria (MAV) and the Minister for Local Government, Roger Hallam stepped in to take over negotiations on behalf of the seventeen councils.

The subsequent negotiations led to the conclusion of a revised agreement in April 1994 known as the *G17 Restructuring Agreement*. The provisions of this agreement were subsequently applied to the remaining local councils throughout the State during the remainder of 1994. The VSEB Assistant Branch Secretary recalled the need to compromise on the clauses contained in the *Section 134 Municipal Restructuring Agreement*. ‘We had to trade off in order to achieve a blanket cover for the remaining councils otherwise we would have had to go through a dispute process with each council individually’ (VSEB Assistant Branch Secretary 2001).

A major difference between this agreement and the former model *Section 134 Municipal Restructuring Agreement* was in the redeployment requirements. The MEU Assistant Branch Secretary said that the *G17 Restructuring Agreement* centred on ‘securing conditions for those wanting to remain employed in local government, not those leaving, so our concentration was on no forced redundancies’ (MEU Assistant Branch Secretary 2000b).

The former *Section 134 Restructuring Agreement* required local councils to implement redeployment changes within a two-year timeframe whereas the latter required councils to make two ‘reasonable offers’ of redeployment prior to compulsorily retrenching an employee. One concession made by the seventeen disputing councils in exchange for reducing the redeployment benefits was an acceptance of pay higher severance entitlements. These entitlements were extended from forty-weeks to forty-eight weeks. The main components of the *G17 Restructuring Agreement* are listed in Table 5.2.
Table 5.2: The Main Components of the G17 Restructuring Agreement

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>To provide terms and conditions of employment in respect of transferred employees.</td>
</tr>
<tr>
<td>B.</td>
<td>To provide for payments in case of retrenchment (two weeks for each year of service with all councils, up to a maximum of 48 weeks) and a lump sum of $5,000 for full-time employees (pro-rata for other permanent employees).</td>
</tr>
<tr>
<td>C.</td>
<td>To ensure that transferred employees are gainfully employed.</td>
</tr>
<tr>
<td>D.</td>
<td>No less favourable conditions for all employees for a period of at least two years.</td>
</tr>
</tbody>
</table>

Source: Developed for this study from ASU 1994, *Model G17 Restructuring Agreement*

The ASU advised members at the time that the revised agreement represented ‘the best outcome available to the union and although it does not achieve all of the conditions which the union originally sought it achieves a very satisfactory result’ (VSEB 1994). Both ASU branches also perceived the restructuring agreements as beneficial in the union’s campaign for maintaining involvement in the reform process and importantly for increasing the cost of future employment redundancies (MEU Assistant Branch Secretary 2000b; VSEB Branch Secretary 2001). The Assistant Branch Secretary (MEU) also recalled:

‘… we aware that the Kennett government was set to impose more extreme measures to reduce local government spending and this meant more jobs on the line. It did not seem possible for us to maintain our position on redeployment, especially with the prospect of CCT being introduced. A restriction of two years redeployment availability was not feasible for councils to meet the higher CCT targets of 30 and 50 per cent (MEU Assistant Branch Secretary 2000a).

ASU officials claimed the concessions made in the *G17 Restructuring Agreement* were not too damaging for the union, claiming it was best to have an agreement ‘entrenched’ so that the remaining local councils would be ‘encouraged’ to accept its terms as quickly (VSEB Assistant Branch Secretary 2001). The MEU Assistant Branch Secretary also recalled, ‘if we had been unable to secure this particular agreement at this particular time, then it seemed we would be less likely to reach agreements with the remaining councils’ (MEU Assistant Branch Secretary 2000b). Furthermore, employees not covered by this agreement or the *Section 134 Restructuring Agreement* would only be entitled to the benefits under the *Victorian Local Authorities Interim Award 1991*, which were substantially lower than under the revised agreements (MEU Assistant Branch Secretary 2001; MEU Organiser March 2000).
After the restructuring agreements were negotiated with the former councils, the ASU turned their attention to the negotiation of EBA’s with the newly amalgamated councils. These negotiations were already shaping up to be more challenging for the ASU in comparison with the restructuring agreements. By this time, commissioners and interim CEO’s had been appointed and councils were implementing plans to meet the Kennett government’s savings targets and implementation of CCT. The restructuring agreements did provide valuable negotiation experience to union organisers and industrial officers, who had previously relied on central union officials to conduct award negotiations (MEU Assistant Branch Secretary 2000b). The union’s actions in respect of EBA negotiations and agreements are examined next.

**Enterprise bargaining agreements**

One of the main responsibilities imposed upon commissioners and interim CEOs by the Kennett government was the negotiation of an EBA with employees (Local Government Inspector 2000). The ASU advised their members that the union would seek to be a party to all EBAs in order to maintain the union’s influence over the negotiation process and, hopefully, their outcomes. Officials also recalled that ‘our members wanted a union-led agreement’ (MEU Organiser 1 2001; MEU Organiser 2 2001; VSEB Industrial Officer 2 2001). The Assistant Branch Secretary (VSEB) recalled that ‘our bargaining strategy was simple. We wanted a common approach and continue pattern bargaining. We really wanted to standardise wage outcomes across local government’ (VSEB Assistant Branch Secretary 2001).

Similar to the restructuring agreement process, the ASU National Office developed a generic model agreement for shop stewards and local representatives to use as a template or working document in negotiations with their respective local councils. This model also formed part of the training provided to shop stewards and local ASU representatives as described in section 5.4.3.1 above. MEU officials recalled the MEU branch as being the main driver of this model claim. The MEU Branch Secretary claimed that ‘even though both branches designed the model clauses, the MEU proposed that shop stewards or local representatives should serve the model claim on their councils, rather than central officials’ (MEU Branch Secretary 2001).
The model EBA claim comprised three parts, redundancy provisions, CCT matters and pay and performance clauses (MEU Assistant Branch Secretary 2000b). The first part involved obtaining agreement on an ‘all purpose redundancy’ package similar to the clauses contained in the Section 134 and G17 Restructuring Agreements. The ASU argued that CCT represented a similar threat to job security as did amalgamation, and, as a result, workers needed a similar level of protection and entitlement to severance pay. As one senior MEU official recalled, ‘we wanted to make redundancies more expensive for councils, and hopefully discourage them from awarding competitive tenders to private firms, or at least to discourage them from contracting services out too quickly’ (MEU Assistant Branch Secretary 2000b).

The second part of the model agreement, titled the ‘CCT Process Agreement’, sought agreement on how CCT processes might be conducted within local councils. ‘We needed to incorporate CCT procedures into EBAs in order to stop some over-zealous councils from wide-scale tendering’ (MEU Assistant Branch Secretary 2000b). In addition, union officials reported that the initial tender specifications were so poorly put together that they were being “eaten up” by private contractors and consequently at the expense of in-house units (MEU Assistant Branch Secretary 2000a; MEU Organiser 1 2000; MEU Organiser 2 2001).

This part of the model had been developed from the ACTU’s guide, Fighting Contracting Out: A guide for unionists (ACTU 1990), as well as from verbal interactions with UK union officials involved in the CCT processes of the 1980s (MEU Branch Secretary 2001). The ACTU’s publication provided a framework for possible CCT clauses. For example, the clauses covering the training employees in the process of competitive tendering and requiring councils to develop a CCT timetable were lifted from this publication.

From this document and discussions with UK trade union officials, the ASU developed A Best Practice Approach to Competitive Tendering in Local Government (ASU 1994b). This publication formed the basis of the training provided to shop stewards and local ASU representatives on CCT described above. The contents also formed the second part of the model EBA agreement. An extract of the CCT process sought by the ASU is provided in Appendix 2. The main clauses sought,
• the establishment of a joint management-union CCT implementation committee,
• an outline of the functions of this committee,
• the processes for setting specifications and formulating bids, and
• a framework for costing and evaluating the methods of tender selection
• councils to provide preference to local businesses and in-house bids to a value of 10 per cent over the lowest bid received (ASU 1994b).

The third part of model EBA sought improvements in the terms and conditions of employment and the identification of actions as to how to achieve productivity improvements. The ASU sought a nine per cent or $45 wage increase (whichever was the greater) over the two years the agreement was to operate, commonly between 1995 and 1997. The wage increase suggested comprised a five per cent increase on signing and a further four per cent rise when employees and councils reached agreement on performance improvements objectives. This pay claim was based on what the ASU believed could be attainable and sustained at the time. According to one official said, ‘we were concerned about seeking a greater increase in light of the government’s emphasis on cost savings and the looming implementation of 50 per cent CCT’ (MEU Organiser 2 2001).

EBAs were subsequently negotiated between the ASU and all 78 local councils. The negotiated EBA agreements contained rises of between 8 and 10 per cent or dollar amounts of around $40 to $50 and operated between 1995 and 1997. The increases were almost all paid in three instalments over the life of the agreement on the basis of the achievement of performance targets. The union did not recall any situations were such rises were not paid (MEU Assistant Branch Secretary 2000b).

Although the ASU felt the first EBAs had successfully followed the union’s bargaining position, they were not prepared for the introduction of local area work agreements (LAWAs) (MEU Branch Secretary 2001; MEU Assistant Branch Secretary 2000b). The MEU Branch Secretary recalled, ‘we never really gave a lot of initial thought to these types of agreements, although we were aware some form of agreement would be sought with workers in tendered service areas’ (MEU Branch Secretary 2001). The ASU did not have any strategy formulated for the development of LAWAs or any model agreements prepared for shop stewards and local representatives.
There was only a minor reference in the model EBA to LAWAs. This clause read:

‘In order to achieve the efficiency gains and/or service improvements intended and to respond quickly and effectively to specific circumstances which arise from time to time all work teams may be required to undertake the development of Local Work Area Agreements as part of the commitment to ongoing workplace productivity improvement’ (ASU 1994c).

This model clause was often expanded in many negotiated EBAs to include issues that could be addressed in future LAWA agreements between the council and in-house service provider workers such as the one illustrated in Table 5.3.

Table 5.3: Sample LAWA clause including issues to be addressed in LAWAs

<table>
<thead>
<tr>
<th>Bayside City Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Agreement No 1, 1996</td>
</tr>
</tbody>
</table>

The parties acknowledge that successful completion of local area work agreements must ensure that in implementing flexible work practices in a competitive environment the changes sought will not disadvantage employees in relation to their terms or conditions of employment as defined by S.170MC(2) of the Industrial Relations Act 1988 (at the time of certification of this agreement). Issues to be addressed:

- Fostering ownership of the work practices and the provision of services
- Changing outmoded work practices
- The arrangement of working hours, spread of hours and the manner in which annual leave may be taken
- Flexibility regarding meal and rest breaks
- Rosters to suit work requirements
- Multi skilling
- Start/finish time and start/finish location
- Minimising fixed overhead costs
- Alternative duties in periods of non productivity
- Emphasis on customer focus culture and rewards based on outcomes of services

Source: Developed for this study from WageNet


The second round of EBA negotiations mostly took place between 1997 and 1998. However, unlike the first round, there had been a change of government at the federal level and major changes made to industrial relations laws. The election to the federal government in 1996 of the Liberal–National Coalition government was seen by the ASU of another
government administration pursuing a policy platform built upon the ideas associated with the ‘public choice school’ (MEU Branch Secretary 2001; VSEB Branch Secretary 2001).

The new Coalition government introduced the *Workplace Relations Act 1996*, which came into effect in early 1997. The legislation sought to achieve the Coalition’s three main aims. Firstly, the decentralisation of industrial relations to the workplace or enterprise level; second, the individualisation (and therefore implicitly the de-collectivisation) of the employment relationship; and third the provision of greater choice to employers and employees about their employment terms and conditions (Department of Industrial Relations 1997).

The *Workplace Relations Act 1996* altered the nature of agreement making, allowing individual workplace agreements and non-union ones (Toten 1996). The Act also abolished compulsory unionism and preference clauses that required employers to employ union members. New awards were required to be re-negotiated to comply with a set of “allowable matters”. The “allowable matters” included:

- Classifications of employees
- Ordinary time hours of work
- Rates of pay
- Piece rates and annual leave
- Family/sick leave
- Penalty rates
- Redundancy pay and notice of termination
- Dispute settling procedures
- Jury service
- Type of employment
- Superannuation
- Provisions incidental to the allowable matters and necessary for the effective operation of the award (for example, date and period of operation of the award, and facilitative provisions (Department of Industrial Relations 1997, p.2).

The *Workplace Relations Act 1996* also required new awards to be negotiated within 18 months or they would not longer be enforceable (Department of Industrial Relations 1997).
Since the EBAs were built upon the provisions of the *Victorian Local Authorities Interim Award 1991*, and these were to become inoperative, the second round of EBAs were broadened in scope relative to the first EBAs (MEU Assistant Branch Secretary 2000b).

The ASU advised members in newsletters and through face-to-face meetings that any matters removed as a result of the *Workplace Relations Act 1996* would be included in the second EBA (MEU Assistant Branch Secretary 2000b). Similar to first round EBAs, a model EBA was prepared by the ASU National Office for shop stewards and local representatives to serve on their local councils (ASU Assistant National Secretary 2001; ASU 1997).

The model agreement included changes in severance pay entitlements and arrangements for LAWAs and CCT. The model also included clauses for each of the matters not covered by the list of “allowable matters”. The ASU sought an increase in severance pay from two to three weeks for every year of service completed and no maximum payout (which was 48 weeks at that time). The union added an additional clause requiring local councils to provide outplacement or training services upon termination to a value not exceeding $2000. The MEU Branch Secretary recalled that these entitlements were aimed at making ‘it more costly for councils to outsource service provision and preserve our membership base’ (MEU Branch Secretary 2001).

The growth of LAWAs in the first round of EBAs forced the ASU to provide more specific processes for their development in the second model. ‘We knew this was necessary to avoid the severe cuts to terms and conditions that were being sought and obtained by some councils’ (MEU Assistant Branch Secretary 2000b). The proposed arrangements for developing LAWAs are listed in Table 5.4. The arrangements sought to guarantee union involvement in LAWA negotiations, ensure only affected members voted on these LAWAs and make sure the LAWAs were registered with the AIRC.
Table 5.4: Proposed clauses for Local Area Work Agreements

The parties to this agreement recognise that, at present, a system of compulsory competitive tendering operates under the provisions of the *Local Government Act 1989* (Vic).

The parties further recognise that this results in some employees being required to ‘bid’ against external tenderers for provision of council services and this may require an agreement to modify existing work arrangements in the particular work area which is subject to the competitive tendering process.

The parties agree that any modification of existing work arrangements must be in accordance with the following:

Where the parties agree to alter work arrangements and the new arrangements are not inconsistent with the provisions of any award or certified agreement applying to that work, the agreement shall be reduced to writing and signed by the employer and the relevant union(s).

Where the parties agree to alter work arrangements and the new arrangements are inconsistent with the provisions of any award or certified agreement applying to that work, the parties agree that the provisions of this agreement are varied to the extent necessary to give effect to the agreement which introduces the new work arrangements, provided that: the terms are in writing and have been signed by the employer and the relevant union(s); and a majority of the employees, whose employment is or will be affected by the agreement, have voted in favour of the agreement in a ballot for which at least 14 days notice has been given.

A copy of any agreement must be lodged with the AIRC.

Source: Developed for this study from ASU (1997) *Model Enterprise Bargaining Agreement*

Changes to CCT processes were also proposed by the ASU in the second round EBA negotiations. The proposed changes sought to make it harder for management to externalise service provision (MEU Organiser 2 2001). The CCT proposals included,

- CCT service reviews be extended to at least 30 days,
- a CCT Committee be established to determine a tender evaluation weighting, and such weighting provide no more than 20 per cent to the cost criteria for any bid,
- local councils give preference to in-house bids by assessing the benefits of in-house service provision at a rate of 10 per cent of the value of the tender contract,
- local councils cease engaging in competitive tendering practices in the event of CCT legislation being removed, and
councils agree that they will only subject to a competitive process the minimum amount of total expenditure required under state government legislation from time to time (ASU 1997).

The model EBA included clauses on such matters as training, occupational health and safety, equal employment opportunity, the use of temporary workers, and communication. These clauses were lifted from the *Victorian Local Authorities Interim Award 1991* and were included in EBAs because these matters did not fit within the “allowable matters” under the *Workplace Relations Act 1996*.

The ASU also added clauses pertaining to workplace stress, alternative models of employment, and work and family responsibilities. These are reproduced in Table 5.5. Officials from both branches, MEU and VSEB, claimed that workplace stress levels and problems associated with the balance between work and family responsibilities increased dramatically throughout the reform period of local council reforms (MEU Assistant Branch Secretary 2000b; MEU Organiser 1 2001; VSEB Assistant Branch Secretary 2001; VSEB Industrial Officer 1 2001). A MEU official also recalled that, ‘we now have things in EBAs that had never been awards but are included because members wanted to see them signed, sealed and delivered’ (MEU Organiser 2 2001).
Table 5.5: Extract of model clauses covering stress, alternative models of employment in the workplace and work and family responsibilities

<table>
<thead>
<tr>
<th>Stress</th>
</tr>
</thead>
<tbody>
<tr>
<td>The parties acknowledge the considerable human and financial costs of occupational stress and agree to work together to reduce the incidence and cost of stress related illness.</td>
</tr>
<tr>
<td>The parties will: improve procedures and organisational matters as they impact on and influence stress compensation claims; improve the identification, prevention and management of workplace stress; enhance participative practices for the prevention and management of workplace conflict, and identify and address any needs for employee and management training.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Alternative model of employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>48/52 model of employment is a separate model of employment whereby the employee receives 4 weeks recreation leave and an additional 4 weeks unpaid leave per year and is paid for 52 weeks per year at the fractional rate of 48/52 of the annual salary.</td>
</tr>
<tr>
<td>The 48/52 model of employment can only be introduced at an employee’s initiative.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Work and family responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>A survey will be conducted to establish the varying needs of employees with family responsibilities. On the basis of the data the parties will enter negotiations on the provision of any identified facilities, services and support and should include but not be limited to:</td>
</tr>
<tr>
<td>• Leave for family responsibilities</td>
</tr>
<tr>
<td>• Career break schemes</td>
</tr>
<tr>
<td>• Flexible working arrangements job sharing</td>
</tr>
<tr>
<td>• Employer sponsored childcare</td>
</tr>
</tbody>
</table>

Source: Developed for this study from ASU. 1997. Model Enterprise Bargaining Agreement

The model agreement also sought a 14 per cent pay rise over a two year period. The ASU argued that workers were performing additional duties at higher levels of performance and deserved to be recompensed for their efforts (ASU Assistant National Secretary 2001).

Similar to the first round EBA negotiations, model clauses were reworded as a result of negotiations between members and council management. ASU officials revealed the union had to be adaptable to local conditions in order to guarantee continued union presence in local government. The main change to the model agreement was made to the proposed LAWAs clause as shown in Table 5.4. ASU officials recalled the final clause on LAWAs
often ended up like that shown in Table 5.6 (MEU Assistant Branch Secretary 2000b; MEU Organiser 1 2001).

Table 5.6: Example of LAWA clause in second round enterprise bargaining agreements

<table>
<thead>
<tr>
<th>Casey City Council Enterprise Bargaining Agreement 1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>The parties recognise that there is significant potential for workplace improvements through initiatives developed in regard to particular workgroups and work areas.</td>
</tr>
<tr>
<td>The parties may agree to a variation of the employment conditions contained in the Enterprise Bargaining Agreement or the relevant Award by a later agreement or agreements, including LAWA's. Such variation or variations will take effect only if approved by the Commission and if so approved will prevail over this Agreement to the extent of any inconsistency. Prior to the nominal expiry date of this Agreement, any LAWA entered into and subsequently implemented must be subject to the following requirements:</td>
</tr>
<tr>
<td>- The parties acknowledge that successful completion of LAWA's must ensure that in implementing flexible work practices the changes proposed will not disadvantage employees in relation to their terms or conditions of employment as defined by Part VIE Clause 170 XA of the Workplace Relations Act 1996.</td>
</tr>
<tr>
<td>- All work areas may be required to undertake development of LAWA's as part of the commitment to ongoing workplace productivity improvement.</td>
</tr>
<tr>
<td>- The majority of employees affected by the change must genuinely agree to the change.</td>
</tr>
<tr>
<td>- The Consultative Committee must approve the change.</td>
</tr>
<tr>
<td>- The parties will be involved in the development of all LAWA's.</td>
</tr>
<tr>
<td>- The LAWA will be in writing and signed by a representative of the Council and the relevant union Branch Secretary.</td>
</tr>
<tr>
<td>- Any LAWA's referred to the Union Branch Secretary must be signed or rejected within 7 days of their receipt at the Union office.</td>
</tr>
<tr>
<td>- The LAWA shall operate for a specific period of time within the life of this Enterprise Agreement unless otherwise agreed.</td>
</tr>
<tr>
<td>- A register of such LAWA's shall be maintained.</td>
</tr>
<tr>
<td>The parties acknowledge that the development of such LAWA's is one of the main ways of developing productivity and improving the quality of service delivery.</td>
</tr>
<tr>
<td>The successful participation in the development of LAWA's will form part of the evaluation criteria when assessing successful outcomes of this Agreement.</td>
</tr>
</tbody>
</table>

Source: Developed for this study from WageNet
The ASU also achieved only minimal success with the workplace stress clause, but did succeed in gaining agreement from many councils of the 48/52 model of employment and work and family responsibilities clauses (MEU Organiser 1 2001). Pay rises also varied more widely from the model claim than was the case in the first round of EBAs. Officials reported that this was principally due to the continued growth of LAWAs and the implementation of profit or gain sharing schemes by many local councils (MEU Assistant Branch Secretary 2000b; MEU Organiser 1 2000). ASU officials reported that most other agreements possessed rises of 10 per cent or increases of in actual dollars per week of approximately $40 to $50 (MEU Organiser 1 2000; VSEB Assistant Branch Secretary 2001). These increases like the first EBAs were staggered throughout the term of the agreement, and were primarily based on the achievement of specified performance or efficiency targets or signing of LAWAs. The Joint National Secretaries and Assistant National Secretaries signed all EBAs and LAWAs, as required under the union’s rules and the provisions of the federal industrial relations legislation. This permitted the ASU to ‘remain in the game’ and hopefully be able to ‘claw back’ lost entitlements at some later date (ASU Assistant National Secretary 2001; MEU Assistant Branch Secretary 2001).

ASU officials recalled that the second round EBA negotiations were tougher to negotiate than the first round and this necessitated a more flexible approach from central officials MEU Assistant Branch Secretary 2000b; MEU Organiser 1 2001; VSEB Assistant Branch Secretary 2001; VSEB Industrial Officer 1 2001). As one official recalled, ‘in most cases the process was a long, drawn out affair, where it was common for stand-offs to occur between the union and council management and sometimes between central union officials and union members’ (MEU Organiser 1 2001).

Interviewed MEU branch officials recounted how some members in rural local councils at times took issue at ASU officials ‘turning up from Melbourne telling them what to do’ (MEU Organiser 1 2001; MEU Organiser 2 2001). Where there were major differences in the position taken locally and that being advocated by the central ASU, the advocacy of the Assistant Branch Secretary or the Branch Secretary would be called upon to push the central line of the ASU (MEU Assistant Branch Secretary 2000b; MEU Branch Secretary 2001). If the same members remained steadfastly committed to pursuing a particular course of action in spite of such advocacy, the ASU would always bow to the wishes of its members (ASU Assistant National Secretary February 2001). The most common disagreements occurred in
respect of performance issues and changes to terms and conditions proposed in LAWAs (MEU Assistant Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001).

LAWAs remained problematic for the ASU, with the union perceiving many had reduced terms and conditions of employees in tendered units (MEU Organiser 1 2000; MEU Organiser 2 2001). A statutory declaration had to be signed by the union when submitting these agreements to the AIRC for certification and registration. This declaration advised the AIRC that certain procedures were followed in developing the agreement and to inform the Commission whether the agreed terms and conditions passed the ‘no disadvantage test’ (ASU Assistant National Secretary 2001). However, MEU officials recalled that the AIRC had ignored the union’s requests for an investigation of the LAWAs that had been negotiated in local government (ASU Assistant National Secretary 2001). The ASU believed many LAWAs did not meet the ‘no disadvantage test’ (ASU Assistant National Secretary 2001; MEU Assistant Branch Secretary 2000b; MEU Organiser 1 2001).

Although the MEU was opposed to the development of LAWAs, they were unable to halt their development in local government (MEU Assistant Branch Secretary 2000b; see, also Walsh and O’Flynn 2000). A study conducted by Walsh and O’Flynn (2000) into 249 LAWAs (across 36 services and 56 councils) registered with the AIRC between 1995 and 1998 supported the MEU’s concerns about the reduction in terms and conditions. Table 5.7 identifies the terms and conditions altered through LAWAs and number of LAWAs dealing with these matters.

<table>
<thead>
<tr>
<th>Terms and conditions</th>
<th>Number of agreements</th>
<th>Proportion of total agreements (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for increase in the spread of ordinary hours</td>
<td>154</td>
<td>62</td>
</tr>
<tr>
<td>Increase maximum hours</td>
<td>130</td>
<td>52</td>
</tr>
<tr>
<td>Introduction of profit sharing</td>
<td>112</td>
<td>43</td>
</tr>
<tr>
<td>Replacement of overtime payment with time in lieu</td>
<td>98</td>
<td>39</td>
</tr>
<tr>
<td>Introduction of flexible rostering</td>
<td>89</td>
<td>34</td>
</tr>
<tr>
<td>Removal of supplementary allowances</td>
<td>79</td>
<td>32</td>
</tr>
</tbody>
</table>

Source: Walsh and O’Flynn (2000), Extract from table 1

Walsh and O’Flynn (2000) noted that although males appeared to have suffered the largest decline in employment, female employees, who dominated home and community care
services, experienced the most ‘pronounced deterioration in levels of premium payments’ (p.468). Female employees also experienced, increases in the span of ordinary hours and the removal of supplementary payments. On the other hand, male manual employees and white-collar employees suffered less attacks on overtime payments, and were able to reap more financial benefits from profit schemes than other workgroups.

Officials also recalled that for the most part the two branches worked very closely in negotiations at the local council level, believing it more important to protect the interests of members during these uncertain times (MEU Branch Secretary 2001; VSEB Branch Secretary 2001). Regular ‘caucus’ meetings were held between officials from both branches as means of presenting a ‘united front’ in negotiating agreements with local council managers. Philosophical differences between the two branches were generally discussed before negotiations with local councils. Differences were recalled over what tactics to employ and what claims should take priority in negotiations (MEU Assistant Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001). An Industrial Officer recalled, ‘we tended to fight out differences at the central office. We had some instances where one official would not work with another’ (VSEB Industrial Officer 1, 2001).

Bargaining action represented the most time and resource intensive of all ASU internal activities in response to the local government reform agenda (ASU Assistant National Secretary 2001). Appendix 3 lists the agreements negotiated in Victorian local government between 1992 and 1999 between the ASU and local councils. With most avenues for involvement shut, bargaining under federal legislation provided a means of union involvement in decisions about change at a local council level. The negotiated agreements also enabled the ASU some access to information about finances and CCT programs and over changes to employment arising from CCT (ASU Assistant National Secretary 2001). The negotiated bargaining agreements also resulted in increasing the cost to councils if they terminated in-house provision of local government services. This action was perceived to have lessened further membership decreases (MEU Assistant Branch Secretary 2001).

In addition to the local government agreements, the ASU also successfully negotiated agreements with the major contractors such as Manikow Works and Serco, Remy-Moffit, and Silver Circle (MEU Assistant Branch Secretary 2000b). This action was pursued to stop private contractors from undercutting the local council conditions and allowing the ‘worst’
employers from getting a ‘free ride’ in the tendering process (MEU Branch Secretary 2001). Attempts to negotiate EBAs with smaller private contractors were generally less successful. The Assistant Branch Secretary (MEU) recalled, ‘although we did try, the resources required compared to the need in other larger establishments could not be justified’ (MEU Assistant Branch Secretary 2000b).

In addition to internal actions, the ASU also undertook external action. The next parts examine what the ASU did in terms of external responses.

5.4.3.3 Political Action

The literature review in Chapter 2 noted that UK local government unions had to think and act more broadly than in the past and adapt their actions to a changing climate. This was evidenced in the external actions taken by UK trade unions in response to Thatcher’s local government reform (Ascher 1987; Foster 1993). The main types of external action were identified as political and legal actions (Ascher 1987, Foster 1993). Similar to the internal actions discussed above, the underpinning ASU objective was to try and be involved and promote the union position about the reform agenda at every possible opportunity (MEU Assistant Branch Secretary 2000b). In addition, the external actions were entirely devised and promoted by central officials.

In comparison to the previously described internal actions, which were focused on union members, maintaining member conditions and job security, the external actions sought a broader objective. This objective was the removal of the CCT policy (MEU Branch Secretary 2001). The Assistant Branch Secretary (MEU) claimed:

‘… the CCT policy represented a continuous and ongoing threat to the future of local government employment and terms and conditions as services were increasingly placed out to tender. The policy also represented the biggest threat to further membership losses to our branch’ (MEU Assistant Branch Secretary 2001).

Another major difference between internal and external actions was the frequency and timing of these actions (MEU Branch Secretary 2001). The internal actions described above continued throughout the reform period whereas the actions taken in the political and legal arenas were mainly taken from 1997.
The political actions also highlight how the ASU adapted to the changing political climate during the second term of the Kennett government (1996-1999). During that period, the ASU identified a political opinion shift away from the Kennett government and political actions were perceived as instrumental in bringing public attention to the union’s position on CCT (MEU Branch Secretary 2001; VSEB Branch Secretary 2001). The political actions taken and reasons justifying the actions are described first followed by a discussion of the main legal activities pursued by the ASU. The activities included submissions to government inquiries, community lobbying, and electoral campaigning.

**Submissions**

Submissions to government inquiries as a strategy were often favoured by the ASU, both prior to 1992 and throughout the 1990s (Best 1986; MEU Branch Secretary 2001; VSEB Branch Secretary 2001). Submissions were particularly important in providing an avenue for the ASU to be involved in the broader debate about public sector reform. The ASU’s National Office was responsible for coordinating these formal submissions, further illustrating the way in which central union officials principally determined and implemented union strategy (ASU Assistant National Secretary 2001; MEU Branch Secretary 2001).

The ASU made submissions to the major inquiries which dealt with the impacts of public sector changes and particularly the impacts of competitive arrangements in rural and regional areas. These included:

- Parliament of Australia (POA). 2000. Senate Select Committee on the Socio-Economic Consequences of the National Competition Policy: Riding the Waves of Change, February, AusInfo, Canberra
The ASU also prepared and presented a submission in November 1996 to the Review Panel established by the Kennett government, to investigate the operations of the CCT policy instrument (Review Panel 1996). The Branch Secretary of the MEU, the Assistant Branch Secretary of the VSEB and a National Research Officer also made verbal submissions to this Review. The submission provided the ASU with an opportunity to openly criticise the CCT policy instrument and present politically-motivated justifications for the removal of the policy (ASU Assistant National Secretary 2001).

The submission to the Review Panel (1996) identified four main concerns that the ASU perceived of the CCT policy instrument. Firstly, that CCT was costly and destructive and its introduction had brought about an enormous loss of morale amongst local government workers. Second, CCT was used as a mechanism by which workers had to choose between accepting cuts to their conditions of employment, or risk losing their jobs to a cheaper external contractor. Third, CCT had failed to deliver its promised efficiency gains to ratepayers but rather the gains had been made at the expense of workers through reduced terms and conditions, retrenchment of staff and through reductions in the quality of service provision. Four, CCT was particularly damaging for rural councils. The ASU claimed that CCT resulted in significant numbers of local jobs being lost. The union also claimed that CCT increased costs for rural councils because even though there was limited or no competition, they were still required to place services to a competitive tendering process and establish tender evaluation committees. The ASU also argued that rural councils had insufficient staff to enforce a rigorous split between client/provider roles as required under the CCT legislation (ASU 1996).

Some VSEB officials recalled being cautious about providing submissions to government-initiated inquiries, suggesting that union views would not influence policy decisions one way or the other (VSEB Branch Secretary 2001; VSEB industrial Officer 2 2001). However, MEU officials countered such concerns by suggesting that the preparation and delivery of submissions at least provided an avenue for union involvement in policy discussion and debate (MEU Branch Secretary 2001). MEU officials claimed that the union needed to utilise every forum available in response to the union’s loss of political voice during the Kennett years (MEU Assistant Branch Secretary 2000b; MEU Branch Secretary 2001). The MEU Branch Secretary also recalled that ‘we needed to help promote debate
about the value of these policy changes as the government’s apparent control over media opinion had only offered one-side of the debate’ (MEU Branch Secretary 2001).

**Community lobbying**

Community lobbying represented a major change in approach by the ASU. From late 1997, a major focus of the ASU’s external action was in more pro-active efforts aimed at building community opposition to the Kennett government’s local government reform agenda (MEU Branch Secretary 2001). The ASU obtained guidance for undertaking community lobbying action from both the ACTU’s guide, *Fighting Contracting Out: A guide for unionists* (1990) and through discussions with UK union officials. As noted by the MEU’s Branch Secretary, ‘we were helped and guided by the past experiences of our comrades in the UK’ (MEU Branch Secretary 2001).

The ACTU’s guide set out issues for the ASU to consider in mounting community-based campaigns. These included raising the level of awareness in the local community about the negative effects of competitive policies, particularly the problems of the consequential job losses and the resulting impacts of lower employment on the viability of local business. In addition, the ACTU proposed that unions work with other organised groups in local areas to oppose the policy reforms (ACTU 1990).

In late 1997, the MEU decided on activities aimed at securing community support for the total removal of the CCT policy instrument by the Kennett government. Although the MEU sought financial and organising assistance from the VSEB to mount this campaign, the later branch chose not to be part of the campaign. The VSEB Branch Secretary recalled, ‘we steered away from political action on the basis that we did not think the climate was conducive to winning by such means’ (VSEB Branch Secretary 2001). While disappointed with this response, the MEU decided to pursue a community campaign on its own and focus such a campaign on the plight of rural communities. The MEU Branch Secretary said, ‘we decided to go alone, largely convinced by our member feedback in rural councils’ (MEU Branch Secretary 2001).

Rural areas were the major focus of the union’s community campaigning. A MEU Organiser recalled that ‘rural members wanted to see us broaden our action from
organisational and bargaining activities to more community focused activities’ (MEU Organiser 2 2001). The Assistant Branch Secretary (MEU) also said that:

‘… we had only 7 officials to cover the State and with the decline in membership and subsequent reduction in membership finances we had limited opportunities to mount media campaigns. However, we felt in order to achieve greater success, we had to inform the community of the problems arising from the reform agenda, and specifically the CCT policy instrument. We targeted rural areas because our members from these councils had expressed concern about what was going on where they lived and were reporting to central officials that their communities were already suffering from the closure of banks, railways, schools and other essential services and CCT was making things worse’ (MEU Assistant Branch Secretary 2000b).

At the start, the community campaign was directed at criticising market-driven public policy changes (CCT, NCP and deregulation) imposed by both state and federal governments. The MEU Assistant Branch Secretary said ‘we wrote to councils in rural areas to ask for their support in establishing forums to debate the impacts of these policy changes’ (MEU Assistant Branch Secretary 2000b). The MEU also decided to target the Gippsland area in the first instance by inviting members of the community to attend a “public protest meeting” against these policies (MEU Branch Secretary 2001). Gippsland was chosen on the basis that this region had endured significant employment loss as a result of the privatisation of the State Electricity Commission. In addition, Gippsland was regarded as a strongly unionised area in the State, and as such the MEU expected most support from this community (MEU Branch Secretary 2001).

MEU officials reported that this meeting was poorly attended because it was primarily seen as a union protest rather than a non-partisan community remonstration (MEU Branch Secretary 2001; MEU Organiser 2000). The MEU subsequently broadened the focus of the campaign and in 1998 the Branch Executive endorsed the CCT Not for Me campaign. The CCT Not for Me campaign was built around the theme that rural Victoria was ‘doing it tough’ because the regions were already suffering from the closure of railways, schools and banks. CCT had also been a ‘devastating blow to rural Victoria’ with people moving out of town and resulting in the closure of important community facilities, such as Country Fire Authority and State Emergency Services (MEU Branch Secretary 2001). The MEU Branch
Secretary explained that the MEU perceived ‘the campaign as a means of increasing pressure on the Kennett government to abolish CCT in advance of the 1999 State election’ (MEU Branch Secretary 2001).

According to MEU officials, the campaign was run on a relatively minimum budget but did include the printing of T-shirts promoting the campaign slogan (*CCT Not for Me*), a letter-box drop of a one-page flyer outlining the union’s concerns about the costs of CCT in the towns where public meetings were organised, information kits for the local media, and pre-arranged television and radio interviews with the MEU Branch Secretary. ‘We talked to all people, ranging from teenagers to pensioners to express our views about the plight of rural communities’ (MEU Organiser 1 2001). The MEU invited local community leaders to attend public meetings so that political representatives from all tiers of government could be acquainted with the negative impacts of CCT (MEU Branch Secretary 2001).

The MEU also employed a person with a media background during 1998 to assist in the development of campaign material. The MEU Branch Secretary said that ‘we realised that we had to make the campaign professional looking and properly target the things we wanted to highlight about CCT’ (MEU Branch Secretary 2001). The meetings were also organised by local community groups, small business groups and ALP branches (MEU Branch Secretary 2001).

MEU officials claimed that the campaign successfully tapped into the disharmony that existed in the electorate during that time and helped ‘turn the tide’ against the Kennett government in the 1999 State election (MEU Branch Secretary 2001; MEU Assistant Branch Secretary 2000b). The Assistant National Secretary (ASU) also noted that ‘rural or country councillors increasingly welcomed them at the front door for the first time’. This official claimed that councillors were increasingly ‘fed up’ with the centralist directions of the policies being enacted by state and federal governments. Rural councillors were also displeased with the Kennett government’s regular threats ‘to their existence as democratically elected local representatives’ (ASU Assistant National Secretary 2001). The *CCT Not for Me* campaign was also important in other political action. The MEU Branch Secretary said that the campaign was ‘instrumental in our decision to pursue a more direct role in the 1999 State election’ (MEU Branch Secretary 2001).
Electoral campaigning

Electoral or political campaigning has been an important activity of trade unions and been successful in securing a number of benefits for workers, such as annual leave and long service leave entitlements, superannuation, equal employment opportunity and occupational health and safety (Deery and Plowman 1985). Although the ASU and the former unions made donations to the ALP and assisted the party in many State and Federal elections (MEU Branch Secretary 2001), the 1999 State election produced a new form of political activity for the ASU. Unlike the previous state election in 1996, the State ALP entered the 1999 election with a policy platform to abolish CCT in the first session of Parliament (MEU Assistant State Secretary 2000b). With this guarantee in mind, the ASU decided to take a more direct role in electioneering than in the past (MEU Assistant Branch Secretary 2000b).

The ASU National Executive decided in 1999 to produce a ‘How to Vote’ card and target certain ‘marginal’ electorates in which the Coalition Parties held by only small margins (MEU Branch Secretary 2001). Although both branches ‘co-sponsored’ the development of the ‘How to Vote’ card (Table 5.8), the MEU was the principal branch in promoting and also in determining the electorates to target (MEU Assistant Branch Secretary 2000b).

Table 5.8: MEU ‘How to Vote Card’

| ‘Mr Kennett takes Ballarat for granted |
| So let’s send him a message |
| No more cuts to our: local government services and jobs, health services, education facilities, police |
| Put the Liberals last! |

Source: ASU. 1999. ‘How to Vote Card’ for Ballarat electorates

Three electorates in Ballarat (the third largest city in Victoria) were chosen by the MEU in which to promote their ‘How to vote card’. The Ballarat electorates were chosen by the MEU for three main reasons. Firstly, the seats were held by only a small majority of votes by the Liberal Party, and as such, potentially could be won by the ALP. Success in these ‘marginal’ electorates would also provide the ALP with a better opportunity of regaining government (MEU Assistant Branch Secretary 2000b).

Second, issues such as the closure of schools and police stations and the effects of reduced health services had been, according to ALP research, as major issues of concern in the
Ballarat region. The MEU Branch Secretary recalled, that ‘we deliberately focused on the
spreading the message that the Kennett government had caused the problems of lower
service levels in these areas’ (MEU Branch Secretary 2001).

Third, there was a strong union presence and organisation in the Ballarat region (MEU
Branch Secretary 2001). This provided the MEU with resources in which to coordinate and
distribute the ‘How to vote card’. The ‘card’ was distributed to voters by local ASU union
members and by members of other unions aligned to the Ballarat Trades and Labour
Council during the 1999 election campaign and at polling booths on the day of the election
in October (MEU Branch Secretary 2001).

The outcome for the ASU was much more beneficial than expected, with the ALP winning
in all three electorates (MEU Assistant Branch Secretary 2000b; MEU Branch Secretary
2001). MEU officials reported that that Liberal Party had no prior knowledge of the
electoral campaign planned by the union and were totally ‘unaware’ of the potential impact
(MEU Assistant Branch Secretary 2000b; MEU Branch Secretary 2001; MEU Organiser 1
2001). The MEU Branch Secretary claimed that the union’s campaign ‘was a significant
contributing factor in the ALP victory’ (MEU Branch Secretary 2001). The swing back to
the ALP in these electorates was also occurred in other parts of the State, resulting in the
ALP being returned to State government. The ALP-led State government also subsequently
abolished CCT in December 1999.

The political activities described above were part of a broader agenda of action by the ASU
targeting the policy instruments and specifically CCT (MEU Branch Secretary 2001). The
actions in this area present crucial insights into the ASU and the union’s ability to be more
pro-active in response to the reform agenda. Success was not limited to political activity at
this time, as the ASU also undertook legal proceedings that were also effective in limiting
the spread of CCT. These actions are described in the next section.
5.4.3.4 Legal Action

In addition to political action, the ASU also pursued externally oriented action in the legal arena. The activities taken were instrumental in furthering the ASU’s objectives of removing CCT and the source of major concern to the union (MEU Branch Secretary 2001).

Some discussion of possible legal challenges was undertaken early in the reform process in 1994 by the ASU however, as described earlier, the union faced a chaotic environment, with large numbers of members leaving, including workplace representatives, and the consequential loss of financial revenue (MEU Assistant Branch Secretary 2000b). The pace in which the policies were implemented by the Kennett government also restricted the ASU’s ability to plan legal challenges. One MEU organiser recalled, ‘the union had limited opportunity to legally challenge the policy changes because new policy changes were continually being forced through’ (MEU Organiser 1, 2001). In addition, the union perceived the lack of legal precedents supporting their cause was a major barrier to pursuing action through the courts (MEU Assistant Branch Secretary 2000b). The MEU Branch Secretary admitted that ‘we could not afford to venture down a legal path with ‘unknown’ outcomes’ (MEU Branch Secretary 2001).

Similar to the political activities described above, legal actions were primarily taken in the latter period of the local government reform agenda (1998-1999). The MEU Branch Secretary recalled:

‘… we thought at this stage the pace of change had slowed enough for us to seek legal avenues. We also seemed to have “got our house in order” to a point where legal action would be more successful. More importantly, some crucial decisions had been made in the courts that impacted on the way in which CCT practices could be implemented by public sector organisations’ (MEU Branch Secretary 2001).

This section will report findings on the main activities pursued by the ASU in the legal arena commencing with initial efforts to impose on contractors supplying local government services the terms and conditions clauses from the Victorian Local Authorities Interim Award 1991. This will be followed by a description of the successful action pursued by the ASU in the Federal Court of Australia during 1999.
Contractors Clause

The first major activity attempted in the legal arena occurred during 1995 when the ASU sought an order from the AIRC to compel local councils to insert an award terms and conditions clause into contractual arrangements with external providers who had successfully won competitive tenders. The clause, known as the *Contractors Clause* is presented in Table 5.9. The clause provided that if councils decided to transfer service provision to private provider, the terms and conditions of employees attached to the service provision should be the same as those contained in the *Victorian Local Authorities Interim Award 1991*.

The action sought to force private providers to seek efficiency gains from technological improvements rather than decreases in terms and conditions (ASU 1995). The ASU also perceived that this action would maintain the terms and conditions for the entire local government sector and restrict the opportunity for private sector contractors from undercutting these as a means of winning tender contracts (MEU Assistant Branch Secretary 2000b).

**Table 5.9: Proposed Contractors Clause to be included in the Victorian Local Authorities Interim Award 1991**

<table>
<thead>
<tr>
<th>The variation proposed would insert into Part A of the <em>Victorian Local Authorities Interim Award 1991</em> a new clause 33D as follows:</th>
</tr>
</thead>
<tbody>
<tr>
<td>“ 33D - CONTRACTORS LABOUR</td>
</tr>
<tr>
<td>a) A respondent Council or Library Service shall not enter into any contract for any work, function or activity undertaken or usually undertaken by employees to whom this award applies, to be performed by other employees unless the contract binds the other party to the contract to pay and provide to the persons performing the work the rates and observe the conditions prescribed in the award in respect to the Council's or Service's employees.</td>
</tr>
<tr>
<td>b) A respondent Council or Library Service shall not permit any work, function or activity undertaken or usually undertaken by employees to whom this award applies to be carried on or exercised or performed for the Council or Service by any contractor or other person, except in accordance with the terms of this award as if that contractor or other person was a party to or bound by this award, or as if the terms of this award applied to that contractor or person.”</td>
</tr>
</tbody>
</table>

Source: Australian industrial Relations Commission (AIRC).


The action taken proved unsuccessful. Some local councils, including the Alpine Shire Council and the Melbourne City Council, and also the Australian Chamber of Commerce
and Industry opposed the ASU’s claim (MEU Assistant Branch Secretary 2000b). Moreover, the union did not gain the support of the AIRC. Although the AIRC acknowledged that the clause would protect terms and conditions of those employed in the service provision, one AIRC commissioner advised the ASU that the claim would most likely fail because it would restrict the efficiencies that could be gained from CCT (Paddon 2001; Walsh and O’Flynn 2000). Another official recalled ‘there was little the AIRC was going to do for us at that stage’ (MEU Organiser 1 2001).

Further legal action was then not pursued by the ASU until 1999 at which time the legislative changes to local government had come to a relative standstill (MEU Assistant Branch Secretary 2000b). Furthermore, decisions had been handed down by the Federal Court of Australia that had major implications for the future of CCT. The next section examines the ASU’s actions at this time.

**Termination and Transmission of Business**

Other public sector trade unions experiencing the consequences of competitive tendering had already commenced legal action in the Federal Court, challenging decisions made by public sector employers on outsourcing to private providers (Walsh and O’Flynn 2000). These Federal Court cases provided the incentive to the ASU to also pursue legal action that would undermine the CCT policy instrument (MEU Assistant Branch Secretary 2000b).

Two Federal Court decisions strengthened the ASU’s position opposing CCT, the case of Northwestern Health Care Network v Health Services Unions of Australia (FCA 897, 2 July 1999) and the case of the Community and Public Sector Union v Stellar Call Centres Pty Ltd (FCA 1224, 3 September, 1999). In the Northwestern case, the Full Bench found that former public sector home-care workers employed by Northwestern were entitled to retain their terms and conditions of work when they were transferred to a private sector provider (Walsh and O’Flynn 2000).

The Health Services Unions of Australia successfully argued that the Northwestern Health Care Network’s decision to outsource represented a transmission of business and, as such, the organisation was subject to provisions in s.149 (1) (d) and s.170MB of the federal *Workplace Relations Act 1996*. These two provisions of the *Workplace Relations Act 1996* are reproduced in Table 5.10. These sections were interpreted by the Federal court as
binding a successor organisation to the terms of an existing certified agreement where a business is transmitted to another organisation (Jones 1999). This ruling also proved an ironical twist for the ASU as the Federal Coalition’s laws were now being used to challenge the State Coalition’s CCT policy (ASU Assistant National Secretary 2001).

Table 5.10: Sections 149 and Section 170BG Workplace Relations Act 1996

<table>
<thead>
<tr>
<th>Section 149</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Subject to any order of the Commission, an award determining an industrial dispute is binding on:</td>
</tr>
<tr>
<td>(a) all parties to the industrial dispute who appeared or were represented before the Commission;</td>
</tr>
<tr>
<td>(b) all parties to the industrial dispute who were summoned or notified (either personally or as prescribed) to appear as parties to the industrial dispute (whether or not they appeared);</td>
</tr>
<tr>
<td>(c) all parties who, having been notified (either personally or as prescribed) of the industrial dispute and of the fact that they were alleged to be parties to the industrial dispute, did not, within the time prescribed, satisfy the Commission that they were not parties to the industrial dispute;</td>
</tr>
<tr>
<td>(d) any successor, assignee or transmitee (whether immediate or not) to or of the business or part of the business of an employer who was a party to the industrial dispute, including a corporation that has acquired or taken over the business or part of the business of the employer;</td>
</tr>
<tr>
<td>(e) all organisations and persons on whom the award is binding as a common rule; and</td>
</tr>
<tr>
<td>(f) all members of organisations bound by the award.</td>
</tr>
</tbody>
</table>

1A) For the purposes of subsection (1), the Australian Capital Territory Government Service is taken to be the successor to the business of the Australian Capital Territory in relation to the transitional staff within the meaning of the A.C.T. Self-Government (Consequential Provisions) Act 1988.

<table>
<thead>
<tr>
<th>Section 170BG Employer not to reduce remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) An employer must not reduce an employee's remuneration (within the meaning of the Equal Remuneration Convention) for the reason, or for reasons including the reason, that an application or order has been made under this Division.</td>
</tr>
<tr>
<td>2) If subsection (1) is contravened, the purported reduction is of no effect.</td>
</tr>
</tbody>
</table>

Source: Federal Workplace Relations Act, 1996

Fortunately for the ASU, a decision by the City of Greater Dandenong (COGD) to tender Home and Community Care (HACC) services (including general homecare services to the aged, specialist services to people with disabilities and home maintenance) during 1997 provided the ASU with the necessary documentary evidence in which to pursue a claim on the basis of the transmission of business provisions (ASU Assistant National Secretary 2001). The ASU had access to council minutes reporting the decision on awarding the
tender of HACC services and a copy of the council meeting on video and audio tape (ASU Assistant Branch Secretary 2000b).

The council’s HACC service employed 73 staff at the time the decision to place the service to competitive tendering was announced, the majority of whom were women working part-time (ASU Assistant National Secretary 2001). Council management informed these employees that unless steps were taken to reduce the hourly rate of pay, out of hour and weekend penalty rates and travel allowances, the service provision would be awarded to a cheaper private sector provider (MEU Assistant Branch Secretary 2000b). Council employees rejected the management overtures and tendered for the service in February 1999, based on the terms and conditions of the *Victorian Local Authorities Interim Award 1991* and those contained within the *Greater Dandenong City Council Enterprise Bargaining Agreement 1996*.

In February 1999, the COGD council awarded the HACC tender to Silver Circle. Silver Circle is a private sector organisation, whose prime business was in providing home care services for local government and non-local government bodies. The decision to award the HACC contract to Silver Circle was expected to save the council $1.56 million over three years in comparison with the in-house bid (ASU Assistant National Secretary 2001). During the discussion on the awarding of the tender, as evidenced in the video and audio tapes, the Mayor and another councillor openly criticised the council’s HACC employees for not being prepared to reduce their rates of pay and working conditions, claiming that if they had done so, they would have been awarded the tender contract (ASU Assistant National Secretary 2001).

Given the Federal Court decisions on competitive tendering, the ASU immediately sought legal counsel on the way in which the COGD had approached and awarded this contract to Silver Circle. The ASU was advised that the City of Greater Dandenong had more than likely breached sections 298K and 298L[h] of the *Workplace Relations Act, 1996*, which are reproduced in Table 5.11. The union’s legal team advised the ASU to seek relief under section 298U, which included a fine of up to $10,000 on the council, an order to reinstate employees or an order on the council to pay employees compensation (ASU Assistant National Secretary 2001).
The ASU was also advised to undertake a separate ‘transmission of business’ case, under sections 149 and 170 of the *Workplace Relations Act 1996*, against Silver Circle (see Table 5.10). ‘Our legal team advised us that action pursued on the transmission of business would strengthen our case against COGD (ASU Assistant National Secretary 2001).

<table>
<thead>
<tr>
<th>Table 5.11: Sections 298K and 298L(1)(h) federal Workplace Relations Act, 1996</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Section 298K</strong></td>
</tr>
<tr>
<td>An employer must not, for a prohibited reason, or for reasons that include a prohibited reason, do or threaten to do any of the following:</td>
</tr>
<tr>
<td>➢ Dismiss an employee;</td>
</tr>
<tr>
<td>➢ Injure an employee in his or her employment; and</td>
</tr>
<tr>
<td>➢ Alter the position of an employee to the employee’s prejudice</td>
</tr>
<tr>
<td><strong>Section 298L(1)(h)</strong></td>
</tr>
<tr>
<td>An employee ‘is entitled to the benefit of an industrial instrument or an order of an industrial body.’</td>
</tr>
</tbody>
</table>

Source: Federal *Workplace Relations Act, 1996*

The ASU pursued this action through the Federal Court as a *class action*, with sixty-three members of staff being a party to the matter (MEU Assistant Branch Secretary 2000b). The ASU argued that the home carers transferred to Silver Circle were performing exactly the same functions with the same clients they cared for when with COGD. However, these employees were offered inferior terms and conditions by Silver Circle, relative to those they had under the *Victorian Local Authorities Interim Award 1991* and the council’s EBAs (MEU Assistant Branch Secretary 2000b; MEU Organiser 1 2001).

Although the action against the COGD commenced in May 1999, the Federal Court decided the matter of the ‘transmission of business’ first. On 14 September 1999, Silver Circle acceded to the ASU’s claim and on the same day, the Federal Court issued orders stating that the *Victorian Local Authorities Interim Award 1991* and COGD EBAs (1995 and 1998) applied to the former COGD employees who had been transferred to Silver Circle. Silver Circle subsequently agreed to pay these and other employees working in the HACC services area the same as those already established in the COGD EBAs (ASU Assistant National Secretary 2001).

This was a major victory for the ASU (MEU Branch Secretary 2001). The decision meant that private firms who were awarded service provision contracts by a public sector
organisation were required to ensure terms and conditions at least matched those already applicable in the public sector organisation (MEU Branch Secretary 2001; MEU Assistant Branch Secretary 2000b). This decision also served as a reminder to potential private sector competitors that the union would ‘pounce’ on those companies that sought to undermine the terms and conditions of local government workers (MEU Assistant Branch Secretary 2000b).

The Federal Court withheld its decision on the COGD case until September 2000, at which time the Court found that the council had breached section 298K of the *Workplace Relations Act, 1996* (FCA 2000). The court reinforced the decisions in the Northwestern Health Care case and Stellar Call Centres making it illegal for employers to encourage or coerce workers into reducing their terms and conditions in a competitive environment. The Federal Court ordered the COGD and ASU to confer within 21 days as to remedies appropriate to each employee. The ASU subsequently sought reinstatement of employment to council as the major remedy for the HACC workers who had been transferred to Silver Circle. In addition the union sought monetary compensation for loss of earnings and benefits for these workers.

Even though this decision was handed down after the defeat of the Kennett government, ASU officials claimed that it had now placed major restrictions on all governments who sought to pursue contracting out in the future (ASU Assistant National Secretary 2001; MEU Branch Secretary 2001; MEU Assistant Branch Secretary 2000b). The decision meant that employers who sought to tender for service provision needed to carefully examine the sources of savings proposed by providers. If the savings were primarily the result of lower award or agreement entitlements, the decision on outsourcing was more problematic (Catanzariti 2000).

The next section sums up the discussion of the ASU’s responses to the Victorian local government reform agenda between 1992 and 1999.
5.4.4 Summing up: The ASU’s responses to the local government reform agenda

Drawing on the findings gathered on the ASU’s responses, some conclusions can be reached on RQ4 and each of the sub-parts of RQ4.

**RQ4.1: What position or stance did trade unions adopt in response to the reform agenda?**

Interviews with ASU officials showed that the union’s major position in response to the local government reform agenda was one of involvement. Involvement at any level and any point in the reform process was central to the ASU’s survival as a union in the immediate term (MEU Branch Secretary 2001). An involvement stance was justified on the basis that this approach provided the ASU with opportunities to maintain a union presence throughout the reform period and also positioning itself for ‘clawing back’ gains under a more supportive State government (ASU Assistant National Secretary 2001; MEU Assistant Branch Secretary 2000b).

A position of non-involvement was never considered a serious option by the ASU because of the perceived additional damage that would eventuate for the union and members (MEU Assistant Branch Secretary 2000b). While the VSEB was more reluctant, relative to the MEU, to become too involved in the reform process for fear of being seen as compliant with the changes, the effects of amalgamation on their own membership was incentive to adopt a greater level of involvement (VSEB Assistant Branch Secretary 2001).

Other studies that touched on trade unions and local government reform also found that the ASU adopted an involvement position in response to the Kennett government’s reform of local government (Paddon 2001; Teicher et al. 1999; Teicher and Van Gramberg 2002; Van Gramberg et al. 2002). The findings here also support those reported in Chapter 2 that claimed unions could do little to prevent the overall thrust of the Thatcher government’s local government reform, and consequently involvement in the change process was essential to ensure member interests were not left in the hands of council management or contracting organisations (Fairbrother 1996a; Fogarty and Brooks 1989).
RQ4.2: Where did union action originate or be directed from?

The second part of RQ4 sought to identify at what level in the union decisions about actions were made. This is an essential component in explaining how unions responded to the local government reform agenda. According to the literature review in chapter 2, the ASU could have adopted a centralist approach, where key decisions about actions were made by paid officials, or a workplace level approach, where actions would mainly originate from members and the workplace level (Foster and Scott 1998).

Debate about union survival was occurring at national and international levels and consensus appeared to favour shifting the focus of unions to an organising model of operation (Cockfield 2005). Under this model, central officials would facilitate and educate members to be able to solve workplace issues themselves (Fairbrother 1994). This approach differed from the more traditional centralist or service model approach that was common in Australian unions (Griffin, Small and Svensen 2003). The service model was based on the idea that the function of a union is to deliver collective and individual services to members who are dependent on central officials (Banks and Metzgar 1989; Heery et al. 2000).

ASU officials reported that the union took the option of a more centralist approach to the initiation, development and implementation of the actions throughout the reform period. This approach was justified on four main grounds.

Firstly, officials claimed that a centralist approach was more in line with the traditional way in which local government unions had operated and consequently was a natural reaction by the ASU (MEU Assistant Branch Secretary 2000b; MEU Branch Secretary 2001; MEU Organiser 1 2001; VSEB Assistant Branch Secretary 2001; VSEB Branch Secretary 2001; VSEB Industrial Officer 1 2001; VSEB Industrial Officer 2 2001).

Second, the reduction in the level of union experience at the workplace level following amalgamation meant that the central office was compelled to take a leading role ((MEU Assistant Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001).
Third, officials reported that some shop stewards and local ASU representatives had ‘looked after themselves’ and not represented the interests of members (MEU Assistant Branch Secretary 2000b; MEU Organiser 1 2001).

Four, officials recalled that members wanted central officials to ‘take the lead’ and remain ‘servicing’ their needs (MEU Organiser 1 2001; MEU Organiser 2 2001; VSEB Industrial Officer 2 2001).

**RQ4.3: What internal and external actions were taken by trade unions?**

The third component of the model of trade union responses deals with the actions taken by trade unions. This question examined the actions that the ASU took during the local government reform period between 1992 and 1999. The findings in this chapter have identified how the ASU responded applying a range of both internal and external actions. During the initial reform period, 1993-96, the ASU’s responses centred on organising and bargaining activities. These centred on informing members and representing member interests at the workplace through the negotiation of EBAs and LAWAs (MEU Assistant Branch Secretary 2000b; MEU Branch Secretary 2001; MEU Organiser 1 2001; VSEB Assistant Branch Secretary 2001; VSEB Branch Secretary 2001; VSEB Industrial Officer 1 2001; VSEB Industrial Officer 2 2001). Organising actions centred on keeping members and officials informed about the reform process and actions taken by the ASU and in local councils. The actions included member communication, refining roles of organisers/industrial representatives, training activities, recruitment of union members, and the establishment of a temporary employment database or job network.

The bargaining actions were essential for the continued involvement of the ASU in local government reform. The Federal industrial relations framework, including legislation and access to the AIRC, maintained the union’s right to negotiate on behalf of their members. This enabled the ASU to maintain some level of influence over the changes to terms and conditions (MEU Assistant Branch Secretary 2000a; MEU Organiser 1 2000; MEU Organiser 2 2001; VSEB Industrial Officer 1 2001; VSEB Industrial Officer 2 2001).

During the Kennett government’s second term in office (1996-1999) as the rate of legislative change slowed and the full implementation of CCT was being felt in councils and
the local community, the ASU increasingly pursued external actions. The ASU’s externally-focussed actions were described as political and legal in the above discussion. While internal actions remained a constant and key priority of the ASU throughout the reform period, the union also perceived signs of increasing community opposition to the Kennett government. These changing conditions provided the opportunity for the ASU to adapt and expand its actions from those primarily focused on survival and protection of members’ interests to a broader objective of removing the CCT policy. In addition, legal avenues had opened as a result of previous decisions handed down by the Federal Court of Australia dealing with competitive tendering practices (MEU Branch Secretary 2001).

The model of trade union responses developed from the literature review in chapter 2 (Figure 2.2) can also be used to represent these findings visually. As explained in Chapter 2, the model is not a precise measurement of levels of involvement or degrees in which central and workplaces determined and managed action. There is also no scale developed nor has a base line been created to measure any changing union responses compared to the pre-Kennett period. The central purpose of the model is to visually present the ASU’s response to the challenges posed by the Kennett government’s reform agenda based on union officials’ perceptions. The findings are summarised in Figure 5.3.
The next section provides some tentative conclusions on the overall outcomes for the ASU arising from the local government reform agenda and in so doing partly contribute to answering RQ5. The discussion is based on the findings on the effects on the ASU (section 5.3) and their responses (section 5.4). The next section also adds the information gathered in this chapter to the trade union elements of the analytical framework for Victorian local government reform and build upon the first part of the framework that was provided in Figure 3.10.

### 5.5 Outcomes for the ASU

The discussion in section 5.3 showed that the local government reform agenda had negative consequences for the ASU in four main areas including the level of influence in policy determination and implementation, membership levels, bargaining outcomes, and intra- and inter-union relations. The effects were summarised in Figure 5.2, illustrating how the reform agenda was driving consequences toward a worst case situation for the ASU. However, prior to determining actual outcomes, some analysis of how the responses taken
by the ASU was necessary since the actions taken by the ASU helped alleviate the trend toward the worst case position.

The first effect discussed was in the level of influence in policy determination and implementation. The findings in this chapter identified that union access at the central level was non-existent. The Kennett government reduced the level of consultation and involvement of unions in all legislative matters and also restricted access at the bureaucratic level through the OLG. Union access and influence at a local council level was also restricted, particularly when commissioners and interim CEOs were in charge of administering local councils. However, the ASU was able to counter the overall impact in this area through the responses it undertook.

Key amongst the findings on the ASU’s responses was their underlying objective of maintaining involvement in any possible way. This was reflected in the organisational actions taken during the reform period. Although access to information was limited, utilising various forms of member contact, the ASU was able to gain important information about the way in which local councils were approaching and implementing the policy instruments. The access to members was also important in delivering the ASU’s ‘messages’ about the impacts of the policy instruments and in building support for centralist directives.

Involvement in the reform agenda was also aided by the ASU’s bargaining actions. Bargaining provided the legal avenue for maintaining union presence in the workplace. The Kennett government was unable to directly legislate on the ASU’s role and organisation since it was a federally-registered union under the Workplace Relations Act 1996. The bargaining agreements reached during the reform period provided avenues for union involvement in decisions about CCT in local councils and in determining performance and efficiency targets. These actions help reduce the level of negative impact facing the ASU at the local council level. The findings also showed that the union was also successful in making policy makers aware of their position and contributing to the removal of the CCT policy through political and legal means. These proved successful in contributing to the electoral defeat of the Kennett government in 1999.

In addition, members became more cognisant of what was required to compete, increasing their understanding of how to scope jobs for tender and crucially of the likely competition
Members who had negotiated gain sharing arrangements with local councils also became more acutely interested in council decisions and results on CCT.

The second effect discussed was in the area of the ASU’s membership levels. The findings described here show the MEU and VSEB suffered significant decreases in membership levels as a result of the policy instruments. Both branches reported decreases of around 50 per cent, which had major ramifications on the level of resources available in which to launch counter-attacks on the government through political and legal channels and in being able to halt council management objectives of reducing terms and conditions of members. However, the ASU was able to take actions that contributed to reducing the overall impact in this area.

Although avenues for recruitment were limited by the changing nature of employment towards a greater use of part-time and casual labour, both branches were able to maintain, to varying degrees, previous levels of membership density in local councils. This outcome was aided by actions in maintaining member contact and regular training for shop stewards and local ASU representatives. The establishment of bargaining agreements with some private sector providers also enabled the ASU to gain members. Bargaining outcomes obtained in respect of redundancy and CCT processes were also important for restricting the level of private sector success in securing tenders for the delivery of council services. The ASU succeeded in increasing the cost of redundancy to councils as a means of warding them off from wholesale externalisation of service provision.

While these actions contributed to halting further major declines in membership numbers, ASU officials also reported that the Kennett government’s imposition of amalgamation prior to CCT was a crucial to halting further declines. This decision had enabled councils to resize in readiness for potential competition over service delivery. Furthermore, the success of in-house providers over external contractors halted some membership decline.

The third effect discussed was in terms of the bargaining outcomes experienced by the ASU. The effects of the reform on the ASU were experienced in terms of the altered bargaining format, the harsher negotiating climate during the reform period and subsequent bargaining outcomes. The changing bargaining format put additional resource strains on the ASU as they were unable to be a party to all negotiations at each local council and unable to stem
the use of LAWAs. The loss of many experienced local representatives also placed additional strains on central resources to be able to effectively negotiate EBAs and LAWAs on behalf of members. The shift to EBAs and LAWAs resulted in the breakdown of the state wide terms and conditions in the former award, the *Victorian Local Authorities Interim Award 1991*.

The bargaining climate was also much harsher for negotiating than had previously been the case prior to the election of the Kennett government. The approach by the Kennett government set a climate of financial austerity in local government. Local council management also took a firmer line against union claims and were found to have put increased pressure on employees to reduce terms and conditions in readiness for competition from external providers. In many cases also members themselves supported council management offers in preference to the position taken by central ASU officials. The ASU like its colleagues in the UK subsequently were forced to balance the loss of terms and conditions with job security (Colling 1995).

Although the ASU was unable to halt the reduction in terms and conditions of some members through LAWAs, some gains made by the union in terms of access to decisions about CCT and redundancies and also in achieving flexibility entitlements requested by their members. In addition, the ASU remained a party to all negotiated agreements, which permitted them access to future negotiations over terms and conditions and provide opportunities to ‘claw the losses back the losses’ (MEU Assistant Branch Secretary 2000b).

The fourth effect discussed was in terms of the worsening relations both internally (such as, between branches of the ASU and between members and officials) and externally (such as, between the ASU and other unions). Some differences between the MEU branch and the VSEB were evident during the reform period. This was illustrated in the reluctance of the VSEB to become too involved in the reform process in the initial days and also in the limited part taken by the branch in the external actions. Part of the differences in approach relates to traditional ways of operating. The former Federated Municipal and Shire Council Employees Union of Australia often dealt more directly with members and while the former Municipal Officers’ Association relied on other means of contact. The impacts of CCT also varied and exposed the MEU to more threatening losses of membership than the VSEB, resulting in different levels of motivation to act. However, the ASU was able to limit any
major negative consequences for the union by ensuring differences of opinion were ‘thrashed out’ at the central office rather than at a workplace. This meant that the ASU could present a united front to members.

Relations between officials and members were also strained by the implementation of the policy instruments and particularly under CCT. The main area of difference arose in EBA and LAWA negotiations. The ASU faced circumstances where members wished to vote in favour of agreements that central officials were not favouring. This was illustrated in the take up of performance pay or gain share by members. Although the ASU tried to persuade members to ignore the management push for such schemes, the ASU was unable to stop members. However, central officials also respected these differences of opinion and found that they needed to adapt to local circumstances so as to achieve the main objective of union involvement.

Relations with external unions were not challenged by the local government reform agenda. As explained in section 5.3, previous arrangements with potential competitor unions had already been put in place during the 1980s. This reduced any moves for unions to ‘steal members’ (MEU Assistant Branch Secretary 2000b).

The findings reported in this chapter and discussed above also permit some tentative conclusions to be reached about RQ5.

**RQ5. Was the Kennett government successful in attaining its third key objective: a significant reduction in trade union position and influence in local government?**

The overall outcomes on the ASU were negative in each of the four key areas discussed above however the level of impact perceived by union officials was less than the worst case scenarios, which were assumed to be the targets sought by the Kennett government. Rather than a significant reduction in union position and power, the findings show the ASU was able to reduce the impacts through their responses. The ASU responses were able to influence local government change.

Prior to conclusions being reached on this question, further investigation is required at a local council level. This is essential for two main reasons. Firstly, the findings in Chapter 3
revealed that local government did not transform to an extent that could seriously undermine the position of trade unions. Although extensive changes occurred in respect of council boundaries, financial savings, and extent of CCT practices, local councils remained the dominant provider of services and other operational features remained similar to the pre-1992 period. The findings reported in Chapter 3 revealed that a major transformation by local councils toward a competitive culture and approach did not eventuate. A study of local councils pre- and post- 1992 will contribute essential information as to the extent of change to local government arising from this reform agenda and provide important insights into the impact of local variants on shaping policy outcomes. This information will also contribute to overall conclusions on RQ2: How did the reform agenda impact on local government in Victoria?

Second, union officials recalled how the different approaches were taken by the ASU to reform, particularly in terms of bargaining action during this period. A study at a local council level is necessary to identify how union responses were shaped by local variants and also how the responses in turn influenced local variants and also the extent of change resulting in local councils.

Although these gaps remain in this study at this stage, the information reported in this chapter can be added to the trade union elements of the analytical framework for Victorian local government reform that was presented in Figure 3.10. In Figure 5.4, the element, effects on trade unions, is represented by the model of effects on the ASU presented in Figure 5.2. The element, trade union responses, is represented by the model of responses by the ASU presented in Figure 5.3.

The links between the elements were also confirmed, with the effects on trade unions arising as a result of the changes undertaken in local government (link number 3). These effects necessitated reactions from the ASU as evidenced by their responses (link number 4). Further, union officials reported that these responses were shaped by the influences of local variants, requiring the ASU to adapt their bargaining approach (link number 5).

In addition to the trade union information, another element, ‘Federal Industrial Relations Framework’ also needs to be added to the analytical framework as a result of the discussion of the ASU’s responses. The ‘Federal Industrial Relations Framework’ was of crucial
importance in helping shape the ASU’s responses. The legislation introducing EBAs, *Industrial Relations Reform Act 1993*, guaranteed union involvement in collective bargaining at the local council level. The framework also permitted union access to the Federal Court of Australia to challenge local council decisions on CCT.

The inclusion of this element also gives rise to another important link to those that were explained in chapter 2 (in section 2.6 Conclusion, Research Questions, and Analytical Framework) and presented in the framework in Figure 2.3. The new link (number 7) recognises that trade union responses, and particularly their actions, are principally determined by the powers and rights they have within government legislation.
Figure 5.4: Analytical framework for Victorian local government reform – part 2

Forces driving reform:
- Public choice ideas
- State’s budget position
- Micro-economic reform pressures

Approach to implementing reform:
- Reduced consultation
- Change was rapid
- One-size, fit-all

Policies:
- Council amalgamations
- Financial savings
- Management changes
- Electoral changes
- Compulsory competitive tendering

Expected outcomes:
- Cost savings and efficiency improvements
- Reduction in the size and scope of local government
- Reduction in the position and influence of trade unions in local government

Local variants
- Level of competition
- Approach to reform (such as packaged services for tender, support for in-house units)
- The influence of other regional forces (structural changes)
- Management action

Supporting/Encouraging change
- Local Government Reform
- Local Government Change

Restricting/Inhibiting change
- Major changes experienced:
  - Reduction in the number of local councils
  - Financial savings
  - Some reduction in direct service provision
  - Minor change to management – personnel from local government
  - Large decreases in employment
  - Mostly twin-hatted organisational structure, not enabling
  - Councils fearful of government intervention
  - Market-based decisions did not totally replace political decisions
  - Support for in-house units remains

Effects on Trade Unions
Level of influence in policy determination and implementation
- Membership levels
  - Low
  - Minimal
  - Poor
  - High
  - Extensive
  - Good

Bargaining outcomes
- Poor
- Intra- and inter-union relations
  - Good

Trade Union Responses
- Union stance
  - Involvement
  - Central
  - Internal
  - Non-involvement
  - Decentralised
  - External

Source: Developed for this study

The next section will conclude this chapter identifying the research questions answered and those that require further investigation.
5.6 Conclusion

The central object of this chapter was on reporting and discussing findings on the effects of the local government reform agenda on the ASU and on describing their responses using the models developed in chapter 2 (Figures 2.1 and 2.2). This information was necessary to answer research questions, RQ3, RQ4 and RQ5 and essential for contributing to the trade union elements of the analytical framework for Victorian local government reform that was commenced in Chapter 3 (Figure 3.10).

The chapter initially commenced with a review of the formation of the ASU. The chapter briefly described the origins of the Federated Municipal and Shire Council Employees Union of Australia and Municipal Officers’ Association of Australia, both of which formed the two key local government branches of the ASU in 1993. This was followed by a brief description of the structure and organisation of the ASU. This background was necessary because the previous studies of local government trade unions were quite old and pre-dated the Kennett government’s reforms to local government (Best 1986; MOA 1970). The information was also essential background for the discussion on the extent of the effects arising from the local government reform agenda and for analysing the ASU’s responses.

The next section discussed the effects of the reform on the ASU and contributed answers to RQ3: How did the reform agenda effect trade unions in Victorian local government? The findings provided evidence that the ASU suffered negative consequences in four main areas including the level of influence in policy determination and implementation, membership levels, bargaining outcomes, and in respect of intra- and inter-trade union relations. This information was then summarised into the model of effects on trade unions and presented in Figure 5.2.

This was then followed by a discussion of the ASU’s responses to the Kennett government’s reform of local government. The information contributed answers to RQ4: How did trade unions respond to the reform agenda? The findings provided evidence that the ASU sought an involvement position in respect of the reform agenda and central officials primarily determined the union’s actions. The internal and external actions pursued by the ASU were also described. This information was then summarised into the model of union responses and presented in Figure 5.3.
The information gathered on these two RQs was also added to the trade union elements of the analytical framework for Victorian local government reform in Figure 5.4. In addition, the findings permitted some tentative conclusions to be offered to RQ5: *Was the Kennett government successful in attaining its third key objective: a significant reduction in trade union position and influence in local government?* Although there was evidence suggesting the ASU had suffered significant negative consequences from the local government reform agenda, trade union responses had halted the impacts from reaching ‘worst-case’ levels. In addition, conclusions drawn on local government change in Chapter 3 suggested that this government tier did not transform to the extent necessary for maximum damage to be inflicted on the ASU.

Before conclusions about the overall outcomes on the ASU and answers to RQ5 can be reached additional information is required from the local council level. Additional information is required on the element ‘local variants’ before conclusions can be made about the impact they have on local government change (link number 2). In addition, further information is required on how local variants influenced the ASU’s responses and how their responses also shaped local variants (link number 5) and consequently the level of change in local councils. This is the central focus of the next chapter.
Chapter 6: Policy changes at the local council level and the Australian Services Union

6.1 Introduction

The previous chapter provided findings on the first of the case studies undertaken in this study, the ASU. The effects of the local government reform agenda on the ASU and their responses to this agenda were investigated using the models developed from the literature review in Chapter 2 (Figures 2.1 and 2.2). The findings contributed necessary information for answering RQ3, RQ4 and RQ5.

The central object of this chapter is report on the nature and extent of change in local councils arising from the policy instruments implemented between 1992 and 1999. These findings will add information to the RQs set out in Chapter 1 (section 1.3) and will enable the completion of the analytical framework being used as a template in this study (Figures 3.10 and 5.4). This information is gathered from research into two local council case studies, the Corangamite Shire Council and the Moyne Shire Council. The selection of these two councils, which are both located in the south west region of Victoria was explained and justified in Chapter 4.

The chapter begins with a brief description of the origins of local government in the south west of Victoria (section 6.2). This is followed with findings on the outcomes of the policy instruments in the areas of local government structure, finances, management and organisational features, CCT arrangements, and also the effects on the ASU and their responses, firstly at CSC (section 6.3) and then in MSC (section 6.4). Following this, an analysis of the main local variants encouraging and inhibiting changes in these councils will be undertaken (section 6.5). This is required since Chapter 3 concluded that other factors, or local variants, also appeared to have influenced the way in which local councils behaved and the outcomes of the policy instruments. The contributions to the RQs will then be discussed and a summary of the findings will then be added to the relevant elements of the analytical framework in the concluding section of this chapter (section 6.6).
6.2 Local government administration in south west Victoria

The south west of Victoria was one of the earliest areas in which Colonial governments introduced local government administration. Road Boards were originally established in Belfast (1853), Hampden and Heytesbury (1857), Mortlake (1860), and Warrnambool (1855) (Anderson 1996; Gray 1964; Marriott 1988; MHS 1985; Sayers 1972). These Roads Boards were later dismantled and replaced with a number of local councils, under the Victorian Municipal Institutions Act 1854 and then the Victorian Local Government Act 1874. The Shires of Hampden (1863) and Heytesbury (1895) replaced the Hampden and Heytesbury Roads Board and later Hampden was reduced to form the Town of Camperdown (1952). In addition, the Belfast Roads Board, Warrnambool Roads Board and Mortlake Roads Board became the Shires of Mortlake (1864), Warrnambool (1863), Minhamite (1871), and Belfast (1863), the Borough of Port Fairy (1887) and the City of Warrnambool (1885).

The main activity of these local councils was similar to that of the Roads Boards, building transport infrastructure. This was not unexpected, as initial settlers to the region had established large land-holdings for agriculture, which required the development of transport infrastructure to gain ‘better access to markets for their produce’ (Sayers 1972, p.47). Since local councils could not raise the necessary revenue, they availed themselves of grant monies from the federal and state governments after Federation (1901) for this and other infrastructure development. In addition, most councils in this region of the State had also obtained grants to provide a range of community services on behalf on the State and Federal governments (Local Government Inspector 2000).

The local councils in this region remained as constituted until the Minister for Local Government, Roger Hallam, instructed the Local Government Board (LGB) on 11 March 1994 to revamp local government in the south west region of Victoria (Office of Local Government 1994b). The LGB’s initial report, South-West Review - Interim Report, was released in June 1994 (LGB 1994a). Similar to all other reviews, the Report was prefaced by a general overview of the need for local government change and also contained a discussion of the main benefits to be gained from amalgamation (LGB 1993b, 1994a, 1994c). These benefits included substantial cost savings, increased financial flexibility and greater political influence beyond the region for these new councils.
The LGB claimed that the existing structure of twenty-four local councils in the south west was not providing communities with efficient and effective services. The LGB also noted that this was primarily due to councils having small budgets and relying too heavily on federal and state road funding and other grants for financial viability (LGB 1994a). In addition, the Board reported that townships were in decline and the move toward larger farm holdings, the reluctance of family members to take over farms, and increased mechanisation were also contributing to the decline in population in these areas (LGB 1994a).

Additional inducement to amalgamate councils in the south west region was also forthcoming from the Minister for Local Government, who was the local Legislative Council member in the region. A council official claimed that ‘he could hold up successful reform in this region as a showcase for the government to advance the benefits of amalgamation throughout the remainder of the State’ (Director of Corporate Services (C) 2000a).

At this time, the LGB recommended that the local government in the south west be reconstituted and eight new local councils formed, as shown in Table 4.3. CSC was to be formed from the amalgamation of Camperdown, Hampden and Heytesbury and MSC created to replace the former shires of Mortlake, Warrnambool, Minhamite and Belfast, and the Borough of Port Fairy (LGB 1994a). The community had two weeks only, between 18 June 1994 and 4 July 1994, in which to ‘make comments on the proposals’ (LGB 1994a, p.4), further illustrating the Kennett government’s approach to local government reform (section 3.4, Chapter 3).

The proposed formation of the CSC resulted in minimal community reaction, with the LGB’s final report, South-West Review – Final Report, (1994b) noting only fifteen submissions were received. These all were supportive of the proposed change, including the submissions by the former councils (LGB 1994b). Support for amalgamation was not unexpected in this traditionally conservative political area, with the conservative Liberal and National Parties dominating State and Federal elections since the 1930s. Some of the former councils in the region had also actively promoted amalgamation during the 1980s (Local Government Inspector 2000).
In contrast, the proposed formation of the MSC resulted in 590 submissions. This represented almost seventy per cent of the total submissions received for the entire south west region (LGB 1994b). The main issue of contention concerned the recommendation that the coastal township of Port Fairy be included within the MSC, rather than in the new larger coastal city of Warrnambool (LGB 1994b). A senior council officer claimed that ‘there was much lobbying by the National Party and many rural-based councillors to keep Port Fairy out of Warrnambool’ (Chief Executive Office 2000).

Although the LGB stuck by their original recommendation in the Final Report, they also noted that there may be ‘irreconcilable differences’ between the tourist and fishing interests of Port Fairy and the agricultural interests of the surrounding communities. As a result, the LGB recommended the Kennett government should closely monitor the new council’s performance in case further restructuring was required (LGB 1994b). This ‘created considerable uncertainty and fear amongst commissioners and councillors and obviously influenced our decisions on policy implementation’ (Chief Executive Officer 2000).

The next two sections detail the outcomes of the Kennett government’s local government reforms in each of these two case studies, initially addressing reform at CSC and then followed by an analysis in MSC.

6.3 Corangamite Shire Council

The sections commence with the outcomes in respect of amalgamation.

6.3.1 Amalgamation

‘Corangamite’ is an Aboriginal word for ‘bitter’ and the name of the lake on the Shire’s eastern boundary (Director of Corporate Services 2000a). The new council was formed on 23 September 1994, with the Kennett government appointing three commissioners and an interim Chief Executive Officer (CEO) to manage the initial implementation of their reform agenda.

The council’s offices are located in the town of Camperdown, which is approximately 200 kilometres from Melbourne. The council covers an area of 4,356 square kilometres and a population of 18,130 (DOI 1998b; OLG 1995b). The Australian Classification of Local
Governments (ACLG) identified CSC as a ‘Rural Agricultural Very Large local government (RAV), with a population less than 20,000. CSC is one of 12 councils across Victoria and one of 61 similarly classified councils in Australia (NOLG 1998).

At the time of formation, the Council had 897 kilometres of sealed local roads and 1,130 kilometres of unsealed local roads. In addition, there are 150 kilometres of highways/tourist roads, 424 kilometres of main or state roads and over 90 bridges. The shire's economic base is principally provided through agriculture and some value-adding manufacturing. CSC contains wool growing and cropping areas in the north, while the south has one of the most intensive dairying areas in the State. Milk processing industries are also located within CSC. Approximately 42 per cent of residents are employed in the ‘Agriculture, forestry and fishing’ industry. Manufacturing and services are relatively minor employers, with approximately 8.6 per cent in manufacturing and 9.4 per cent in retail trade (Department of Infrastructure 1998b).

6.3.2 Financial characteristics

In the first year of operation, CSC was expected to reduce the combined total of rate revenue collected by previous councils by 20 per cent. In addition, a rate freeze was also imposed between the fiscal years 1994/95 to 1997-98. These policy instruments had a desired outcome for the Kennett government, as property rates and charges declined from $7.2 million (or 45 per cent of total revenue) to just $4.7 million (or 30 per cent of total revenue) as illustrated in Figure 6.1.

CSC was able to counter this decline to some extent through obtaining grant income. This resulted in government grants rising from approximately $6 million or 37 per cent of total revenue to approximately $8.5 million or 45 per cent over the same period (Corangamite Shire Council Annual Report 2000). The remaining revenue was sourced from user fees and charges, proceeds from the sale of assets and income derived from private works undertaken by the council (Figure 6.1).

On the whole, CSC continued to reflect revenue characteristics of the former councils, particularly the reliance on grant funding. However, as many council employees claimed, CSC needed external funding to maintain the major transport network and the continued
provision of community services in the area. One officer claimed, ‘grants are our lifeblood and without them we would hardly be able to function’ (Corporate Service employee 2000).

Figure 6.1: Corangamite Shire Council revenue sources, 1994-95 to 1999-2000

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<th>Year</th>
<th>Rates and charges</th>
<th>User fees and charges</th>
<th>Government grants</th>
<th>Other</th>
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Source: Developed for this study from Corangamite Shire Council Annual Reports, 1994-95 to 1999-2000

The LGB (1994a) claimed that the formation of CSC would have an estimated expenditure of $18 million in the first year, representing a saving of over $3 million in comparison with the combined expenditure of the former councils in 1993/94. These savings were expected from reductions in labour costs, ($1.75 million), recurrent costs ($1.12 million) and the standard across-the-board reduction in capital expenditure of 5 per cent.

Total expenditure initially decreased in line with Kennett’s aims, however, rose from 1997/98 largely as a result of the change to how depreciation was to be calculated (Figure 6.2). Councils were required to depreciate roads and other infrastructure, and given the extensive infrastructure, depreciation increased by 665 per cent increase from $1.6 million (1996/97) to $12.4 million (1997/98).
The majority of council spending (around 40-45 per cent) throughout the 1990s was also directed towards transport service provision and other infrastructure services like parks and gardens maintenance, street cleaning and the like. This also confirmed similarities with the previous councils.

Continued expenditure was also required in these areas, as the condition of many roads in the region had deteriorated by the 1990s (Roads and Construction employees 2000). As one senior employee noted:

‘… CSC has high road maintenance costs mainly due to the geography of the region and the nature of industry undertaken. Heavy vehicles generated by the dairy industry are also having a significant impact on the condition of local roads. The roads were never built to withstand such weight of the larger and heavier B-double trucks that collect the region’s milk’ (Provider Manager 1 2000).

The condition of roads in the shire also became a ‘hot’ local political issue (Director of Corporate Services 2000a). A number of public meetings were held in 1997 to discuss the condition of local roads. An officer recalled that ‘one extreme option being canvassed by
the council to return some sealed roads back to gravel in order to reduce maintenance costs’ (Corporate Services employee 2000). The council subsequently transferred funds from other activities and also borrowed $2 million for the primary purpose of local roads maintenance (Director of Corporate Services 2000a).

The remainder of the council’s spending was directed to community services, such as family day care, aged services and pre-school operations (around 15-20 per cent), and general administration (around 20-25 per cent) (Director Corporate Services 2000a). These proportions of expenditure were also similar to those of the former councils in the area (Local Government Inspector 2000).

This expenditure pattern had also reinforced the perception that amalgamation did little to alter the essential nature of local councils in this region. This was reinforced by comments made by two Provider Managers, who both recalled that the dominant expenditure remained the same as previously on transport, parks and gardens and family day care, which the same (Provider Manager 1 2000). A former provider manager also claimed, ‘Corangamite just became bigger’ (Provider Manager 2 2000). The continued emphasis by the new council on transport was also necessary at this time because of the growth in tourism in the region. A council officer noted, ‘all of a sudden the emphasis was placed on encouraging more tourists to the area and this meant that we had to fix up the roads’ (Corporate Services employee 2000).

Changes in expenditure were expected, and subsequently resulted, in respect of labour costs. The proportion of expenditure on labour declined as a result of job loses arising from amalgamation during 1995/96 and 1996/97 (see section 6.3.3, *Management and organisational characteristics*). The LGB had anticipated expenditure on direct forms of employment would decrease from $7.3 million (or around 34 per cent of expenditure) to $5.5 million (or around 30 per cent of expenditure) after CSC was formed. However, given the continued provision of labour-intensive services (see section 6.3.4, *Compulsory Competitive Tendering*), spending on direct employment continued to form a main area of council expenditure, in addition to material costs. Furthermore, the proportion of expenditure on labour remained in excess of the expectations of the LGB (Figure 6.3). At no stage did this proportion decrease below 35 per cent.
Council officers recalled the success of the council’s in-house units in tender bids had maintained labour as a main item of expenditure (Corporate services employees 2000). In addition, structural changes, pursued by management (as explained in the next section), also added to council’s labour costs. The Director of Corporate Services (2000a) said, ‘the council had under-estimated the costs associated with employing five directors at a senior management level in the initial twelve months’. The Human Resource Manager (2000) also claimed, ‘we (Corangamite) were far too top heavy. Our structure was also very different to others in the area and that had cost a lot to maintain’.

In addition, the Human Resource Manager (2000) said the council had under estimated the number of staff required at the middle management level for operations functions. ‘The resignation of supervisory staff in the ‘outdoor’ works area during the first half of 1995 had left a sizeable gap in knowledge of our functions and when the council acted to replace these staff, we were forced to pay higher salaries as qualified personnel were in short supply’ (Human Resource Manager 2000).
6.3.3 Management and organisational characteristics

The bringing together of three councils under one administration resulted in some major organisational restructures and consequential employment reductions in CSC. The commissioners and interim CEO established an interim organisational structure in October 1994. This structure mainly resulted in moving the former senior managers into positions of acting directors/managers (Human Resources Manager 2000). Minimal adjustments were made to other parts of the council’s workforce over the next three months. Subsequent appointments were made to the senior management positions, including CEO by January 1995. The Commissioners remained until the first council was elected in March 1996.

It was at this time, the first major structural change was implemented. The Human Resources Manager recalled:

‘… the CEO and myself planned the first organisational structure in early 1995. We largely had decided on the number of people required within the new organisation based on the need to achieve specified dollar savings and on what we perceived as expected in-house successes under CCT. We also estimated the number of people wanting to depart the council to minimise the level of ‘forced’ terminations’ (Human Resource Manager 2000).

Unlike the former councils, where there were a maximum of four senior managers, the initial structure consisted of six departments (organisational development, financial and corporate services, environmental and regulatory services, works and technical services, community services, and community development, all with directors or senior management responsibilities and pay packets (Provider Manager 1 2000). As noted above, this was a primary reason for the continued high proportion of expenditure remaining on labour. A union official also recalled that the council’s appointment of five directors ‘was a sign that we are a council with big ideas. But in the end, all this structure did was cost the council more and resulted in minimal major projects’ (VSEB Industrial Officer 2 2001).

In announcing the planned structure, the CEO also unilaterally decided that all positions, apart from the six managers/directors recently created, should be ‘spilled’ and advertised (Director of Corporate Services 2000b). ‘We informed employees that they could either
apply for a job within the proposed structure or take a voluntary departure package’ (Human Resources Manager 2000). However, this decision was challenged by the ASU on grounds that the council would be contravening the *G17 Restructuring Agreement*, in which the former councils had been signatories. The Assistant Branch Secretary (MEU) recalled:

‘… we viewed the CEO’s proposal as contravening consultation clauses contained in the *G17 Restructuring Agreement*, which had been negotiated with the three previous councils. We argued that council should offer employees a number of options as to the manner in which positions would be spilled and re-appointments made’ (MEU Assistant Branch Secretary 2000b).

‘After some heated exchanges, three options were subsequently put to employees’ (MEU Organiser 1 2000). The first option involved a total spill of positions and each person currently holding the position being declared redundant. Positions would be filled by a block release with a right to appeal being available to disaffected employees. The second option involved the identification of people for positions within the structure and this to be overlayed over the existing structure. People not identified in the new structure would be offered a voluntary departure package (VDP), although a right of appeal was made available. The third option was a combination of the previous options. If a person was not accommodated within the new structure they would be offered a VDP. In addition, there would be no right of appeal available (Human Resources Manager 2000; MEU Organiser 2 2001).

A ballot held in March 1995 resulted in a split decision between the first two options, requiring a further ballot, which was then held in the next month. The Human Resources Manager recalled:

‘… although staff feedback indicated some concern over the limited time in which to seek a redundancy and to lodge an appeal, they decided in April to support the first option. All employment positions, as per the CEO’s original proposal were subsequently spilled and advertised in the local media between April and May 1995’ (Human Resource Manager 2000).

Employees over 55 years of age were ‘strongly’ encouraged to apply for a redundancy package. The Human Resources Manager claimed:
‘… we understood there were older staff willing to get out and given their entitlement to full superannuation benefits and other benefits, we encouraged them to think about it’ (Human Resource Manager 2000).

However, a local union official also recalled that the council placed pressure on the over-55s. ‘The council tried to impress upon them the generous size of the VDP and also that their future employment will become more intense and may be more insecure’ (ASU Local Representative 2001).

The MEU Shop Steward (2001) also echoed these sentiments. The official claimed ‘the council did what others in the region were doing, forcing out long serving employees, who also happened to be union members’ (MEU Shop Steward 2001).

This process resulted in 59 employees leaving the council. One forced redundancy occurred at a management level as a result of duplication in one of the service areas (Human Resources Manager 2000). The subsequent success of in-house service units and continued receipt of grant income assisted in stabilising employment levels for the remainder of the 1990s (Director Corporate Services 2000b). Employment data is provided in Figure 6.4.
Although the initial structure impacted significantly on employment levels, a number of additional structural reviews were implemented over the next few years, including right up to late 1999 when the CCT legislation was removed. The Director of Corporate Services recalled:

‘… we were still coming to terms with all the change and spent a lot of time trying to get the best structure. Each of the restructuring plans had similar objectives, including cost savings, meeting the probity requirements of CCT, particularly separating client and provider functions, balancing work loads, and importantly helping unite the cultures of the former councils’ (Director of Corporate Services 2000b).

The initial structural changes struggled to clearly separate client and provider functions. Subsequent changes eventually saw the adoption of a twin-hatted approach with the CEO responsible for both client and provider functions and directors appointed responsible for the business units (CS Works and CS Care) and directors on the client and side (Provider Manager 2 2000). The structure is illustrated in Figure 6.5.
The changes were also perceived as very unsettling and largely ineffective, according to senior council officers. ‘After each structural change, there was a change in the senior ranks and consequential loss in knowledge’ (Provider Manager 1 2000). ‘Despite all the good intentions of the restructures, ‘the council had still failed to manage the historically different workplace cultures’ (Human Resource Manager 2000). A VSEB official recalled that each of the former councils had different cultures. He elaborated and said:

‘… we saw each council as possessing their own unique culture, with Heytesbury an inclusive culture, which was unique in the area. Award restructuring also went down well here because of their consultative approach. Camperdown was ‘monastic’, totally controlled by the CEO and Hampden displayed a hint of corporatism. We encountered problems over transferring workers into the new pay bands in both of these councils (VSEB Industrial Officer 2 2001).

The new council also altered many of the employment strategies of the previous councils. The Human Resource Manager described this change as follows:

‘… we increased our use of casual staff. Whereas in the past we tended to fill positions permanently, the new climate forced us to rely on filling gaps with casuals. We used a labour hire agency from a neighbouring council to fill these predominantly outdoor vacancies. This proved to be cheaper than replacing staffing levels with permanent employees’ (Human Resource Manager 2000).
Former Provider managers also recalled changes to employment practices of past council administrations. One manager stated, ‘local government was no longer a training ground for employees in the region. We had a history of training local people as plant operators, who sometimes subsequently left to work for private construction contractors (Provider Manager 1 2000). A second manager also said, ‘we used to employ graduate engineers and apprentices in various trades, who would also sometimes move into the private sector once their training was complete’ (Provider Manager 2 2000). These practices were ultimately stopped so that the new council could be met the requirements imposed by the Kennett government. ‘The pressures of meeting cost savings targets and contract requirements meant we could no longer afford to continue these employment practices’ (Human Resource Manager 2000).

A further change experienced in management and organisation at CSC was the introduction of enterprise bargaining arrangements. The development of an enterprise bargaining agreement (EBA) was one of the checklist items required of commissioners in the newly formed councils (Munro 1997).

Although, the CEO had initially discussed EBAs in January 1995, proposing that EBAs should be negotiated between the council and its employees, with little or no involvement by trade union officials, little was done until after the council was served with the ASU’s model EBA claim in July 1995 (Human Resource Manager 2000). Union officials recalled that the CEO’s intentions were not unique, ‘given the anti-union stance adopted by the Kennett Government’ (MEU Assistant Branch Secretary 2000a; MEU Organiser 1 2000). The CEO also bluntly opposed a number of elements in the ASU’s model EBA. This ‘contributed further to the acrimonious climate already created between the council and the ASU during the employment restructuring phase’ (MEU Organiser 2 2001).

The CEO had argued that the ASU’s three-step process dealing separately with redundancy provisions, CCT matters and pay and performance was too slow for the council to comply with the next level of CCT (30 per cent), particularly when the ASU advised LAWAs would only be considered after the signing of these three parts (Human Resource Manager, October 2000). The Human Resource Manager recalled that ‘the CEO had argued that this was unacceptable because workplace efficiency changes needed to be implemented in
tendered units prior to services being tendered so as to make them more competitive’ (Human Resource Manager, October 2000).

Union officials also recalled the CEO’s opposition at this time over the entitlements contained in the model agreement. An Organiser recalled that ‘the CEO also opposed the union’s claim for the ‘all purpose’ redundancy agreement’ prior to any negotiations over work changes, arguing that this did not adhere to the council’s aim of securing productivity trade-offs for benefits’ (MEU Organiser 2 2001).

A further issue of contention concerned the council’s wish to replace the ambit pay claim in the model agreement with a lower initial pay rise and supplement with a system of performance bonuses based on financial results achieved by the council (Human Resource Manager 2000).

The HR Manager also reported, that ‘we started off our EBA process earlier than other councils, but finished it later than most of them and this was largely due to tensions between management and the ASU’ (Human Resource Manager 2000). In excess of ten drafts of an umbrella agreement were developed in the next months. In December 1995, management presented employees with their ‘final’ draft of an umbrella EBA and three LAWAs covering road construction and sealing, road maintenance, and home care. However, the central officials of the ASU opposed the draft enterprise agreement and LAWAs (Human Resource Manager 2000). A union official recalled:

‘… the draft EBA did not include the bonus payment of $5,000 for staff being made redundant. In addition, we had a major concern that our members would be taking reductions in terms and conditions in accepting a performance bonus in exchange for pay rises and lose many entitlements under the proposed LAWAs. The proposed LAWAs reduced existing award conditions in matters such as the spread of hours, overtime rates, travel time and rates, cleaning rates We also saw the proposed alterations in conditions as not meeting the AIRC’s ‘no disadvantage test’’ (MEU Organiser 2 2001).
Further negotiations between council management and the ASU resulted in the reinstatement of the redundancy bonus payment and removal of the LAWAs from being sent to the AIRC (Local ASU Representative 2001; MEU Shop Steward 2001).

Although the two-year EBA, *Corangamite Shire Council Enterprise Agreement No.1 1996*, was lodged with the ASU in February 1996, it was not registered with the AIRC until July 1996. Union officials recalled that the delay was due to being inundated with enterprise bargaining proposals from other councils at this particular time. ‘In addition, we also tried to not rush through agreements where there had been an acrimonious climate with managers’ (MEU Assistant Branch Secretary 2000a). The HR Manager recalled that ‘this EBA resulted in minimal ‘real’ changes to terms and conditions, and all staff received the $45 wage increase as initially proposed by the ASU’ (Human Resource Manager 2000).

The second EBA negotiations commenced in March 1999 and, whilst not as protracted as the first they were again negotiated under antagonistic conditions (Human Resources Manager 2000; MEU Assistant Branch Secretary 2000a; MEU Organiser 1 2000). There was a renewed emphasis by the council’s CEO to restrict central union officials from participating in the development of an EBA (Local ASU Representative 2001; MEU Shop Steward 2001).

The Human Resource Manager initially spoke directly to shop stewards to gain agreement on involving all employees, both union and non-union, in a local negotiation process (Human Resource Manager 2000). According to this manager ‘our employees were frustrated by the central union officials in the first EBA and appeared willing to discuss issues directly with management’ (Human Resource Manager 2000). Local union officials also recalled tension between members and central officials, particularly over the delay in reaching agreement in 1996 even though most employees still wanted central involvement from the ASU (Local ASU Representative 2001; MEU Shop Steward 2001).

As with the first EBA, a model claim was initially served on the council. This occurred in March 1999 and frequent meetings were subsequently held between management and local union officials over the next two months to develop a draft agreement (Human Resources Manager 2000; Local ASU Representative 2001; MEU Shop Steward 2001). In May 1999, a draft in four parts was finalised and presented to employees. The draft consisted of a set
of standard conditions for all employees and specific sections for three work sections CS Works, Home and Community Care workers, and for those employed in the Civic Centre, Ancillary, Children services areas. The council had sought to replace across-the-board pay increases with a system of productivity bonuses or gain sharing agreements within these sub-sections (Human Resources Manager 2000; Local ASU Representative 2001; MEU Shop Steward 2001).

Prior to the draft being presented to employees, central ASU officials attempted to seek further changes. A union official recalled ‘we viewed this as another attempt by the council to reduce the terms and conditions of workers in tendered service units behind our backs’ (MEU Organiser 2 2001). The ASU was most concerned in the manner in which the proposed draft was to be presented to employees. A central official noted:

‘… we were stunned by the draft, and argued that it was not appropriate for the entire workforce to vote away terms and conditions that specifically applied to tendered units like CS Works, and the Home and Community Care workers. We subsequently advised our members to vote against the proposal’ (MEU Assistant Branch Secretary 2000a).

The council also went ahead and presented the draft anyway, with the subsequent vote being 64 opposed and 63 in favour (Human Resource Manager 2000). Further negotiations were then undertaken, which resulted in council management agreeing with the union position that only workers affected by the specific components of the agreement would be allowed to vote on them.

The second EBA, Corangamite Shire Council Enterprise Agreement 1999, was subsequently certified on 24 December 1999 for a three-year period. The agreement contained provisions on general efficiency gains including the completion of all corporate plan actions within the timeframes; an improvement of 5 per cent annually in customer response times; and the completion of all operational and capital works within budget. In addition, other gains were identified for each of the work groups, such as the implementation of an occupational health and safety training program (SafetyMap), completion of work within budget, and non-defined improvements in work practices.
Wage increases included 2 per cent on certification, and instalments of 3, 3 and 2 per cent respectively over the remainder of the agreement. Although a profit sharing was also proposed in the three work groups (CS Works, Home and Community Care workers, and for those employed in the Civic Centre, Ancillary, Children services areas), the scheme was never implemented. The return of the ALP in the State elections in late 1999 and the removal of CCT resulted in a further restructure of the council, away from provider units. Similar to the first EBA, management reported that the negotiations resulted in minimal overall changes to the way in which services were delivered (Director Corporate Services 2000; Human Resource Manager 2000).

6.3.4 Compulsory Competitive Tendering

The introduction of CCT within a week of the establishment of CSC at the start of October 1994 meant the initial target of 20 per cent had to be reached by the council within the first nine months of operation. However, managers recalled not being overly concerned in meeting this requirement (Provider Manager 1 2000; Provider Manager 2 2000). The Director of Corporate Services also claimed:

‘... we foresaw that our level of works and services could easily meet the level of tendering required in the first year due to the pre-existing level of competitive tendering for services such as road materials, valuation services, and waste collection and approved purchasing scheme expenditure’ (Director Corporate Services 2000b).

Decisions on the services to be placed out to tender were principally decided by the CEO (Director Corporate Services 2000a). Although the CEO had intentions of applying CCT to a broad range of service areas, the practical implementation was different (Director Corporate Services 2000b). The Director of Corporate Services (2000b) recalled that ‘the CEO actually sent out letters to prospective competitors to seek out their views on possible options for packaging services. However, the results in tender bids did not reflect any significant response to these letters’ (Director Corporate Services 2000b).

In the first year of CCT, the council had no overriding CCT policy and ‘no real strategy in place for CCT’ and tended to muddle through the process on the basis of minimal actual change to council practices’ (MEU Organiser 2 2001). The council assumed that existing
contractual arrangements would get the new council ‘over the line to meet the 20 per cent target’ (Director Corporate Services 2000b).

Approximately 77.5 per cent of the council’s CCT in 1994/95 was subsequently obtained through existing contracts with external providers for goods and services (Provider Manager 1 2000). The council complied with the competitive tendering targets for all years, except in 1996-97, when it failed by approximately 1.4 per cent of expenditure (Figure 6.6). The Director of Corporate Services recalled that ‘we did not reach that target as a result of accounting for contract expenditure that was incurred in the following year, however, the OLG accepted our justification that we would exceed the target in the following year, 1997-98’ (Director Corporate Services 2000b).

Figure 6.6: Corangamite Shire Council’s CCT compliance, 1994-95 to 1998-1999

Many contracts were tendered for periods of less than one year, with the council subsequently letting between 80 and 150 contracts each year to meet the legislative CCT targets. The council also sought tenders for larger services for period of up to five years, for roads maintenance, parks and building maintenance, garbage collection, family day care, child care, and pre-school operations. Other services tendered by the council included the provision of meals on wheels, valuation services, and street sweeping (Director Corporate Services 2000b; Provider Manager 1 2000).
Official support for CCT was evident in council reports, as illustrated in the council’s first Annual Report in June 1995. The report stated:

‘… CCT will be a real advancement in productivity and effectiveness’, and councils ‘should embrace the idea of private contractors repairing roads and maintaining our gardens if this gives a better level of service for less rate-payer dollars’ (Annual Report 1994/95).

Official support was also evident from the elected council as well. In the council’s submission to the Review Panel’s (1996), Review of CCT Implementation, the council stated, ‘we recognise competitive tendering as an appropriate measure to increase the competitiveness of Victorian Local Government’ (Corangamite Shire Council 1996). However, similar to that found in the UK (Chapter 2), other variables were found to have influenced the council’s actual approach to CCT. As a union official noted, ‘many rural councils were in a position of having to juggle between a community focus and a business focus’ (MEU Organiser 2 2001).

Four main factors were evident in CSC’s approach to implementing competitive tendering. Firstly, fear underpinned the decisions about CCT in this council. Discussions with senior officials noted that fear of Kennett government investigators checking on whether the council had complied with legislative requirements and related codes of tendering practice were crucial to how CSC approached this policy (Director Corporate Services 2000a; Human Resources Manager 2000; Provider Manager 2 2000). One officer recalled that ‘our CEO regularly informed us about ensuring tender probity was met at all times’ (Provider Manager 2 2000).

Other studies had also reported fear as being a key factor determining decisions about CCT (Aulich 1997a; Ernst et al. 1997; Kiss 1997; Munro 1997; Tesdorpf 1996). Fear was also evident in the way in which CSC examined what neighbouring councils were tendering out prior to deciding on their own tender queues. ‘We examined the activities of our neighbouring councils so as not to do anything unusual or that might attract the attention of government inspectors’ (Director Corporate Services 2000b).
Second, and related to the first reason, the services placed to tender were decided on the basis of services likely to better comply with the percentage expenditure targets. This was a finding that was common to other studies of local council responses to CCT (Ernst et al. 1997; Murfitt et al. 1996). ‘The tight time frame imposed by the government restricted the council’s ability to undertake a thorough assessment of the market for potential providers’ (Director Corporate Services 2000b). In addition, there was no overt plan made by the council to adopt a competitive strategy. As a union official noted that ‘the council did not appear to tender many services out, and crawled over the tender target line’ (MEU Organiser 2 2001).

Third, the structure of the council’s expenditure offered minimal choice in what could be placed to competitive tendering. The council only had a limited number of large expenditure or high ‘ticket’ services available to meet the 30 and 50 per cent CCT targets. This meant that the council was ‘forced’ to tender transport and parks and gardens services, whether or not they were appropriate for tendering (Director Corporate Services 2000b; Human Resources Manager 2000). The Director of Corporate Services noted that ‘we knew there were going to be limited tenders for these services’ (Director Corporate Services 2000b).

Four, clauses on CCT processes contained in the EBAs negotiated between the council and the ASU also influenced decisions about the services to be placed out to competitive tendering (Human Resources Manager 2000). A minimum of three months lead-time was agreed to for service reviews prior to being placed to the CCT process. These time frames and convoluted service review process presented barriers to expanding the tendering process to finance and administration services, particularly in the short term (Director Corporate Services 2000b).

Senior officers reported that council’s own in-house units were successful in winning all the tenders they applied for (Director Corporate Services 2000b; Human Resource Manager 2000). In-house success was primarily attributed to the very limited competition received by the council (Provider Manager 1 2000; Provider Manager 2 2000). For instance, road construction jobs and other outdoor services received up to two external tenders at most and community service type activities, such as the family day care services and child care received no external bids (Provider Manager 1 2000). Previously externalised service areas,
such as garbage collection and valuation services, also received minimal competition (Director Corporate Services 2000b).

Second, where competition was found to exist, in-house success also prevailed because of the cost savings achieved through the previous employment downsizing actions taken after amalgamation. As reported above, the employment downsizing after amalgamation was also planned on the basis of the council winning the major tenders (Human Resources Manager 2000).

Third, in-house success was attributable to the support provided by the elected councillors. The Human Resources Manager recalled that ‘councillors made it clear that they wanted to remain a major employer and economic contributor in the region. They had witnessed the decline during amalgamation and were aware of limited alternative employment for local people’ (Human Resources Manager 2000).

This political support was subsequently enshrined in the council’s tender policy. Clause 3.3 of the policy stated that:

‘… where the council considers the award of a contract to an external provider may have a significant impact on medium to long term employment continuity within Corangamite, that council will consider the social, employment and economic implications of the contract award’ (Corangamite Shire Council 1997).

Council managers recalled that the main benefits of CCT as including opportunities to review existing systems of operation to identify areas for cost savings and efficiency improvements, the implementation of quality control measures, and increased service flexibility (Director Corporate Services 2000b; Human Resources Manager 2000; Provider Manager 1 2000; Provider Manager 2 2000). The Director of Corporate Services also recalled that:

‘… some cost savings were achieved in the servicing of transfer bins for waste, the management and operation of swimming pools, and in the areas of parks and gardens and road construction projects. Other areas such as the cleaning of public
conveniences revealed benefits through increases in service levels as a result of CCT’ (Director Corporate Services 2000b).

However, CCT was also found to have resulted in additional costs to the council. Former Provider managers noted that additional costs were incurred in implementation of training programs for employees in service planning and specification writing, in the staffing of a contract management unit and also with the operation of a contract panel (Provider Manager 1 2000; Provider Manager 2 2000).

CCT also did little to unite the workforce. Council officers recalled that CCT exposed, ‘even further’ the traditional divisions between the indoor and outdoor workforce (Director Corporate Services 2000b; Human Resources Manager 2000). The exclusion of most indoor services from the tendering process resulted in the greatest ill-feeling between indoor and outdoor workers (Local ASU Representative 2001; MEU Shop Steward 2001). Outdoor staff were particularly concerned about the lack of opportunities to undertake training and the perceived tougher financial restrictions placed on them relative to indoor staff (MEU Shop Steward 2001; Parks and Gardens employees 2000). The Human Resource Manager also said:

‘... outdoor or manual workers perceived indoor staff as being shielded from the cutting edge of competition and outdoor staff were restricted by the contact requirements and, could not, for instance, purchase new trucks because of the emphasis placed on completing contracted work with lower budgets and less staff’ (Human Resource Manager, October 2000).

This conflict was also extended to management levels, particularly between client and provider managers. A Provider Manager recalled considerable ill-feeling arose after claims by the Provider Director that ‘private sector organisations could provide a better level of service and at a cheaper rate than offered by the indoor staff’ (Provider Manager 1, 2001). Another Provider manager recalled that ‘we were irritated by the need to prepare extensive monthly and quarterly reports on service levels and client satisfaction and pass these onto the client managers but they never seemed to be use the information contained in these reports’ (Provider Manager 2 2000).
CCT had also resulted in lower council expenditure in the local economy ‘since local contractors were unable to compete with larger organisations’ (Director Corporate Services Manager 2000). The Council reported these concerns to the Review of CCT Implementation (Review Panel 1996) identifying purchases from local hardware businesses had decreased by 60 per cent during the 1993-94 and 1994-95 financial years, and by 86 per cent between the 1994-5 and 1995-96 financial years (Corangamite Shire Council Submission to Review Panel 1996).

Furthermore, CCT was also perceived to have damaged working relations with neighbouring councils. The pressures of compliance and the introduction of competition resulted in ‘the shutters being pulled down in all councils’, with previously established networks of personnel from different councils quickly being disbanded (Provider Manager 1 2000; Provider Manager 2 2000).

6.3.5 Effects on the Australian Services Union

The model of the consequential effects of public sector reform on trade unions (Figure 2.1) identified challenges to trade unions in four principal areas arising from such a reform agenda. These included:

1. trade union involvement in policy formulation and implementation,
2. membership levels and recruitment,
3. bargaining outcomes, and
4. intra- and inter-trade union relations.

Each of these areas of challenge for the ASU will be addressed in turn, commencing with the effect the reform agenda had on the union’s level of influence in decision making. On the arrival of commissioners in 1994, the ASU immediately found itself in a political environment that restricted their access to restructuring decisions (MEU Organiser 1 2001). The CEO undertook major decisions about asset sales and organisational restructuring, and these were principally taken in line with the government’s wishes (Director Corporate Services 2000b; Local ASU Representative 2001).

In addition, there was a more aggressive approach toward the ASU than in the pre-1992 period (Human Resources Manager 2000). A MEU official recalled that ‘there was not the
same report with management as before amalgamation. The CEO was adopting the Kennett line of excluding union involvement and would not return our telephone calls’ (MEU Organiser 2 2001). This approach was illustrated in the manner in which the CEO sought to negotiate EBAs.

However, some access to council information was gained by the ASU through union member contact, who provided the central union office with information about council restructuring decisions (MEU Assistant Branch Secretary 2000b). In addition, EBAs negotiated between the council and the ASU permitted access to committees reviewing services prior to tender (MEU Organiser 2 2001; MEU Shop Steward 2001).

ASU membership levels also decreased as a result of the downsizing of employment during 1995. However, both branches reported things could have been a lot worse if the council had not continued to receive roads grants and for the success of in-house units. The MEU branch was able to maintain high density levels after restructuring, with approximately 95 per cent of eligible employees being members of the MEU. As one official noted, ‘the council won all the main tenders that could have really damaged our membership, particularly those in the roads maintenance area, where we traditionally had our strongest members’ (MEU Organiser 2 2001). Another central official also recalled, ‘we maintained close contact with members through our organisers. They held regular meetings, particularly during the initial downsizing and then in EBA negotiations (MEU Assistant Branch Secretary 2000b).

Membership levels and density both declined in the VSEB as administrative functions were rationalised during the 1995 restructure and many new staff, particularly senior employees, who were contracted on performance-based contracts were reluctant to join the ASU. VSEB’s coverage of indoor employees in the former councils was approximately 75 per cent, whereas after the restructure it was only around 25 per cent (VSEB Industrial Officer 2 2001). One local official recalled:

‘… the drop in membership of our branch was due to the loss of staff, increased use of performance contracts and a general lack of collective spirit among indoor staff. We used to have all the previous managers as members but the new senior staff were
The bargaining environment was also challenging to the ASU. Although the negotiations over the *G17 Restructuring Agreement* with the former councils were amicable, subsequent negotiations over employment downsizing and EBAs with CSC management were very hostile. In addition to the unilateral attempt by the CEO to restructure employment in contravention of the G17 Restructuring Agreement, the CEO also wanted to negotiate EBAs and LAWAs directly with employees. However, ‘our access was guaranteed by the agreement making clauses in the *Industrial Relations Reform Act 1993* (MEU Organiser 2 2001). This permitted the ASU access to members throughout negotiations and importantly a signatory to the final agreements.

Similar to findings reported in Chapter 5, provider managers were seen to be threatening employees to ‘give-away’ terms and conditions in the face of competition (MEU Organiser 2 2001). As a senior official recalled, ‘we saw that the council had no real competition for the types of services it would be tendering to meet the compliance targets and yet they still tried, and succeeded in achieving reductions in terms and conditions’ (MEU Organiser 2 2001).

Some reductions in terms and conditions were experienced in community services areas. Reductions in penalty rates and travel allowance occurred and also the hiring of lower band personnel to replace staff who left (MEU Organiser 2 2001).

However, reductions across the board were minimised by the strong central line taken by union officials against LAWAs and gain sharing agreement. The Assistant Branch Secretary of the MEU said that ‘we saw that the council had no real strategy toward CCT and with the limited or nil competition, we believed we could hold our line against LAWAs. It was also important for us to take this stand as members were not real united’ (MEU Assistant Branch Secretary 2000b).

Relations between the two union branches were also tested during this period. Managers recalled the divisions between indoor and outdoor employees continued after amalgamation (Director Corporate Services 2000a; Human Resources Manager 2000). Union officials
also supported this opinion. One official claimed that ‘our members had always been suspicious of the VSEB and often referred to them as the boss’ union’ (MEU Organiser 2 2001). Tensions were evident in EBA negotiations, particularly when CCT was clearly targeted to outdoor services. The union organiser for the council recalled that ‘it was this environment that potentially pitted the two branches against each other in EBA negotiations as our branch was basically put out to tender whilst the other indoor branch was shielded’ (MEU Organiser 2 2001).

The different environment facing each group also meant they had different needs from an EBA. Indoor members were not facing the threat of job loss like the outdoor staff and solidarity in halting management attempts to reduce terms and conditions was paramount (MEU Assistant Branch Secretary 2000b). These differences also contributed to making the EBAs more time consuming to develop (ASU Local Representative 2001). However, these historical differences also assisted the ASU in another way. As one official claimed, ‘the lack of cohesion among employees made it more difficult for management to secure a ‘compliant’ workforce (MEU Organiser 2 2001).

The direction of the challenges on each continuum can be identified as indicating negative impacts in each of the four areas. These findings are summarised in Figure 6.7, using the model developed from the literature review in Chapter 2 (Figure 2.1).
6.3.6 Responses by the Australian Services Union

Arising from the literature review conducted in Chapter 2, a model was developed for gathering and analysing data on trade union responses to public sector reform. The model (Figure 2.2) identified three main components of union responses:

1. Union position/stance toward reform agenda,
2. Initiation of/direction for union action, and
3. Union actions

Each of the components will be described in turn commencing with the first component dealing with the approach the ASU took toward the local government reform agenda at CSC. The previous chapter reported on how the union believed there was no other option but to be involved in the reform agenda in any capacity possible. In the case of CSC, the main area of involvement was through industrial relations avenues.

The second component of the model of union responses examines the way in which the ASU’s actions were planned and implemented. In the case of CSC, the ASU took a strong centralist approach. Officials recalled the lack of strategy toward CCT, the main focus of
council remaining on outdoor services, and next to zero competition, favoured central control, particularly in EBA negotiations. Central involvement here was paramount for the ASU because of the lack of cohesion among members. As one official noted, ‘if we didn’t step in, indoor workers would have voted away terms and conditions of our members’ (MEU Assistant Branch Secretary 2000b). In addition, the anti-union approach adopted by the CEO required an ‘outside’ representative rather than leave local representatives to face all the pressure from management (MEU Organiser 2 2001). Local officials also were willing to await and act on advice from the central office (ASU Local Representative 2001; MEU Shop Steward 2001).

Member communication and training of representatives were ongoing throughout this period. Local union representatives attended the regional training on EBAs and CCT (ASU Local Representative 2001; MEU Shop Steward 2001). Bargaining action was, however, the central activity undertaken during this period. EBA negotiations permitted access to the council’s decisions on CCT and helped in making it more costly for the council to externalise service provision (MEU Organiser 2 2001).

The responses reported here largely confirm the findings in Chapter 5. The case analysis also permits the identification of how the ASU reacted at the local level. The case illustrates the way in which the ASU adapted to the local environment. The case revealed that a strong central position was taken by the ASU as a result of members wanted central involvement, the minimalist approach to CCT taken by the council, the limited competition for council service delivery, and the negative position to unions taken by management.

The ASU response has been described as comprising three main elements using the model developed from the literature review in Chapter 2 (Figure 2.2). The key findings are summarised in Figure 6.8. The model also illustrates the influencing factors of local variants and industrial relations legislation on shaping union action. These issues are discussed at the conclusion of the next case study on MSC.
6.4 Moyne Shire Council

The following section details the policy changes in the MSC. The discussion is structured along similar lines to that of CSC in the section above.

6.4.1 Amalgamation

MSC was named after the river that flows through the township of Port Fairy. The new council was formed on 23 September 1994, with the Kennett government appointing three commissioners and an interim CEO from the former Town of Camperdown) to manage the initial implementation of the reform agenda at MSC.

The council’s offices are located in the town of Port Fairy, which is approximately 300 kilometres from Melbourne. The council includes the area surrounding the City of Warrnambool to the north, east and west. MSC also has a coastline of over 90 kilometres. The council covers an area of 5,473 square kilometres and a population of 16,500 (MSC Annual Report 1994/95). Under the Australian Classification of Local Governments (ACLG), MSC is described as a ‘Rural Agricultural Very Large local government (RAV),
with a population less than 20,000. Similar to CSC, MSC is one of 12 councils across Victoria and one of 61 similarly classified councils in Australia (NOLG 1998).

At the time of formation, there existed 240 kilometres of highways/tourist roads, 363 kilometres of main or state roads, 2511 kilometres of local roads and 99 kilometres of town streets within the Shire’s boundaries. The shire's economic base is principally provided through agriculture and some value-adding manufacturing. MSC contains fishing, wool growing and cropping areas. Milk processing industries are also located within MSC. Approximately 40 per cent of residents are employed in the ‘Agriculture, forestry and fishing’ industry. Manufacturing and services are relatively minor employers, with approximately 8.3 per cent in manufacturing and 9.9 per cent in retail trade (Department of Infrastructure 1998b).

6.4.2 Financial characteristics

In their first year of operation, MSC was expected to reduce the combined total of rate revenue collected by previous councils by 20 per cent. In addition, a rate freeze was also imposed between the fiscal years 1994/95 to 1997-98. These policy instruments had a desired outcome for the Kennett government, as property rates and charges declined from $6.5 million (or 42 per cent of total revenue) to just $3.9 million (or 26 per cent of total revenue) declined from $7.2 million (or 45 per cent of total revenue) to just $4.7 million (or 30 per cent of total revenue) as illustrated in Figure 6.5.

However, like CSC, MSC countered this decline by obtaining grant income, particularly in respect of transport needs. This resulted in government grants rising from approximately $5.2 million or 34 per cent of total revenue to approximately $8.6 million or 43 per cent over the same period (Moyne Shire Council, Annual Report 2000). The remaining revenue was sourced from user fees and charges, proceeds from the sale of assets and income derived from private works undertaken by the council (Figure 6.9).

Overall, MSC continued to reflect revenue characteristics of the former councils, particularly the council’s reliance on grant funding. Council employees and management also acknowledged grants were required to maintain the extensive roads network and to provide other services (Corporate Service employees 2001; Roads and Construction employees 2001).
The LGB (1994a) claimed that the formation of MSC would have an estimated expenditure of $16 million in the initial year, a saving of over $2 million in comparison with the combined expenditure of the former councils in 1993/94. These savings were expected to be gained from labour costs, ($1.22 million), recurrent costs ($0.86 million) and the standard across-the-board reduction in capital expenditure of 5 per cent.

Total expenditure initially decreased in line with Kennett’s aims, however, rose from 1997/98 largely as a result of the change in how the government wanted depreciation to be calculated (Figure 6.10). Councils were required to depreciate roads and other infrastructure, and given the extensive infrastructure, depreciation increased from $0.75 million (1996/97) to $4.2 million (1997/98).
The majority of council spending or approximately 45-50 per cent remained directed towards transport service provision and other infrastructure services like parks and gardens maintenance and street cleaning. MSC officers claimed that the major focus was on roads, primarily in response to the expansion of dairying and tourism in the Shire (Provider Manager 1 2001; Provider Manager 2 2001).

The focus on roads was also boosted by the results of investigations into the condition of roads in the Shire. In 1995/96 the council undertook an inventory of all roads and identified that $4 million annually was required to maintain the conditions of roads but the council was currently only spending 75 per cent of the required amount (Chief Executive Officer 2000). Moreover, a later study by a Dairy Industry Infrastructure Working Party claimed that an annual allocation of $9.5 million was required to make a major impact on the road problems (MSC Annual Report, 1996/97).

The remainder of the council’s spending was directed to community services, such as family day care, aged services and pre-school operations (around 15-20 per cent), and general administration (around 15-20 per cent) (Corporate Services employee 2001). These proportions of expenditure were also similar to those of the former councils in the area (Chief Executive Officer 2000).
Although these expenditure proportions were similar to the former councils, the Kennett government had anticipated more extensive change in expenditure on labour. The LGB claimed expenditure on direct forms of employment would decrease from $6.5 million, or around 35 per cent of expenditure, to $5.3 million (or around 30 per cent of expenditure) after MSC was formed (LGB 1994a). Reductions did occur during 1995/96 and 1996/97 as a result of job loses arising from amalgamation and in 1998 after a contract was externalised. However, the proportion of expenditure on labour remained in excess of the expectations of the LGB (Figure 6.11)

**Figure 6.11: Employment costs as a proportion of expenditure, 1994-95 to 1999-2000**

Source: Developed for this study from Moyne Shire Council, Annual Reports, 1994-95 to 1999-2000
6.4.3 Management and organisational characteristics

The bringing together of five local councils under one administration resulted in some major organisational restructures and consequential employment reductions in MSC. An interim structure was initially established in October 1994 with senior managers from the former councils occupying positions of acting directors/managers. This was followed by a major organisational structure in March 1995.

Three departments were initially established Business Services, Customer Services, and Corporate Services, with the main headquarters set up in Port Fairy and the provider units located in Mortlake (Chief Executive Officer 2000). This decision resulted in the dispersing of many outdoor workers from their original work depots and the creation of relatively ‘new’ work teams. MSC reduced the number of its works depots from 11 to 3 main establishments. Each depot services between 400 and 600 kilometres of local roads and in total some 350 kilometres of main roads. A smaller works depot was also located in Port Fairy.

The decision to maintain the Mortlake office, where no employee resided after downsizing, was seen as more adequately able to address to works programs of the northern region of the Shire (Chief Executive Officer 2000). However, other officers recalled that the decision was made to appease rural concerns about the ‘coastal-centred’ perception of the council and over the perceived decrease in service provision in this part of the Shire (Provider Manager 1 2001; Provider Manager 2 2001).

In 1997-98 a more distinct separation between client and provider was made, when Moyne Services was created. Two managers were appointed to manage Moyne Services. Moyne Services encompassed all the areas that had been subjected to a competitive tendering process including roads, parks, waste, quarry, fire prevention, aged care, health and regulatory functions, maternal and child health, and design support services (Provider Manager 1 2001). The structure is shown in Figure 6.12.
The CEO recalled:

‘… the decision to create a provider arm like Moyne Services was an attempt to better coordinate the delivery of tendered services undertaken by in-house units. In addition, it would reduce political interference in the decision making process from elected councillors so that the in-house units to do their work’ (Chief Executive Officer 2000).

Senior officers recalled that councillors accepted this role on the basis of the level of savings already achieved by tendered units in the past and their ability to meet customer needs (Provider Manager 1 2001; Provider Manager 2 2001). These managers also recalled that the CEO ultimately made all decisions about the tenders that Moyne Services could apply for, and also all employment decisions. In addition, the new workplace became settled very quickly, unlike the divisions that remained in CSC. An ASU official recalled ‘our members were generally happy with the new depot locations (MEU Shop Steward 2001).

The employment change process commenced immediately and between September 1994 and January 1995, workers were employed in acting capacities. The process of employee changes was then undertaken in four stages, commencing with the appointment of the interim CEO to a five-year contract position in January 1995. The ASU reported that the council followed the requirements of the G17 Municipal Restructuring Agreement the union had negotiated with the former councils (MEU Organiser 2 2001).
The CEO undertook an assessment of the number of employees that would be required in the new organisation to meet the service delivery levels determined by commissioners in their service reviews (Chief Executive Officer 2000). The determination of employment levels was also influenced by the need to meet the imposed savings targets set by the OLG. Senior managers were then appointed in February 1995. Between March and May 1995, the third level positions were finalised and by August 1995, the final levels, such as operational and administrative employees had confirmed permanent positions.

The CEO reported that six staff ‘had to be tapped on the shoulder and asked to apply for a voluntary departure package (VDP), and these were former managers or directors, who were unsuccessful in gaining equivalent roles in MSC (Chief Executive Officer 2000). By June 1995, the council had reduced the total number of employees by 38 or, in terms of effective full time employees (EFT), from 188 (1993/94) to 161 (Figure 6.13). A further decrease to 134 EFT had occurred by June 1997.

Similar to CSC, employees over 55 years of age were ‘strongly’ encouraged to apply for a redundancy package. As one former Provider manager stated, ‘we encouraged employees over 55 years of age to apply for a redundancy package on the basis of their entitlement to full superannuation benefits, and the likelihood that work would become more intensive under CCT conditions (Provider Manager 1 2001).

A further reduction in ten EFT (or 17 employees) occurred during 1997-98 as a result of the loss of a sealing and street cleaning contract to an external provider (Chief Executive Officer 2000).
The new council also altered many of the employment strategies of the previous councils. The council no longer became a training ground for private sector contractors in the region, nor did it actively seek to employ graduate engineers. In addition, training opportunities for outdoor employees were reduced. ‘Some training regarded as an additional and unnecessary cost in the new competitive environment’ (Provider Manager 1 2001).

A further change experienced in management and organisation at MSC was the introduction of enterprise bargaining arrangements. Enterprise bargaining was first raised in November 1994 as part of the commissioners’ brief. However, meaningful negotiations did not commence until August 1995, after the restructuring of employment had been completed and the council had been served with the ASU’s model EBA claim (Chief Executive Officer 2000).

Unlike the situation at CSC, MSC management accepted that ASU officials had a legitimate role in the bargaining process and did not oppose their involvement (MEU Assistant Branch Secretary 2000a; MEU Organiser 1 2000). This helped to alleviate tensions between the two parties during the collective bargaining negotiations and ultimately influenced the ASU into accepting alterations to their model agreement.
Union officials recalled that negotiations were effective because management at MSC appeared to have developed a coherent strategy for organisational change. A central MEU official claimed, ‘we were happy they were undertaking service reviews across the council before embarking upon major tendering. They also adopted a consultative approach to workplace change’ (MEU Organiser 2 2001).

The Assistant Branch Secretary of the MEU also said:

‘… we opposed the council exceeding the tender targets, but believed the council was genuinely trying to protect worker interests, by providing them with access to data on the likely competition. We could see that jobs were being protected by the council’s decision to actively seek external work tenders’ (MEU Assistant Branch Secretary 2000b).

The first EBA was drafted by the council’s Joint Consultative Committee and presented to the ASU in July 1996. It was then signed and registered as the Moyne Shire Council Enterprise Agreement 1996 with the AIRC in November 1996. Pay rises under this EBA included 2 per cent (or $10) on signing and a further 3 per cent (or $15) and 4 per cent (or $20) were paid over the remaining life (nine months and 18 months). These payments were based on a shared commitment to CCT and completing works within budget. For indoor or non-CCT areas a range of other efficiency measures were agreed to including continual improvement to service provision, the development of measurable customer service standards, and improvements to work methods (MEU Organiser 2 2001).

Although the council accepted most elements of the ASU’s model claim, the council also successfully negotiated LAWAs with employees in tendered services. The CEO recalled, ‘we viewed LAWAs as a way to achieve best practice in service delivery and way of working and at the same time we could share the rewards of increased efficiency with staff’ (Chief Executive Officer 2000).

As noted in the previous chapter (section 5.3.3 Bargaining outcomes), the ASU viewed LAWAs as management inventions aimed at securing decreases in terms and conditions. However, central officials were unable to sway members into refusing to sign the LAWAs. A central MEU official recalled:
‘… we were damned if we did and damned if we didn’t agree to changes. If we did not agree to flexibility changes, such as changes to hours and penalty rates, through LAWAs and the service went to tender and was lost to external contractors, the result would not have done anyone any good’ (MEU Organiser 2 2001).

Officials recalled that members were listening more to management than to the central office (MEU Assistant Branch Secretary 2000b; MEU Organiser 2 2001). ‘Management have all the time to get to our members’ (MEU Organiser 2 2001). Other officials also claimed that the changes to workers’ depots resulted in less cohesion among members and consequently lower allegiance to the MEU (MEU Organiser 1 2001; VSEB Industrial Officer 2. 2001).

Local union officials claimed members saw their interests better met under LAWAs than the EBA and were disenchanted by the central push for them to not sign. The local MEU shop steward recalled:

‘… our members didn’t like Melbourne people telling them what to do and saw the LAWAs as suiting their circumstances. They also believed that management would look after their interests. They also could see what managers were doing in their local community and had a more favourable view of them than we at the central office had. We saw what they were trying to do to our members’ terms and condition outrageous’ (MEU Shop Steward 2001).

LAWAs were successfully negotiated for Family and Child Health in December 1996 (Moyne Family and Child Health Services Local Work Area Agreement 1996), the Port of Port Fairy in August 1997 (Port of Port Fairy Local Work Area Agreement 1997), Infrastructure Maintenance Services in September 1997 (Moyne Shire Council Infrastructure Maintenance Services Area Work Agreement 1997), and Home and Community Care in November 1997 (Moyne Shire Council Home and Community Care Local Work Area Agreement 1997). These agreements varied the terms and conditions of the Moyne Shire Council Enterprise Agreement 1996 in areas such as working to a ‘logical’ completion of tasks, the spread of ordinary hours and employee travel allowances. In
return, council offered a gain sharing agreement on the basis of financial and other performance targets (MEU Organiser 2 2001).

Central officials recalled that signing off on these agreements was ultimately made because of strong member support. The Assistant Branch Secretary (MEU) noted:

‘… we eventually signed off on these LAWAs because our members were very adamant and could not be swayed otherwise. Our members perceived management as having their best interests at heart, which we didn’t think was the case but wanted to stay in the process’ (MEU Assistant Branch Secretary 2000b).

A second EBA was negotiated during 1998-99, and represented a greater departure from the model agreement presented by the ASU than had the first agreement. The CEO claimed, ‘we (Moyne) approached the second round of EBA negotiations at a time when our organisational structure had been firmly established and our competitive strategy formulated and operational’ (Chief Executive Officer 2000).

The major area of difference between the ASU and council was over a proposal put to workers by council management that provided for a gain sharing agreement in exchange for some pay rises (MEU Organiser 2 2001; VSEB Industrial Officer 2. 2001). The CEO recalled:

‘… we offered our workers a bonus of $750 on signing the agreement, and a further undisclosed bonus at the end of the 1999-2000 financial year as an off-set for a reduction in across-the-board rises. This bonus was to be determined by the extent to which workers met the agreed performance targets. We viewed a gain sharing scheme as necessary to generate additional savings in expenditure and to help maintain jobs’ (Chief Executive Officer 2000).

The council also proposed that pay rises of up to 5.5 per cent be granted over two years, with instalments of 1.5 per cent on signing, 1.5 per cent after nine months and a further 2.5 per cent after 18 months. This proposal was at odds with the 10 per cent granted to employees in other councils under their second EBAs, and also differed with the model claim put forward by the ASU (MEU Assistant Branch Secretary 2000b).
For workers in tendered areas, the bonus was based on the profit achieved on tendered works. To achieve this profit, workers agreed to start on the job, rather than meet at the works depot. In addition, they were prepared to remain on the job until tasks were completed and also had minimal breaks during the day (MEU Shop Steward 2001; Parks and Gardens employees 2001; Roads and Construction employees 2001). Management also agreed to hold regular monthly depot meetings with employees to inform them when contract bids were successful and when the break-even point was achieved in respect of works programs (Provider Manager 1 2001).

The gain share for other employees was based on their ability in meeting other key performance indicators (Chief Executive Officer 2000; Corporate Services employees 2001; Local ASU Representative 2001). For the client side employees, these included such matters as improvements in customer service ratings, responsiveness to complaints, active participation in business plans, and the implementation of new information technology. For provider side indoor employees, targets were established for the preparation of business plans, SafetyMap accreditation, and benchmarking of activities (Local ASU Representative 2001; VSEB Industrial Officer 2 2001).

ASU officials recalled that they were suspicious of gain sharing proposals for they often contained an ‘undisclosed’ amount, dependent on the operating result of in-house service units (MEU Assistant Branch Secretary 2000b; VSEB Assistant Branch Secretary 2001; VSEB Industrial Officer 2 2001). In addition, ‘we felt workers were giving away terms and conditions in the hope of some large payout’ (MEU Organiser 1 2001). However, senior council officers recalled that there was a mutual recognition between employees and management of the need to have common goals and to eliminate work practices that were creating barriers to competitiveness (Chief Executive Officer 2000; Provider Manager 1 2001; Provider Manager 2 2001).

Management officials expressed frustration at the union’s opposition to gain sharing, claiming that they were overly ‘traditional and conservative’ (Provider Manager 1 2001; Provider Manager 2 2001). The CEO claimed the ASU ‘didn’t know how to handle the new competitive environment’ (Chief Executive Officer 2000). Officers also noted that there was support among workers of the need of a more flexible pay system so as to take
advantage of the opportunities made available in undertaking external work (Provider Manager 1 2001; Provider Manager 2 2001). The CEO also claimed that there was unanimous support from employees for the proposed gain share system (Chief Executive Officer 2000).

In response to the perceived support for gain sharing, the ASU took a rare step of sending two of their most senior State representatives to MSC to try and persuade members from signing the proposed EBA. The Branch Secretary (MEU) recalled:

‘… we tried to get to someone senior to all councils that were attempting to implement gain sharing in exchange for pay rises, but especially to councils where we knew there was going to be minimal or no competition. We viewed the dispersal of workers from their original depots when MSC was formed reduced the level of resistance by this segment of the council workforce to many of the workplace changes suggested by management’ (MEU Branch Secretary 2001).

Despite these overtures by the central office, members remained supportive of management proposals (Parks and Gardens employees 2001; Roads and Construction employees 2001). A local organiser noted that ‘even though we believed that members would suffer reductions in their terms and conditions, we nonetheless signed the agreement because it received unanimous support of local members’ (MEU Organiser 2 2001). In addition, officials recalled the tenuous nature of the MSC’s existence required they take a more flexible approach to EBA negotiations than ‘stick only to the model’ (MEU Assistant Branch Secretary 2000b; MEU Branch Secretary 2001).

Senior ASU officials also reinforced comments made in the previous chapter that they needed to eventually sign off on all agreements so as to stay a party to current and future issues in respect of local council industrial relations (MEU Assistant Branch Secretary 2000b). Local representatives also pointed out that they were strongly supportive of members’ wishes and argued against the central directions (Local ASU Representative 2001; MEU Shop Steward 2001).

In addition, central union officials reported that even though MSC was more aggressive in its pursuit of competition and far-exceeded the CCT targets, members’ perceived
management wanted to secure employment for them (MEU Organiser 2 2001). Local representatives also claimed that the council was actively seeking to enhance local government employment through the targeting of external contracts (Local ASU Representative 2001; MEU Shop Steward 2001).

A two-year agreement was registered with the AIRC in April 1999 (Moyne Shire Council Enterprise Bargaining Agreement 1999). The final gain share paid to workers ended up being approximately $2500, which pleased union members (Local ASU Representative 2001; MEU Shop Steward 2001). One senior MEU official summed up saying, ‘it was fortunate for our members that this council was able to win external tenders but workers still had to give away terms and conditions for this to be achieved’ (MEU Assistant Branch Secretary 2000b).

6.4.4 Compulsory Competitive Tendering

Similar to CSC, the introduction of CCT within a week of the establishment of MSC at the start of October 1994 meant the initial target of 20 per cent had to be reached by the council within the first nine months of operation. However, managers recalled not being overly concerned in meeting this target (Chief Executive Officer 2000; Provider Manager 1 2001; Provider Manager 2 2001). A Provider Manager claimed, ‘we (Moyne) could easily exceed the initial target of 20 per cent of expenditure to competitive tendering by the pre-existing contracts for road materials, waste collection and approved purchasing scheme expenditure’ (Provider Manager 1 2001).

Unlike the situation at CSC, commissioners took a more active role in the service review process and identification of service levels for tenders (Chief Executive Officer 2000). The CEO recalled that the commissioners took the initial steps to gather information on existing service levels across the Shire. ‘They established discussion groups across the Shire to assist them in identifying service priorities’ (Chief Executive Officer 2000).

Interviewed council officers also noted that that there was a wide variation in service provision levels in each of the former councils, and so the commissioners decided to standardise them, often at a lower level so that savings in recurrent expenditure could be achieved to meet government targets (Provider Manager 1 2001; Provider Manager 2 2001).
Once this process was completed for some service areas, the CEO claimed ‘competitive
tendering seemed like the next logical step’ (Chief Executive Officer 2000).

The council developed a CCT Policy during 1995, which described how no service unit
outside of the Client Group would be exempt from the competitive process (Provider
Manager 2 2001). However the council did not go to this extreme since the council easily
met the targets (Figure 6.14). The major services placed to tender included:

- The management of the Port of Port Fairy
- The management of the Visitor Information Centre
- Quarry operations
- Environmental health and town planning
- Maternal and child health
- Aged and disability services
- Infrastructure construction and maintenance
- Waste management
- Street cleaning
- Parks and gardens maintenance
- Engineering design
The commissioners and elected councillors gave public support for the CCT policy and, indeed all the reforms (Chief Executive Officer 2000). The CEO noted that the situation was ‘forced upon them, whereby here were the rules and we had to adhere to them’ (Chief Executive Officer 2000). In addition, officials were seen to be generally supportive of CCT, believing competition in the provision of services would drive down costs and improve efficiency and provide better services to the community (Chief Executive Officer 2000).

In addition, further support was also evident from the council’s submission to the Review Panel’s (1996), *Review of CCT Implementation*. The council supported the proposal that local councils should be able to tender for external works and such expenditure also be included in the amount contributing to the CCT targets (Moyne Shire Council 1996a). The ASU also noted that MSC took an ‘aggressive approach to CCT’ (MEU Organiser 1 2000; MEU Organiser 2 2001).
The council also developed a CCT Policy outlining support for the policy (Moyne Shire Council 1996b). The CEO claimed:

‘… we developed a CCT policy during 1995, which outlined council’s support for working under a competitive culture and set out objectives to continuously pursue high standards in the provision of services by identifying and matching best practice. The Council’s policy on CCT was based on an explicit commitment to delivering quality, cost effective services to its customers’ (Chief Executive Officer 2000).

Council support for CCT was also illustrated in the pro-active response to tender for external works. A Provider Manager claimed ‘the council actively chased the dollars’ (Provider Manager 2 2001). Another claimed that ‘this was beneficial for MSC in maintaining existing employment levels and achieving more efficient plant utilisation’ (Provider Manager 1 2001).

Similar to the experience reported in CSC, other forces or local variants also influenced the council’s approach to CCT. Like CSC, MSC also needed to ‘juggle a community focus and a business focus’ (MEU Organiser 2 2001). Firstly, the fear of government reprisals principally influenced MSC’s approach to CCT. The fragile nature of the council’s formation, as noted in the LGB’s report, South-West Review – Final Report, (1994b), meant that MSC ‘took CCT to the letter of the law’ (Provider Manager 2 2001). The CEO also added, ‘we were not going to provide the Kennett government with any ammunition over which to sack the council’ (Chief Executive Officer 2000).

Second, the tight time frame imposed by the government restricted the opportunity for the council to undertake a thorough assessment of the market for service provision in the initial two years, despite the strong support of commissioners (Chief Executive Officer 2000). The Provider Managers had noted that the time taken to prepare tender specifications also influenced the types of services market tested (Provider Manager 1 2001; Provider Manager 2 2001). One Provider Manager recalled, ‘although commissioners had commenced their service reviews quite early, they were more time intensive than initially planned and thus were not completed within the first year. We also underestimated the time involved in these reviews’ (Provider Manager 1 2001).
These managers also claimed that this was particularly the case for the larger expenditure services like parks and gardens maintenance, and local road maintenance, where service standards had differed across the region (Provider Manager 1 2001; Provider Manager 2 2001). The resultant consultation clauses agreed to with the ASU in the EBAs also restricted the council in making even quicker responses to CCT (MEU Organiser 1 2000).

Third, the structure of the council’s expenditure resulted in only a limited number of high expenditure or high ‘ticket’ services being available to meet the targets of 30 and 50 per cent (Ernst et al. 1997). This meant that the council was also ‘forced’ to consider outdoor functions even though these other areas may have provided greater savings (Chief Executive Officer 2000).

Senior officers reported that council’s own in-house units were very successful in winning the major long-term contracts usually of 3 to 5 years in length, such as local roads and parks and gardens maintenance, building and cleaning services, family day care, mobile child care and pre-school operations (Provider Manager 1 2001; Provider Manager 2 2001). However, the council also lost a tender for a sealing and street cleaning contract to an external provider, which resulted in a loss of seventeen permanent employees (Chief Executive Officer 2000).

In-house success was attributed to three main reasons. Firstly, MSC received minimal competition for their tenders. This enabled the continuation of council employment and also set up work units for tendering other works provided through the State government (Chief Executive Officer 2000). A former Provider Manager noted that ‘most services placed to tender received no external bids, except for, at most two external bids for some road works programs and parks and gardens maintenance’ (Provider Manager 2 2001).

Second, although councillors were supportive of the benefits of competition, they also wished the council to remain a major employer and economic contributor in the region (Chief Executive Officer 2000). The CEO elaborated and said:

‘... councillors had seen the effects of the dramatic decline in rural fortunes, particularly in the north of our shire, as a result of economic rationalism and the structural change and raised strong concerns about the possibility of roads...’
maintenance being externalised. They claimed, and we managers agreed, a loss of these services would be a disaster for our local towns. We are the largest individual employer’ (Interview with CEO, November 2000).

Third, the savings achieved through employment downsizing prior to tendering and agreements struck with local works units, placed the council in a better position to retain service provision (Provider Manager 1 2001). The previous experience in tendering by the former councils also placed in-house units at a distinct advantage over potential external providers. ‘Our in-house units not only often tendered the cheapest bid they also had the capabilities deemed necessary by the council to provide the services’ (Provider Manager 2 2001). Moreover, the savings made through changes to work practices, contained in LAWAs, and the gain sharing agreement also contributed to lower cost tenders (Provider Manager 1 2001; Provider Manager 2 2001).

Council managers recalled that the main benefits of CCT as including opportunities to review existing systems of operation to identify areas for cost savings and efficiency improvements, the implementation of quality control measures, and increased service flexibility (Provider Manager 1 2001; Provider Manager 2 2001). In addition, the CEO highlighted the improvement in relations between managers and workers, particularly as a result of the gain sharing agreement (Chief Executive Officer 2000).

However, CCT was also found to have resulted in additional costs to the council. These included costs associated with the implementation of training programs for employees in service planning and specification writing, and in the staffing of a contract management unit and operating a contract panel (Chief Executive Officer 2000; Provider Manager 1 2001). Service provision standards were also believed to have decreased because of the cost savings targets to be met, rate free, and CCT. ‘We were unable to offer the same level of maintenance’ (Provider Manager 2 2001).

Council officers also claimed that CCT created a ‘mountain of paperwork’, which in turn contributed to higher levels of stress for employees involved in the tender process (Corporate Services employees 2001). Managers also believed the processes were too bureaucratic, particularly when they could see no direct competitors in the marketplace (Provider Manager 1 2001; Provider Manager 2 2001). In addition, the policy appeared to
harm the previous levels of open communication with neighbouring councils (Chief Executive Officer 2000).

6.4.5 Effects on the Australian Services Union

The model of the consequential effects of public sector reform on trade unions (Figure 2.1) identified challenges to trade unions in four principal areas arising from such a reform agenda. These included:

1. trade union involvement in policy formulation and implementation,
2. membership levels and recruitment,
3. decentralised bargaining, and
4. intra- and inter-trade union relations.

Each of these areas of challenge will be addressed in turn, commencing with the effect the reform agenda had on the ASU’s level of influence in decision making. Similar to the situation faced in CSC, the ASU immediately faced exclusion from commissioner decisions over restructure, including decisions over asset sales and, in the case of MSC, the location of new depots (ASU Industrial Officer 2 2001; MEU Organiser 2 2001). The CEO and commissioners implemented these decisions in line with the government’s wishes (Provider Manager 2 2001). However, the ASU also noted that ‘unlike Corangamite, there was no obvious intention by council management of contravening consultation clauses contained in the G17 Restructuring Agreement’ (MEU Organiser 2001).

In comparison to CSC, the ASU also did not face the same level of opposition in MSC to their involvement in EBA negotiations. Subsequent agreements also provided access for the union to service reviews. An ASU recalled that ‘the CEO would always return our calls’ (MEU Organiser 2 2001).

Officials from both branches of the ASU recalled membership levels decreasing as a result of the downsizing of employment during 1995 (Local ASU Representative 2001; Shop Steward 2001). However, both branches reported the success of in-house units during CCT and the additional works programs secured through winning external tenders stabilised workforce numbers and also union membership and density levels (Local ASU Representative 2001; Shop Steward 2001). Similar to the situation at CSC, overall the ASU
believed the limited competition and the maintenance of significant and continuous grants worked to shield further drastic reductions in employment and membership levels during the main phases of CCT.

A central official also noted the decision to downsize employment numbers on the assumption of in-house success, had enabled those members who wished to leave with the option of doing so, leaving minimal forced redundancies (MEU Organiser 1 2001). In addition, union officials claimed that the council was not going to outsource main ticket items, particularly as many towns in the region were becoming smaller (MEU Organiser 2 2001; VSEB Industrial Officer 2 2001).

Both membership levels and declined in the VSEB as administrative functions were rationalised during the 1995 restructure and new staff employed on performance-based contracts were reluctant to join the ASU (ASU Local Representative 2001). The VSEB coverage of indoor employees in the former councils of Hampden and Heytesbury decreased to approximately 30 per cent (VSEB Industrial Officer 2 2001).

The ASU also faced challenges in the bargaining arena. The union faced a similar environment where the council was compelled to develop an EBA and management using the threat of competition to get members to alter terms and conditions (MEU Organiser 2 2001; VSEB Industrial Officer 2 2001). Although there was not the level of hostility toward union involvement as experienced in Corangamite, bargaining was more problematic for the ASU (MEU Assistant Branch Secretary 2000b).

Unlike the situation in CSC, management in MSC strongly pursued CCT and LAWAs. As described above, the union were aware of the ‘precarious’ nature of the council in the eyes of the LGB. They were also aware that the council had adopted a competitive approach to contracting, which contrasted the council from other rural councils (MEU Branch Secretary 2001; MEU Assistant Branch Secretary 2000b). Strong support from members for LAWAs and the EBA gain sharing agreement pressured the central ASU into agreeing to reductions in terms and conditions relative to those contained in the model agreement and to the clauses agreed in CSC (MEU Assistant Branch Secretary 2000b; MEU Organiser 2 2001).
Relations between members and central officials were also challenging for the ASU. Central officials recalled the creation of new works depots and ability of management to convince members to support gain sharing had dissipated loyalty toward the directions sought by the ASU toward enterprise bargaining outcomes. However, this situation also had a positive impact for the central ASU. ‘It illustrated the growing workplace activism during this period and resulted in members being more astute about how their council works’ (MEU Assistant Branch Secretary 2000b).

Although relations between the two branches were not always amicable, particularly during discussions over award restructuring prior to amalgamation, the Kennett era also posed additional areas of conflict. Council employees recalled the creation of client and provider functions as contributing to poorer relations between the two branches (Parks and Gardens employees 2001; Roads and Construction employees 2001). However, these conflicts did not impact on member support for gain share.

Relations with external unions were not greatly impacted by the reforms. The continued provision of services by in-house units had reduced any likelihood of inter-union conflict (MEU Organiser 2 2001). In addition, relations were often amicable as workers knew each other and often the council would sub-contract work to private contractors (MEU Shop Steward 2001).

The direction of the challenges on each continuum can be identified as indicating negative impacts in each of the four areas. These findings are summarised in Figure 6.15, using the model developed from the literature review in Chapter 2 (Figure 2.1).
**Figure 6.15: The effects on the ASU arising from the Victorian local government reform agenda, Moyne Shire Council**

<table>
<thead>
<tr>
<th>Level of influence in policy determination and implementation</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited access to Commissioners (1994-1996)</td>
<td></td>
<td>Some access to Council decisions (CCT) gained through EBAs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Membership levels</th>
<th>Minimal</th>
<th>Extensive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Both Branches suffered reductions in membership, more so VSEB</td>
<td>Maintained high density levels in MEU</td>
<td></td>
</tr>
<tr>
<td>Minimal recruitment (VSEB)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bargaining outcomes</th>
<th>Poor</th>
<th>Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decentralised bargaining – more resources, unable to halt breakdown in state-wide conditions – gain share, LAWAs</td>
<td>Gain share resulted in larger increases than EBAs</td>
<td></td>
</tr>
<tr>
<td>Bargaining environment harsh – encouraged decreases in terms and conditions for some tendered areas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intra- and inter-union relations</th>
<th>Poor</th>
<th>Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differences between members and central officials</td>
<td>Good relations with external unions</td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed for this study

### 6.4.6 Responses by the Australian Services Union

Similar to the approach adopted for CSC, each of the components of the model of union responses (Figure 2.2), union position/stance toward reform agenda, initiation of/direction for union action and union actions will be described in turn to report on the ASU’s responses in MSC.

The previous chapter reported on how the union believed there was no other option but to be involved in the reform agenda in any capacity possible. In the case of MSC, the main area of involvement was through collective bargaining for ‘it was in this area we were reduce management’s attempts to break down terms and conditions even further’ (MEU Organiser 2 2001).

The second component of the model of union responses examines the way in which the ASU’s actions were planned and implemented. In the case of MSC, the ASU needed to lessen their centralist approach to negotiations (MEU Assistant Branch Secretary 2000b). The strength of local member support for ‘local solutions’ through LAWAs and gain sharing forced the central office to back down and sit back and advise members the best they could (ASU Assistant National Secretary 2001).
Like other areas of the State, member communication and training actions were taken throughout this period. Local union representatives attended the regional training on EBAs and CCT (ASU Local Representative 2001; MEU Shop Steward 2001). However, bargaining action was the central activity undertaken the ASU. EBA negotiations permitted access to the council’s decisions on CCT and, in MSC, involvement in service reviews. Although resulting collective agreements veered from the ASU model agreements they did assist in making it more costly for the council to externalise service provision (MEU Organiser 2 2001). The CCT Not For Me campaign was not undertaken in this Shire for it was traditionally a conservative political region with little prospects of securing ALP victories (MEU Branch Secretary 2001).

The responses reported here largely confirm the findings in Chapter 5, that the involvement position was paramount to the ASU at all levels of organisation in local government. In addition, the focus of activity within local councils was on internal actions. The case analysis also illustrated how the ASU needed to adapt their position on the level of central involvement as a result of unanimous support from members for a local solution and also in recognition that the council needed to secure additional works to maintain employment, and consequently membership levels.

The ASU response has been described as comprising three main elements using the model developed from the literature review in Chapter 2 (Figure 2.2). The key findings are summarised in Figure 6.16. The model also illustrates the influencing factors of local variants and industrial relations legislation on shaping union action. The next section examines the influence of local variants on reform outcomes in greater depth.
6.5 Local variants and reform agenda outcomes

Local variants were described in Chapter 1 as representing forces shaping and influencing public sector reform outcomes at the local council level. The term arose from the literature review conducted in Chapter 2 on the outcomes of CCT in local government in the United Kingdom (UK). Studies reviewed in Chapter 2 reported that change to local government was not uniform across the country after the introduction of CCT. Researchers noted that even though the Thatcher government had set the ground rules for CCT other factors or ‘local variants’ had impacted on the way in which the CCT policy was implemented within local councils (Foster 1991; Shaw et al. 1994).

Variants including political control and type of local council, approach to CCT (including structure, the types of goods tendered, and the level of support for in-house units), regional characteristics such as the level of competition, and the role of trade unions had either encouraged or restricted change (Foster 1993; Rao and Young 1995; Painter 1991a; Reimer 1999; Shaw et al. 1994). This element was subsequently included in the analytical framework describing public sector reform and trade unions (Figure 2.3) to recognise that outcomes in local government are influenced by local variants and also to recognise some variants shaped trade union responses.
Findings reviewed in Chapter 3 on the changes to Victorian local government as a result of the Kennett government’s reform agenda also illustrated that extensive transformation did not result in line with the government’s expectations. Although extensive changes occurred in respect of council boundaries, financial limits, and extent of CCT practices, revenue and expenditure patterns had remained similar to the pre-1992 period and local councils had remained the dominant provider of services during CCT.

Cultural change along the lines of public choice thinking had also not been significant (Aulich 1999b, c; Martin 1999). A major conclusion reached in this chapter was that other forces had influenced the reform outcomes at the local council level. In addition, the findings reported in Chapter 5 confirmed local variants had influenced the ASU’s responses during this time. This was illustrated in their varied levels of central control and in bargaining approach.

The first variant, regional characteristics, was an important influence to assess in CSC and MSC. Throughout the 1990s a number of studies have reported the decline in rural communities in Australia in population, industry, and employment (see: for example, Black et al. 2000; Collits 2000; Hawker 1997; NCC 1999; Productivity Commission 1998; Smailes 1996; Tesdorpf 1996; Worthington and Dollery 2001). Rural communities were also expected to face greater challenges arising from government policies promoting competition, particularly in loss of local service to larger metropolitan suppliers (Ernst 1994a, b; Ernst et al. 1997; Hawker 1997; Hodge 1996; Howard and Buultjens 1999; NCC 1999; PC 1999a, b).

Both CSC and MSC also faced population decline and expectations of further decreases (Department of Infrastructure 1998b; Department of Infrastructure 2000). The move to larger farm holdings and the closure of a number of traditional employers, like banks and State government departments, were also experienced in each council. The economic base of each council was also dominated by agriculture, and throughout the 1990s commodity prices had shown greater degrees of volatility than previously (Bonlac Foods Limited Annual Report 2000). Although tourism was expected and did increase throughout the 1990s, the dominant employment remained in agriculture in both councils (Department of Infrastructure 1998b).
The employment reductions taken as a result of local government reform policies added to these conditions and formed an important underpinning influence on elected officials and senior management in both councils. This was illustrated in their support for council to remain the dominant supplier and therefore avoid further reductions in the community. While this factor tended to restrict the extent of local government transformation into ‘enabling’ organisations, the conditions had also encouraged change in MSC. The impact of cost savings and revenue decreases had limited the amount of work that could be provided by this council, encouraging the council to seek external works, through a competitive tendering arrangement.

A second variant, and one closely aligned to the first, was the nature of the local council. Local councils are often distinguished as rural or metropolitan in much of the literature (Bowman 1976; Jones 1993). Chapter 3 concluded that there is substantial diversity between these types of councils, as evident in respect of population and physical size, the nature of services provided, the financial position of councils, and the use of competitive tendering practices. Both CSC and MSC had features in common with other rural councils, including a limited rate base, a primary focus on the provision of transport-related services and providing services as agents for federal and state government in community and recreational services.

These features remained prominent during the reform period, and limited the options available to the councils for any radical shift in behaviour. Roads became an even stronger focus in both councils in response to changes in agriculture and the growth in tourism. Local communities had also traditionally relied on these services being provided by local councils and there were either no alternative suppliers or very few likely competitors. The specialised nature of these services restricted the extent of external competition (Murfitt et al. 1996). Both councils were forced to tender items on the basis of best meeting the CCT targets, most of which were traditional services such as transport jobs. The continuation of funding grants illustrated the complex nature of inter-governmental financial relations and differing objectives sought by these governments (Self 1987). The funding grants remained essential for the continued viability of local government in these two councils.
A third variant identified in the UK literature was the political nature of the council. Political control of local councils was a major force in shaping CCT approaches and outcomes in the UK. Although not always in each case, the studies indicated Labour-controlled councils as less supportive of the Thatcher reform program, which resulted in a lower acceptance and implementation of CCT (Painter 1991a). However, local government in Victoria is not as politically controlled by the major parties as in the UK, apart from some metropolitan councils. The two case councils examined in this chapter remained unaligned and formally supportive of the reforms. This was not surprising given the historically conservative nature of these regions.

A fourth and related variant was the approach to policy reform taken in the council. Support for change was also driven by ‘fear’ of government threats of ‘taking over’ councils again, particularly if they did not implement the reform policies. This was clearly evident in MSC, which had been formed under a ‘cloud of uncertainty’ as to its long-term survival (Chief Executive Officer 2000). Council management sought to ensure change was being undertaken and clearly visible to the Kennett government, particularly by exceeding CCT targets. Management at MSC also pursued a more radical change to the traditional framework of terms and conditions, illustrating additional support to the policy ideas. CSC management also pursued a harsher line toward the ASU, reflecting the sentiments of the Kennett government. However, this approach was limited by the union’s access to the Federal Industrial Relations framework as described in Chapter 5. In addition, the anti-union approach resulted in a stronger centralist stance from the ASU and subsequently more limited change to terms and conditions.

However, while ‘fear’ promoted the formal acceptance of change in the two councils, it also restricted them from ‘doing anything out of the ordinary’ (Director Corporate Services 2000b). Unlike in MSC, management in CSC aimed for minimal compliance with CCT targets. The tendering of outdoor services by both councils was not evidence of any major acceptance of public choice ideas. These services were known to have limited competition and the previous councils had been very successful in tender bids for external works. Limited changes were made to terms and conditions and no LAWAs were registered. In addition, the continued political support for local employment limited the expansion of CCT into the traditionally non-tendered ‘indoor’ functions of each council. Declining
agricultural fortunes and the subsequent losses to local business helped ensure in-house provision remained.

A fifth variant was the responses taken by trade unions. The case studies permitted an examination of how the ASU’s responses influenced the policy outcomes. In the case of CSC, the ASU remained steadfast to a centralist approach, particularly in enterprise bargaining. No radical changes were made to terms and conditions such as through gain sharing arrangements. The expansion of severance pay conditions also restricted both councils from actively seeking to externalise services. On the other hand, trade union responses supported changes at MSC. The introduction of LAWAs and gain sharing promoted greater flexibility in council work patterns and aided the council in securing both in-house tenders and many external tenders.

This study into local variants and the ASU also illustrates how the union adapted their actions at the local level. The lack of competition for services in the region provided a buffer for the ASU to fight for maintenance of terms and conditions for their members. Member attitudes were also important in shaping the ASU’s responses. CSC illustrated how member support for central involvement provided the justification for maintaining a stronger conviction to the model EBAs. On the other hand in MSC, members supported the management proposals for change resulting in the ASU adopting a less centralised stance and adapting their bargaining outcomes to include LAWAs and gain sharing.

The case study investigations undertaken in this chapter reinforce the findings reviewed in Chapter 3 that change was not as extensive as envisaged by the Kennett government. The findings showed change at a local level being influenced by local variants and these in turn influence trade union responses. The findings are summarised in Figure 6.17.
Figure 6.17: Influence of local variants, Corangamite and Moyne Shire Councils

Forces driving reform:
- Public choice ideas
- State's budget position
- Micro-economic reform pressures

Approach to implementing reform:
- Reduced consultation
- Change was rapid
- One-size, fit-all

Policies:
- Council amalgamations
- Financial savings
- Management changes
- Electoral changes
- Compulsory competitive tendering

Expected outcomes:
- Cost savings and efficiency improvements
- Reduction in the size and scope of local government
- Reduction in the position and influence of trade unions in local government

Approach to implementing reform:
- Reduced consultation
- Change was rapid
- One-size, fit-all

Local Variants

Supporting change

Regional characteristics
- Support for local employment by seeking tenders (MSC)

Political factors
- Official support for reform agenda (CSC, MSC)

Approach to change
- Fear driving change (CSC, MSC)
- Management action (MSC)

Restricting change

Regional characteristics
- Support for local employment (CSC, MSC)
- Limited competition

Nature of council
- Limited services (CSC, MSC)
- Roads and transport and others relied on grants (CSC, MSC)

Approach to change
- Fear limited actions (CSC, MSC)
- Management action (CSC)

Stance taken
- Less centralised (MSC)

Action taken
- Greater flexibility in bargaining (MSC)

Responses by trade unions

Effects on trade unions
- Reduced access (CSC, MSC)
- Reduced membership (CSC, MSC)
- Bargaining outcomes – breakdown of statewide terms (MSC)

Stance taken
- More centralised (CSC)

Action taken
- Less flexibility in bargaining (CSC)

Effects on trade unions
- Access through EBAs (CSC, MSC)
- Membership reductions limited by less change in councils (CSC, MSC)
- Bargaining outcomes – less breakdown of statewide terms (CSC)

Source: Developed for this study
6.6 Conclusion

Whereas the previous chapters explored the changes from a state-wide perspective, this chapter has sought to expand the analysis of the Victorian local government reform agenda by focusing on the local council level. A study at the local council level was necessary to provide data about the nature and impact of local variants in determining the extent of change in local councils and illustrate how the ASU adapted their responses.

This chapter has provided an account of what changes resulted in two rural local councils, CSC and MSC, from the policy instruments introduced in the Kennett government’s reform agenda between 1992 and 1999. The focus of attention on a rural context was warranted because the local government changes were expected to be more harmful, particularly on employment levels, relative to metropolitan areas, and particularly in a time when rural regions were already struggling with economic and structural changes (Hawker 1997; NCC 1999; PC 1999a, b). The south west of Victoria also provided a context mostly ignored by previous research into local government changes (Gibson et al. 1999; PC 1999a, b; Tesdorpf 1996).

This study has contributed information to a number of research questions set out in Chapter 1. First, findings have contributed to RQ2: How did the reform agenda impact on local government in Victoria? A major contribution from the cases analyses has been on the describing the extent of change experienced at the local level and importantly the influence of local variants. The wide-ranging policy reforms imposed by the Kennett government appeared to make little impact on the traditional operations of these local councils. Even though large-scale changes were made to their size and area to be managed, financial and service provision characteristics remained similar to local government in the period before the reform policies were implemented. This was primarily due to policy outcomes being influenced by local variants, some of which promoted change and other factors restricting the extent of change.

Second, findings have contributed to more information to RQ3: How did the reform agenda effect trade unions in Victorian local government? The findings confirmed those found in Chapters 5 as to the effects on the ASU. The case studies confirmed the loss of some political influence, loss of membership, and highlighted some traditional tension between
the union branches. It also showed the way in which EBA negotiations were undertaken and the results arising from these negotiations.

Third, findings have contributed additional information to RQ4: *How did trade unions respond to the reform agenda?* The findings have also enriched the previous findings on trade union responses. The findings illustrated the adaptability of the ASU to local circumstances, particularly in its approach to initiating and implementing action and also in the actions they took. The ASU’s response depended on factors such as the approach each council took to implementing the reforms, the extent of competition likely from external providers and also the level of solidarity of members. In addition, it reinforced the importance of the Federal industrial relations framework in guaranteeing union involvement in EBA negotiations.

Four, further information has been provided on RQ5: *Was the Kennett government’s successful in attaining its third key objective: a significant reduction in trade union position and influence in local government?* The findings in this chapter support those of Chapter 3 that local government did not alter or transform to an extent required to cause maximum damage to the ASU. The impacts on the ASU in both case councils could not be viewed as supporting the Kennett government’s union objectives. Both councils experienced minimal transformation. In addition, the ASU’s responses were able to limit the damage to their influence. Aided by the Federal industrial relations laws, the ASU was able to withstand attempts to drive them out of the negotiation process.

The remaining chapter brings together the findings from the previous chapters and provides conclusions about local government change and trade unions and the main propositions set out in Chapter 1. The contributions from this study and options for future research are also described.
Chapter 7: Conclusion

7.1 Introduction

Prior to the 1980s, most Western governments had pursued policies associated with the public finance school (Abelson 1987; Barr 1987). This policy approach had resulted in very large public sectors, often with strong trade unions that possessed a relatively high level of influence and membership in the public sector (Berry and Kitchener 1989; Ferner 1987). However, from the early 1980s, many of these governments increasingly questioned the effectiveness of traditional public goods ideas and challenged the monopoly position of public sectors in delivering public goods and services and the strength of trade unions (Uttley and Hooper 1993; Walsh 1995).

The Thatcher-led governments in the United Kingdom (UK) were the first administrations to enthusiastically promote the ideas of the main alternative policy approach, namely the public choice school. Public choice sought to reduce the role of government in society (Abelson 1987; Albin 1992; Buchanan and Tullock 1962; Rimmer 1993). The perceived success of public choice policy ideas was highly influential on the Jeff Kennett-led the Liberal-National Parties in the 1992 Victorian State election. The Kennett government subsequently set about implementing the most extensive public sector reform program ever experienced in Australia at this time (Alford et al. 1994; Fairbrother et al. 1997).

The central object of this study has been to investigate two propositions about public sector reform agendas and trade unions, using the Victorian local government reform that occurred between 1992 and 1999 as the research context. Firstly, that public sector reform agendas underpinned by public choice ideas sought to inculcate competitive practices in the provision of local government services and consequently reduce trade union influence and position in local government. Second, that the level of success achieved by governments on these dual objectives was determined in part by the responses taken by trade unions to the reform agenda and on the extent to which local councils adopted a competitive culture. Five research questions were formed to test these propositions. Models were also developed to test in this study (Figure 2.1 and Figure 2.2) and also an analytical framework (Figure 2.3) formed for use as a template in this study.
This concluding chapter begins with a summary of the findings on each of the research questions (section 7.2). This will provide the information necessary for conclusions to be reached on the two study propositions (section 7.3). Contributions to research (section 7.4) and suggestions for further investigation, which have arisen from this study, conclude this chapter (section 7.5).

7.2 Summary of findings on research questions

The research questions and sub-questions posed in this study were developed from the literature review in Chapter 2 (section 2.6: Conclusion, Research Questions, and Analytical Framework) and included:

RQ1. What was the public sector reform agenda implemented in Victorian local government between 1992 and 1999?
   RQ1.1 What were the forces driving the need for local government reform?
   RQ1.2 How was the reform agenda developed and implemented?
   RQ1.3 What were the expected outcomes sought by the Kennett government through the implementation of local government reform?
   RQ1.4 What policies instruments were implemented in local government to achieve the expected outcomes?

RQ2. What changes occurred in Victorian local government as a result of the Kennett government’s reform agenda?

RQ3. How did the reform agenda effect trade unions in Victorian local government?
   RQ3.1 What effect did the reform agenda have on the level of influence in policy determination and implementation?
   RQ3.2 What effect did the reform agenda have on union membership?
   RQ3.3 What effect did the reform agenda have on bargaining outcomes?
   RQ3.4 What effect did the reform agenda have on intra- and inter-union relations?

RQ4. How did trade unions respond to the reform agenda?
   RQ4.1 What stance did trade unions adopt in response to the reform agenda?
   RQ4.2 Where did union action originate or be directed from?
RQ4.3 What internal and external actions were taken by trade unions?

RQ5. Was the Kennett government successful in attaining its third key objective: a significant reduction in trade union position and influence in local government?

The central purpose of each research question and the methods used to collect information on these questions was explained and justified in Chapter 4. A summary of findings for each of these five questions is now drawn from the information provided in the previous chapters.

7.2.1 Summary of findings on RQ1: What was the public policy change agenda implemented in Victorian local government between 1992 and 1999?

The local government reform agenda was described as comprising four main parts, including the driving forces for the reform of local government, the approach to reform adopted by the Kennett government, the expected outcomes sought by the Kennett government, and the main policies instruments implemented to attain these outcomes. Information was reported on each of these components in Chapter 3. The findings showed that three main forces drove the Kennett government’s local government reform agenda (Chapter 3, section 3.3). The primary factor was found to have been the government’s support of public choice ideas and particularly those espoused by the Thatcher government administrations in the UK during the 1980s (Alford and O'Neill 1994; Deakin and Walsh 1996; Fairbrother, Svenson and Teicher 1997; Skulley 1999).

A second critical force driving the reform agenda was found to have been the Kennett government’s concern over the high levels of State sector debt. The government was concerned about the consequences high levels of public sector debt had on the level of state interest payments and financial credit ratings.

The third driving force was found to have been the broader political support across all Australian governments for introducing competition in the delivery of public goods and services. This was greatly assisted by the legislative framework provided by the National Competition Principles.
The second component of the reform agenda concerned the development and implementation of the reform agenda. Findings reported in chapter 3 showed how the Kennett government’s approach was vastly different to previous State government attempts at local government reform (Chapter 3, section 3.4). The Kennett government had sought a much broader agenda for change than the previous reform attempts, which had focused entirely on amalgamation (Table 3.1). The Kennett government’s agenda was part of a program of inculcating competition into the public sector. In addition, consultation with Kennett government members over the proposed changes was denied to all key players including local councils themselves and also to trade union officials. Opportunities to discuss or debate the reform agenda was also made difficult by the pace in which the policy instruments were implemented by the Kennett government. The reform agenda was also implemented as a ‘one size fits all’ agenda, which ignored previous studies reporting on the significant diversity between local councils (Hodge 1996; Howard and Associates 1988; Worthington and Dollery 2001).

The third component of the local government reform agenda concerned the expected outcomes sought by the Kennett government. Chapter 3 reported that the main outcomes were the same as those pursued by the Thatcher government administrations during the 1980s (Chapter 3, section 3.5). The outcomes, which also corresponded to those underpinning public choice, included cost savings and efficiency improvements in the public sector, a reduction in size and scope of the public sector, and the reduction in the influence and position of public sector trade unions.

The fourth main component of the reform agenda concerned the main policies instruments introduced as part of this reform agenda. The main policies instruments imposed on local councils during the 1990s included council amalgamations, financial savings, local council management, electoral changes, and CCT (Chapter 3, section 3.6). These policy instruments were central to the Kennett government’s achievement of cost reductions and in particular the inculcation of competitive practices in provision of local government services. Furthermore, these policies could indirectly harm trade unions.

A summary of these key points has been added to the relevant components of the analytical framework and appear in Figure 7.1.
7.2.2 Summary of findings on RQ2: How did the reform agenda impact on local government in Victoria?

Information was provided on the types of changes and extent of transformation that occurred in Victorian local government as a result of these five main policy instruments. State-wide findings reviewed in Chapter 3 and local council case study research conducted in Chapter 6 described the resulting changes experienced in local government between 1992 and 1999.

The major changes included a reduction in the number of local councils from 210 to 78, lower council revenues and expenditure, lower employment levels, and the monopoly over service provision by local councils was dismantled through CCT. The rural case councils, CSC and MSC, analysed in Chapter 6 also confirmed the extensive boundary restructuring, range of financial, electoral and management reforms, and organisational changes resulting from meeting CCT targets (Chapter 6, section 6.3, section 6.4).

Cost savings were principally achieved through the reduction of employment as a result of the imposed savings targets placed on the newly formed councils after amalgamation and by
the rates freeze, which restricted councils from raising additional revenue from property owners. Revenue patterns reported in Chapter 3 (Table 3.5) showed rates declining in proportion of total revenue. The case studies also confirmed similar outcomes (Figure 6.2, Figure 6.3, Figure 6.10, Figure 6.11). Cost savings were also a major aim of CCT. The CCT policy went ‘to the heart of improving the efficiency and effectiveness’ of the local government sector and provide the community with ‘value for money’ (Hallam 1994a).

Conclusions reached in previous studies had shown that cost was a major criterion in awarding of service provision contracts (Ernst et al. 1997; Murfitt et al. 1996, Chapter 6). The rural case studies confirmed that cost savings were sought from all service areas subject to competitive tendering arrangements (Chapter 6, section 6.3.4, Section 6.4.4).

Other findings, however, illustrated that the move towards a competitive culture had been restricted by the minimal changes in many areas of local government and had supported conclusions reached in other studies (Chapter 3, section 3.6). Financial characteristics had remained similar to that of the pre-Kennett period. Although the proportion of expenditure on general administration was reduced, other expenditure patterns remained largely the same over the reform period (Table 3.6). Rural councils in particular continued to concentrate on the delivery of transport services and had remained reliant on grant funding for financial viability (Table 3.7, Figure 6.1, and Figure 6.9).

In addition, through the review of CCT outcomes the study found that local councils did not share the same enthusiasm as the Kennett government for the introduction of competition. Other factors influenced council decisions on establishing tender queues and in awarding CCT contracts (Chapter 3, section 3.6.5). The rural case studies confirmed that council management and elected councillors supported in-house provision (chapter 6, section 6.3.4, section 6.4.4). Furthermore, the limited competition in rural council areas had not dramatically altered traditional service provision.

The reduction in the size and scope of public sectors was central to public choice ideas and paramount to reducing public sector costs (Chapter 2, section 2.2.3). Amalgamation was an initial policy instrument to achieve this outcome. The level of local government employment fell dramatically after the introduction of amalgamation and imposed cost savings (Figure 3.7, Figure 6.4, Figure 6.13). Further reductions in employment also occurred throughout the later half of the 1990s as a result of CCT. However, the study has
confirmed that the main changes to local councils were more driven by compliance and fear than the adoption of a competitive culture.

Studies conducted by Aulich (1997a, 1997b, 1999a, 1999c) and Martin (1999) concluded only limited cultural change occurred in local government. Compliance and fear of government reprisals often drove the CCT decisions of councils. Many councils were found to have adopted a pragmatic approach to CCT and mainly placed high expenditure items to a competitive tendering process in order to meet the CCT targets (Chapter 6; Ernst et al. 1997; Murfitt et al. 1996). Continued management and political support for in-house provision of services also negated the inculcation of a competitive approach to the provision of services (Chapter 3, section 3.6.5).

Findings from the rural case studies in Chapter 6 also confirmed similar conclusions about CCT outcomes (Chapter 6, section 6.3.4, section 6.4.4). CSC exhibited a compliance approach to CCT, just managing to achieve the CCT targets. In addition, although MSC exhibited a more competitive approach to CCT by exposing a greater level of expenditure, this decision was also based on fear of further amalgamations by the Kennett government (Chapter 6, section 6.4.4)

The findings also confirmed the outcomes varied across local government. Variability in council approaches and policy outcomes was not to be unexpected, for diversity between local councils has always been a feature of Victorian local government in a number of characteristics. Diversity between metropolitan and rural councils was illustrated in Chapter 3 as evident in a number of characteristics including population and physical size, the nature of services provided, the financial position of councils, and the use of competitive tendering practices (section 3.2).

The literature review in Chapter 2 highlighted central policy directives do not entirely achieve desired outcomes since the policies are shaped by local variants (Chapter 2, section 2.3). These variants were identified as including regional issues, levels of competition, council approaches to policy change, and the role of trade unions. The rural case studies provided an opportunity to investigate local variants in more detail and the type of influence they had on outcomes in local councils. The study identified variants can encourage and
support changes in local government and also restrict or inhibit the extent of transformation in local councils (Chapter 6, section 6.5).

The level of competition was clearly a case in point, with limited competition in CSC and MSC resulting in minimal reductions in the size and scope of government, than was the case in many metropolitan local councils (Teicher & Van Gramberg 2002). The approach to CCT also had variable impacts on council outcomes. The compliance-driven management approach employed by CSC had limited the exposure of services to CCT and resulted in limited overall change to council operations (Chapter 6, section 6.3.4). This was distinguished from the approach at MSC, which adopted a more competitive response to CCT. A greater level of services was exposed and gain sharing arrangements introduced to expand the competitive culture throughout the workforce (Chapter 6, section 6.4.4).

A summary of the key points from RQ2 is included in Figure 7.2.
7.2.3 Summary of findings on RQ3: How did the reform agenda effect trade unions in Victorian local government?

RQ3 sought to identify the consequential effects of the reform agenda on local government trade unions (Chapter 1, section 1.3). A case study research strategy was deemed to be the best strategy to ‘see if the theory actually worked in a real life situation’ (De Vaus 2001, p.222). The case study trade union selected was the largest and longest operating trade union in Victorian local government, the ASU. Two branches of this union were investigated in this study, the MEU and the VSEB.

The findings reported in Chapter 5 (section 5.3) and in Chapter 6 (section 6.3.5, section 6.4.5) of this study supported the use of the model on trade union effects drawn from the literature review in Chapter 2 (Figure 2.1). The model identified that local government trade unions faced challenges in four areas arising from the UK public sector reform during the 1980s and 1990s. These areas included trade union involvement in policy formulation and implementation, membership levels and recruitment, bargaining outcomes, and intra-
and inter-trade union relations. This study has confirmed consequential effects on the ASU arose in each of the four areas.

Negative effects were felt by the ASU in each of these four areas. The Kennett government reduced the ASU’s level of access to government ministers and bureaucrats and also stopped consultation over decisions about local government reform. The government furthered this exclusion by appointing commissioners to oversee the reforms at a local council level. These actions represented a significant shift in approach by a state government and resulted in lower levels of access and consultation compared to the pre-1992 period.

The reduction in local council employment levels arising from the reform policies also resulted in substantial decreases of approximately 50 per cent in the ASU (Chapter 5, section 5.3.2, Chapter 6, section 6.3.5, section 6.4.5). Both the MEU and VSEB also reported losing many experienced local representatives and shop stewards during the amalgamation phase (Chapter 5, section 5.3.2). The focus on cost containment and further extension of CCT to 50 per cent of council expenditure also restricted opportunities for the recruitment of new members.

The ASU’s bargaining activities and climate were also crucially affected by the reform agenda. The introduction of more decentralised forms of bargaining available in the federal Industrial Relations Reform Act 1993 placed additional strain on the ASU central office to monitor EBA developments and be able to halt the introduction of local area work agreements (LAWAs) in many councils. The loss of experienced local representatives also placed additional strain on central resources to effectively negotiate these agreements. These bargaining arrangements also challenged the traditional strength of the ASU, particularly in maintaining state-wide terms and conditions. This was illustrated in the large number of LAWAs developed, which varied terms and conditions between local councils (Chapter 6, section 6.4.5; Walsh and O’Flynn 2000).

Relations between members and union officials also became aggravated, particularly over EBAs and LAWAs. The findings from MSC in Chapter 6 illustrated these differences in the negotiation of the gain sharing component of their EBAs (section 6.4.5). There were also evidence of tensions between members of the two main union branches, the MEU and the
VSEB. These differences threatened to undermine the collective identity of the ASU and the success of broader union movement (Chapter 5, section 5.3.4). The union was, however, able to maintain good relations with external unions and not have to deal with the consequences of fighting for members (Chapter 5, section 5.4.3.1).

Although there were no benchmarks established in this model (Figure 2.1), some illustration of impact could be provided, with the direction of the challenges on each continuum revealing the ASU suffered negative impacts in all four areas. These findings are summarised in Figure 7.3.

Figure 7.3: RO3 - The effects on the ASU arising from the Victorian local government reform agenda

<table>
<thead>
<tr>
<th>Level of influence in policy determination and implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
</tr>
<tr>
<td>No influence to government / Office of Local government/local councils under commissioners</td>
</tr>
<tr>
<td>High</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Membership levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimal</td>
</tr>
<tr>
<td>Membership loss – up to 50%, loss of union officials</td>
</tr>
<tr>
<td>Extensive</td>
</tr>
<tr>
<td>Recruitment limited across all councils</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bargaining outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
</tr>
<tr>
<td>Decentralised bargaining – more pressure on central resources</td>
</tr>
<tr>
<td>Bargaining environment harsh – threats to terms and conditions</td>
</tr>
<tr>
<td>Loss of terms and conditions for tendered workers through LAWAs</td>
</tr>
<tr>
<td>Good</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intra- and inter-union relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
</tr>
<tr>
<td>Poorer relations between members and central officials in some councils</td>
</tr>
<tr>
<td>Good</td>
</tr>
<tr>
<td>Maintained good relations with external unions</td>
</tr>
</tbody>
</table>

Source: Developed for this study
7.2.4 Summary of findings on RQ4: How did trade unions respond to the reform agenda?

RQ4 sought to identify the responses taken by the trade unions to the Kennett government’s local government reform agenda (Chapter 1, section 1.3). Similar to RQ3, the ASU was chosen to investigate and gather the required information on this question. The findings reported in Chapter 5 (section 5.4) and in Chapter 6 (section 6.3.6, section 6.4.6) of this study supported the use of the model on trade union responses drawn from the literature review in Chapter 2 (Figure 2.2). This model consisted of three main components including the approach to the local government reform agenda taken by the trade union (non-involvement or involvement), the way in which union actions are planned and implemented (central level and/or workplace level), and the actions taken by the union (internal and/or external). This study has confirmed the model as a constructive means for describing trade union responses in a public sector context.

Even though the ASU was excluded by the Kennett government from many of their traditional avenues of involvement, both the MEU and VSEB adopted an objective of involvement in the reform agenda. While not wanting to be seen as supportive of the reform agenda, ASU central officials confirmed an involvement stance was essential for the union to better protect members in the face of possible extreme action by some local councils (Chapter 5, section 5.4.1).

The findings reported in Chapter 5 (section 5.4.2) and those gathered from the case councils in Chapter 6 (section 6.3.6, section 6.4.6), also showed that central officials in the ASU played a principally role in initiating and directing union actions. Given the extent of challenges arising from the reform agenda gathered in RQ3, the centralist approach was not unexpected. ASU officials were adamant that members wanted the union to continue to function along the traditional ‘service’ model approach and provide central involvement in exchange for their membership dues. This was illustrated in the way in which central officials took over EBA negotiations in CSC (Chapter 6, section 6.3.). Overall, throughout this period of reform, central officials played leading roles in the union’s organising and bargaining activities and had dominated decisions about the external actions to be pursued by the union (Chapter 5, section 5.4.3).
However, there was also evidence of workplaces shaping central union approaches (Chapter 5, section 5.4.2). This was illustrated in the level of LAWA development and gain sharing arrangements negotiated during the reform period and illustrated by the union’s bargaining activities in MSC (Chapter 6, section 6.4.6; Walsh and O’Flynn 2000). The study showed in Chapter 5 how central officials in the ASU had to balance the level of central and local involvement. Central officials took the approach that ‘if members were still adamant on a course of action after we had spoken to them, we would accept local direction’ (MEU Assistant Branch Secretary 2000b).

The third part of the model reported on the ASU’s actions undertaken during the reform period (Chapter 5, section 5.4.3; Chapter 6, section 6.3.6, section 6.4.6). These actions were described in the model as consisting of internal actions (organisational and bargaining) and external action (political and legal) (Chapter 2, section 2.5). While the Kennett possessed constitutional power and control of the administration and operational functions of local government, powers over trade unions’ ability to respond resided with the Federal government (Corbett 1992). The ‘Federal Industrial Relations Framework’ was found to have been of critical importance in shaping the ASU’s actions.

The union’s organising and bargaining activities were governed at this time by rules established under the Industrial Relations Act 1988 (1992-1996) and the Workplace Relations Act 1996 (1997-1999). For instance, the Industrial Relations Reform Act 1993 and Workplace Relations Act 1996 had established the decentralised bargaining format facing the ASU, but also guaranteed continued their involvement in collective bargaining at the local council level (Chapter 5, section 5.4.3.2). In addition, external actions were largely guided by this federal framework. The ASU was also able to use provisions of the federal Workplace Relations Act 1996 to challenge local council decisions on CCT in the Federal Court (Chapter 5, section 5.4.3.4). In recognition of the level of importance this had on the ASU’s actions, a separate element, Federal Industrial Relations Framework, was added to the analytical framework and a new link identified (number 7) (Figure 5.4).

The study identified the main organisational actions taken by the ASU included membership communication, redefining the role of central officials, recruitment, training, and the establishment of a temporary job network. While these actions were taken throughout the entire reform period (Chapter 5, section 5.4.3) and mainly directed at the local council level
(as evident in the case studies in Chapter 6, section 6.3.6, section 6.4.6), the external actions (political and legal) were undertaken in the later part of the reform period. These latter actions were possible after the rate of legislative change had slowed and as a result of favourable legal decisions. In addition, these actions were made possible by the rise of community opposition to the impacts of structural and competitive changes (Chapter 5, section 5.4.3.3).

The findings reported in this study also confirmed the conclusions reached by Gardner (1989) that union strategy is not ‘unfettered’ and union choice of action often rests on the ‘constraints and possibilities that the environment allows’ (p.65). This was illustrated in the initial restructuring agreements negotiated with local councils prior to amalgamation, when the ASU perceived the high level of support from existing managers (Chapter 5, section 5.4.3.2). Adaptability to the local environment was also evident in union bargaining response in CSC compared to that adopted in MSC (Chapter 6, section 6.3.6, section 6.4.6). The findings confirmed that the ASU’s responses were both influenced by local variants and also in turn shaped outcomes in local councils. In recognition of the level of importance this had on the ASU’s actions, a separate link (number 5) was established in the analytical framework (Figure 5.4).

The ASU maintained a strong centralist position at CSC in light of member support for union involvement, the anti-union approach taken by council management to collective bargaining, and also from their understanding of the council’s approach to CCT. The limited strategic approach taken to CCT and the lack of competition for the provision of council services in the area maintained a stronger centralist position by the ASU (Chapter 6, section 6.3.6).

On the other hand at MSC, although the ASU faced an environment in which the council took a more competitive approach to CCT and management sought changes to terms and conditions through gain sharing and LAWA arrangements, a less centralist position was adopted. On the strength of unanimous membership support for changes proposed by management, the ASU accepted, reluctantly, members’ wishes so as to maintain continued involvement in local government (Chapter 6, section 6.4.6).
Although there were no benchmarks or measures established in this model (Figure 2.2), some illustration of the ASU’s responses could be provided, with the direction of the response in each component. These findings are summarised in Figure 7.4.

**Figure 7.4: RQ4 - ASU responses to the Victorian local government reform agenda**

<table>
<thead>
<tr>
<th>Union stance</th>
<th>Non-involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Involvement</strong></td>
<td><strong>Initiation of/direction for union action</strong></td>
</tr>
<tr>
<td>Central</td>
<td>Decentralised</td>
</tr>
<tr>
<td>• Mostly centralist control of workplace actions, except on bargaining</td>
<td>• Members’ opposed central bargaining model – some councils</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>External</td>
</tr>
<tr>
<td></td>
<td>• Political</td>
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<td></td>
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</tbody>
</table>

Source: Developed for this study

### 7.2.5 Summary of findings on RQ5: Was the Kennett government’s successful in attaining its third key objective: a significant reduction in trade union position and influence in local government?

RQ5 sought to provide conclusions as to whether the Kennett government’s planned union outcomes were attained. Using the model of effects used for RQ3, a list of possible worst case outcomes against each of the four areas can be identified. The worst case outcomes are summarised in the left-hand column of Table 7.1. The findings on the right-hand column in this table represent a summary of outcomes gathered in response to RQ3.
Table 7.1: RQ5: Comparison of expected Kennett government outcomes on trade unions and actual outcomes for the ASU

<table>
<thead>
<tr>
<th>Impact areas</th>
<th>Expected outcomes (Worst case scenario or Kennett government outcomes)</th>
<th>Actual outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Policy Determination and Implementation</td>
<td>Fully remove trade union access to policy discussion and implementation in all aspects of the state political machinery. The pace in which change was to be introduced would reduce the ability of unions to plan strategic responses. The newly created local councils would also remove ability for unions to influence policies. The government also imposed stringent oversight on council decision making (CCT). Councils would make decisions based on market forces, and not be influenced by non-market forces such as trade unions.</td>
<td>Access to Government Ministers and State bureaucracy was reduced relative to 1982-92. Access at local council level varied. Most were reluctant to share information. Gained restructuring agreements with all local councils prior to amalgamation, which placed unions in strategic position. Access to implementation broadened in organisational decisions particularly CCT under EBAs. Access to political and legal avenues in later period. This was highly successful in building upon anti-Kennett electoral sentiment. Aided by decisions on contracting out in the Federal Court to launch successful legal challenge at local level.</td>
</tr>
<tr>
<td>Membership levels</td>
<td>Substantial reduction to membership levels as a consequence of losses to employment in local councils through amalgamation (and cost savings) initially and then progressively under CCT. CCT was expected to substantially reduce the level of local government employment. A loss in membership of this extent to have significant impact on the financial resources of the ASU. This would lead to an inability to organise. Lower membership at senior levels of council would also result with the introduction of performance-based contracts. Less favourable management approach to unions would restrict their ability to get new employees to sign on as members.</td>
<td>Significant reduction membership levels as a result of employment decreases. Previous networks between members dismantled as a result of amalgamation. Subsequent decline in financial resources, which restricted ability to undertake legal challenges or extensive community campaigns. The continuation of in-house provision halted the potential drastic reduction in employment and thus membership. Lost many experienced local union officials during amalgamation. ASU able to maintain and increase contact with members through face-to-face meetings, particularly during EBA negotiations. Access to new members varied but generally did not restrict ASU officials.</td>
</tr>
<tr>
<td>Impact areas</td>
<td>Expected outcomes (Worst case scenario or Kennett government outcomes)</td>
<td>Actual outcomes</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Bargaining arrangements and climate | *Form*  
Unions forced to negotiate EBAs with all councils.  
The effect on membership to wind down their automatic status as representing the interests of employees.  
Union resources to be stretched under EBA negotiations resulting in an inability to represent all workers.  
Inability to stop break-down in state-wide terms and conditions under market conditions with CCT.  
Increase in LAWAs as means to meet local market conditions.  
*Climate*  
Much harsher bargaining climate with savings targets imposed and CCT.  
Unions to be forced into bargaining away terms and conditions of its members in order to maintain jobs.  
Councils more willing to negotiate with staff and not unions. | *Form*  
ASU remained party to all agreements.  
Pressure on officials as experienced shop stewards had resigned.  
State wide terms and conditions remain partially in-tact (particularly non-wage clauses).  
Increase in LAWAs dispersed pay outcomes from state-based terms and conditions.  
Bargaining gains and losses across local councils.  
*Climate*  
ASU forced to balance loss in terms and conditions with job security. It could not seek to push for higher claims.  
Councils varied in their attitude to the ASU. |
| Intra- and inter-union relations  | Attack on union relations internally and externally.  
Unable to maintain collectivity under CCT with organisational split into client/provider and as a result of some members and their terms and conditions in services placed to tender.  
Increased private sector competition for members when contracts won externally. | Historical differences between MEU (representing ‘outdoor’ workers) and the VSEB (representing ‘indoor’ workers and referred to by MEU officials as the ‘boss’s union) remained in some key areas (such as action over CCT Not For Me campaign).  
Bonds tightened in negotiation of EBAs as a single-bargaining unit was required.  
Evidence of some differences in the bond between officials and members.  
Many LAWAs’ were agreed to without full support of officials.  
Stronger bond between union and other unions. MEU had forged agreements over outsourcing and membership prior to full implementation of CCT. The maintenance of in-house delivery halted extensive transfer of members to external contractors. |
A comparison between the two columns shows that the Kennett government did achieve some success in each of the four areas of challenge facing trade unions. However, according to union officials and, as confirmed in this study, the situation could have ‘been worse’ as the level of impact was not to the extent represented by the ‘worst case’ scenario. The responses taken by the ASU were found to be crucial in reducing the consequences from approaching the worse outcomes. In addition, the lack of significant change in local government service delivery patterns, as reported in RQ2, helped shield the ASU from experiencing even greater levels of harm.

The ASU maintained some influence over policy implementation at the local council level through collective bargaining. This was illustrated in the development of clauses in EBAs and LAWAs that guaranteed union involvement in service reviews prior to tendering. This level of involvement was not previously available in state-wide awards. In addition, the increased contact between members and union officials provided the ASU with information about the changes being implemented in local councils. Moreover, some local councils maintained support for union involvement in the reform process. Additional union influence was also obtained through their political actions.

Union membership levels were severely reduced as a result of the local government reform agenda and in particular during the implementation of amalgamation. However, further major losses like those experienced at this time were avoided. The limit to additional losses was due in part to the government’s policy choice and also as a result of the ASU’s bargaining actions. The implementation of the amalgamation and associated savings targets as the first policy instruments imposed meant local councils had opportunities to reduce employment levels prior to the full implementation of CCT. The case councils also illustrated how decisions on employment decreases were based on the number of employees voluntarily wishing to leave local government. The success of the ASU’s bargaining models also contributed to increasing the cost of terminating in-house delivery of services for local councils.

In addition, local council support for the continuation of in-house service provision also placed halts on further reductions in employment and consequentially union membership levels. The case studies also showed how the lack of competition for council services was a
primary factor in saving service provision from being externalised and, as such, limiting further major reductions to employment levels and union membership levels during CCT.

Negative bargaining outcomes were also experienced by the ASU. The Kennett government had successfully encouraged the breakdown of state wide terms and conditions through compelling local councils to develop EBAs. In addition, the government was able to contribute to developing a harsher negotiating environment for the ASU. The Kennett government was able to achieve this through policy instruments aimed at reducing costs. However, the ASU was able to restrict even further damage to bargaining outcomes through the actions they took in response.

Although there was some success in the breakdown of state wide terms and conditions as a result of EBAs and LAWAs, the ASU remained a party to all negotiations and a signatory to all agreements. The study also showed how the ASU was able to secure higher severance entitlements through restructuring agreements and even gained agreement on issues not covered by other EBAs or by the previous local government awards, particularly on CCT and organisational restructuring matters. The Kennett government was also successful in contributing to creation of a much harsher negotiating climate.

Extensive negative consequences arising in the area of intra and inter-union relations were also limited by the actions taken by the ASU. The signing of LAWAs and agreeing to gain sharing arrangements by central officials had helped limit divisions between members and central officials. Previous agreements with competing unions also limited the government’s opportunity for success in this area.

The information is now summarised in the appropriate elements in the analytical framework (Figure 7.5).
Figure 7.5: Analytical framework for Victorian local government reform, 1992-1999

Forces driving reform:
- Public choice ideas
- State’s budget position
- Micro-economic reform pressures

Approach to implementing reform:
- Reduced consultation
- Change was rapid
- One-size, fit-all

Policies:
- Council amalgamations
- Financial savings
- Management changes
- Electoral changes
- Compulsory competitive tendering

Expected outcomes:
- Cost savings and efficiency improvements
- Reduction in the size and scope of local government
- Reduction in the position and influence of trade unions in local government

Local variants:
- Level of competition (extensive/limited)
- Approach to reform (competitive/enabling approach to CCT, limited support for in-house units/compliance)
- Regional forces (population and employment decline)
- Management approach to cost savings, threats of job insecurity, LAWAs, gain sharing
- Union response (supporting changes to EBAs, LAWAs)

Support change

Restrict change

Major changes experienced:
- Reduction in the number of local councils
- Financial savings
- Some reduction in direct service provision
- Minor change to management – personnel from local government
- Large decreases in employment
- Mostly twin hatted organisational structure, not enabling
- Councils fearful of government intervention
- Market based decisions did not totally replace political decisions
- Support for in-house units remains

Was the government successful?
Limited to:
- Some overall reduction in influence in policy
- Significant reduction in membership levels
- Breakdown of state wide terms through LAWAs/EBAs, limited union gains
- Some tensions created between union branches

(SEE Table 7.1)
Effects on Trade Unions

Level of influence in policy determination and implementation

- **Low**
  - No influence in Kennett government / Office of Local government/local councils under commissioners
  - Membership loss – up to 50%, loss of union officials
  - Recruitment limited across all councils
  - Decentralised bargaining – pressure on central resources, broke down state wide terms
  - Bargaining environment harsh – threats to terms and conditions
  - Loss of terms and conditions for tendered workers through LAWAs
  - Poorer relations between members and central officials in some councils

- **High**
  - Extensive

Membership levels

- **Minimal**
  - Extensive

Bargaining outcomes

- **Poor**
  - Good

Intra- and inter-union relations

- **Poor**
  - Good

Effects on Trade Unions

Trade Union Responses

Union stance

- **Involvement**
  - Predominately centralised in planning, implementing and managing actions

- **Non-involvement**
  - ASU agreed to workplace initiated LAWAs and gain sharing

Initiation of/direction for union action

- **Centralised**

- **Decentralised**

Union actions

- **Organisational**
  - Member communication; organisers/industrial representatives; training activities; recruitment of union members; and the establishment of a temporary employment database
  - Bargaining
  - Restructuring Agreements and EBA's

- **Political**
  - Submissions to government inquiries, community lobbying, and electoral campaigning
  - Contractors Clause
  - Action under Workplace Relations Act 1996 in Federal Court of Australia

Federal Industrial Relations Framework

Source: Developed for this study
7.3 Conclusions on the research propositions

Based on the information gathered in this study, and illustrated in summary form in the analytical framework above in Figure 7.5, conclusions can now be reached on the two research propositions, set out in section 7.1. The first proposition sought to test whether public sector reform agendas, underpinned by public choice ideas, seek to inculcate competitive practices in the provision of local government services and, in so doing, consequently aim to reduce trade union influence and position in local government.

The study has confirmed the Victorian local government reform agenda was principally based on the ideas emanating from proponents of public choice. This is illustrated in each of the parts of the first element, local government reform agenda, of the analytical framework in Figure 7.5. The study showed how the Kennett government’s support of public choice ideas was the major driving force. Although the ideas of public choice ideas had originated in the 1960s with the publication of The Calculus of Consent: Logical Foundations of a Constitutional Democracy by Buchanan and Tullock (1962), it was the experiences of the UK reform during the 1980s that underpinned Kennett’s support.

The study also showed how this driving force also influenced the approach used by the Kennett government to implement the ideas. The second part, approach to implementing reform, showed how the government had taken action to reduce levels of consultation with key interest groups in local government. This was also based on public choice ideas that claimed these interest groups were mostly responsible for the inefficiencies in the public sector and had vested interests in continuing to expand the sector (Hallam 1993c; Institute of Public Affairs 1993; Moore and Porter 1991).

The third part of the reform agenda, expected outcomes, further confirmed that the reform agenda was fundamentally driven by public choice ideas. These outcomes represented the same as those pursued by the Thatcher governments during the 1980s in the UK. The fourth part to reform agenda, policies, also reinforced the nature of the reform agenda as being underpinned by public choice ideas. The policy instruments were directed at reducing public sector funding and size and scope through cost cutting and privatisation mechanisms.
A major policy instrument of public choice was the introduction of competition in the delivery of local government goods and services. The introduction of ‘competition in the public sector was important in promoting public sector efficiency’ (Barnes and Dollery 1997, p.127). The introduction of competition would expected to deliver ‘higher quality services at least cost to service users and taxpayers’ and was a powerful tool ‘for encouraging innovation and greater responsiveness to customer preferences’ (State Government Victoria 1996, page 6).

In addition, competition would force local councils to adopt a ‘business orientation’, which embraced ‘a focus on governance, customer and citizen service, and provision of services within a competitive environment’ (Boyd 1996, p.6). The Minister for Local Government, Hon. Roger Hallam, stated that CCT was to ‘introduce competition to require councils to look hard at their own operations and improve efficiency’ and to herald ‘a cultural change which goes to the very core of the way councils operate’ (OLG 1995, p.1).

Competition polices also presented governments with a means to target the power of trade unions. Public choice, particularly as practiced in the UK during the 1980s, had promoted the perception that trade unions had hindered the public sector from improving efficiency (Foster 1991; Institute of Public Affairs 1993; MacInnes 1987). Through an analysis of the components of the local government reform agenda, the study was also able to identify the consequential changes that competition would invoke for trade unions. The reform agenda threatened previous levels of policy access and influence enjoyed by local government trade unions. Although the Kennett government did not possess direct legislative power over local government trade unions, the policy instruments promoting competition proved to be successful in posing indirect consequences for unions (Foster 1991). Funding cuts and the introduction of competition in the delivery of local government services meant potentially less employees would be required and consequently lead to lower union membership levels. Local government trade unions also faced a potentially harsher negotiating environment as a result of the introduction of competition. Competition for members could also occur between local government councils and potential private sector competitors, threatening the ability of unions to mount campaigns against the Kennett government.

These policy instruments subsequently resulted in changes to local government (link number 1). The second element of the analytical framework, changes to local government,
also resulted in the implications for trade unions being realised (link number 3). The findings summarised in the third element, *effects on trade unions*, of the analytical framework showed the ASU as being negatively impacted by these policy instruments. The negative impacts were experienced in the areas of policy influence, membership levels, bargaining outcomes and in relations within and between unions.

The findings reported in this study also support the second research proposition. This proposition sought to assess whether the level of success achieved by the Kennett government in achieving these outcomes was determined by the responses taken by trade unions and by the extent to which local government adopted the business-like or competitive practices.

The study has found evidence that the ASU undertook a range of responses to the reform agenda, as illustrated in the fourth element, *trade union responses*, in the analytical framework in Figure 7.5. The reaction by the ASU was not unexpected given the challenges faced in each of the four areas described above (link number 4). The study found that these responses were in turn shaped by the influence of the element, *Federal Industrial Relations Framework* (link number 7) and also by the element *local variants* (link number 5). The ASU was able to adapt its actions to the changing environment and, in so doing, stymie the level of impact experienced in each of the four areas of challenge (Table 7.1). By choosing an involvement position, the ASU was able to maintain influence in the way in which competition was taken up by local councils. Remaining a signatory to all collective agreements and the pro-active actions taken in the political and legal arenas had helped reduce the level of ultimate change in local councils. Acceptance of changes to workplace terms and conditions and levels of employment had permitted greater in-house success in competitive tendering, reducing the likelihood of local councils becoming ‘enabling authorities’. This in turn halted further declines in union membership levels.

The study also confirmed that local government did not change to the extent desired by the Kennett government. Since the Kennett government had no legislative power over trade unions, they required extensive change toward the adoption of a competitive culture to inflict the most consequential damage on the ASU. However, the findings of this study have confirmed *local variants* had influenced policy outcomes in local government. These
variants are shown in the analytical framework in Figure 7.5 as being capable of promoting change or hindering change toward a competitive culture (link number 2).

Local councils were found to have functioned in many ways like those of the predecessor councils. The study identified similar financial characteristics, with patterns of overall expenditure and main sources of revenue showing minimal overall change. In-house success in competitive tendering had resulted from council support and from the lack of competition for goods and services. Compliance, rather than the adoption of a competitive culture was found to have been the main driving force behind CCT decision. This finding confirmed similar conclusions reached by other studies (Aulich 1997a, b; 1999a, b, c; Ernst et al. 1997; Murfitt et al. (1996).

In addition, the study identified the policy instrument order had limited the move toward a competitive culture. The Kennett government’s imposition of amalgamation prior to CCT had enabled local councils to resize in readiness for potential competition in the delivery of their goods and services.

The main contributions to research arising from this study are described in the next section.

7.4 Contributions

The present study has contributed research findings on public sector reform and trade unions, using the experiences of the Victorian local government reform agenda between 1992 and 1999. The study’s findings have some limitations and these were explained in Chapter 4 as mainly concerning the applicability of framework and models, the use of case study research and generalisability of findings, and data collection methods. However, actions were taken by the researcher to address these limitations, such as refining the analytical framework (Figure 5.4) to suit the Australian industrial relations environment and minimising issues like the lack of rigour and potential for bias through triangulation of data (Chapter 4; Ezzy 2001).

This study has made a number of contributions to research findings on local government, trade unions and public sector reform. Firstly, the study has contributed information on reform in Victorian local government between 1992 and 1999. Important insights into the
Kennett government’s reform of local government were found in respect of trade unions, which had not previously been addressed by researchers examining this reform agenda (Chapter 1, section 1.4). Evidence showed how public sector reform agendas driven by the principles of public choice pose significant challenges for public sector trade unions. The study shows how governments are able to target trade unions even in indirect ways, without the need for direct legislative powers over trade unions. The impacts arose from the consequences of the promotion of competition in the delivery of local government goods and services.

Second, the study also has contributed to the body of work on local councils in Victoria. A study of local councils in the south west has added to previous accounts, which had reviewed local government reform in the northern areas of the state (Tesdorpf 1996) and the Latrobe Valley in the east (see: Gibson et al. 1999; PC 1999a, b). A study of councils in the south west has provided valuable insights into the regional and historical nature of local government. The study has also contributed information refuting claims made by Ernst and colleagues (1997), Hodge (1996) and Tesdorpf (1996) that rural councils were the most likely losers under a competitive market environment. This study has shown that these local councils won almost all contracts tendered for, aided principally by a lack of competition for the high expenditure services like roads construction and maintenance.

Third, the findings in this study have also contributed to the general body of industrial relations literature on trade unions in Australia. Researchers had previously acknowledged the difficulty in generalising about the behaviour and activities of trade unions and the relatively little systematic Australian data on the strategies pursued by individual unions and particularly about how trade unions operate in the public sector (Deery and Plowman 1985; Gardner and Palmer 1997, Hall and Harley 1997). In this study, contributions were made in these areas through a study of the largest trade union operating in local government and one of the largest unions in Australia, the ASU.

The ASU’s relatively unique branch structure differs to most other Australian trade unions in being neither hierarchal in line of authority, nor federal in accordance with the geopolitical boundaries of Australian states. Rather, it is organised along loose organic and functional lines. That is to say, the branches have only a weak association with one another, and operate more or less independently from one another, within the broad framework of
rules and regulations established by the ASU. Such branch autonomy is a legacy of the amalgamation of several smaller craft and occupational trade unions to form the ASU in the early 1990s. These unions were reluctant to cede independence when they merged. As a consequence, the head office of the ASU per se is not really responsible for representing and organising workers in local government. This responsibility instead falls to several industry-based branch offices, which in effect act and operate more in the manner of trade unions in their own right (VSEB Branch Secretary 2001).

The research has also updated previous historical studies of trade unions in local government, prior to the formation of the ASU (Best 1986; MOA 1970). These were highly partisan accounts of selected campaigns and pre-dated the period under investigation in this study. Data was provided on the formation, structure and objectives of the ASU and also importantly about ASU strategy.

Four, the findings of this study also contribute to the literature dealing with union strategy, which has been a central focus of union movements throughout many countries including Australia since the late 1980s (ACTU 1987b; Brambles 2001; Carter and Cooper 2002). These strategic actions have stirred debate about the way in which unions are being encouraged to act and their actual practice (Brambles 2001). The findings in this study have confirmed the application of the models of effects arising for trade unions as a consequence of public sector reform and of union responses to reform agendas. This adds to the somewhat limited body of research work dealing with union responses in harsh environments (Brambles 2001; Boxall and Haynes 1997).

Five, the findings in this study have also provided a wider understanding of the circumstances and influences that served to shape decision-making within the local government sector and particularly in rural Victoria. Even though local government is subordinate to the states, actions at the local council level are often shaped by local variables, which in turn lead to outcomes that differ from central policy objectives and expected outcomes. Rather than be completely damaged by the policy agenda, the rural councils studies in this study illustrated the complex nature of their roles in local communities. In addition, complex federal-state relations often illustrate different policy objectives at work at the same time. Whilst federal and state governments were eager to reduce costs of service delivery and indeed service provision, local government in rural
locations were often forced to take up these responsibilities. These councils, like many in rural locations, are more than conduits for roads, rubbish and rates.

Sixth, the study has developed the framework further and made it more relevant to Australian policy conditions. The findings contribute support to the use of the analytical framework and models as templates for addressing contemporary public policy change and trade unions. The framework and models also provide templates for predictive purposes for key policy makers and also key interest groups. Although this study centred on how public sector policies had indirectly impacted on trade unions arising in Victorian local government, unions continue to face ongoing attempts by governments to reform parts of their public sectors. The recent announcement of a program to reduce the number of local councils from 157 to 73 councils in Queensland, again impacts on the ASU (Queensland Department of Local Government, Planning, Sport and Recreation 2007). However, unlike the reform in Victoria, the Queensland State government had opted for a more consultative approach with local government and has been mainly limited the reform to boundary adjustments.

Similarly, the framework and models permit research into the impacts on trade unions arising from more direct policy changes, such as in federal industrial relations legislation. This is also of topical concern, since the Coalition-led federal government implemented the major changes in this legislation through the Workplace Relations Amendment (WorkChoices) Act 2005, which replaced the Workplace Relations Act 1996. This legislation has been described as ‘the most fundamental revolution in industrial relations since Federation’ (Hall 2006, p.292). The legislation has introduced greater flexibility in bargaining, further decentralisation of industrial relations, and restrictions on unfair dismissal jurisdiction (Hall 2006). In addition, the Act has removed the ‘core functions of the independent Australian Industrial Relations Commission’ and placed additional restrictions on union industrial action (Peetz 2007).

Governments and other policy making organisations could apply the framework developed here to anticipate potential impacts on other key groups so as to better understand how local variants and the responses by the various interest groups shape policy outcomes. The interest groups themselves, like trade unions, could also apply framework and models for developing more effective strategies and actions.
7.5 Future Studies

The study has provided a platform for future studies into public sector reform and trade unions. Firstly, the analytical framework and models templates for further investigation into the impact of changes in public sector policy on trade unions. This is particularly required where trade unions face more direct policy attacks, such as through changes to industrial relations legislation, which govern their roles and ability to bargain. This study has confirmed other studies about the centrality of union bargaining to union strategy (Boxall and Haynes 1997; Brambles 2001) and any change in this area is likely to have more direct consequences for trade unions. The framework and models used in this study could underpin research into the impacts on trade unions arising from the Workplace Relations Amendment (WorkChoices) Act 2005. This is warranted because the legislation has significantly altered unfair dismissal access, reduced the role of the AIRC in settling disputes, imposed stronger provisions restricting union industrial activity and also ‘tighter rules governing rights of entry by trade unions to workplaces’ (Wooden 2006, p.101). In addition, the legislation has taken over state government industrial relations powers (Peetz 2007).

Justification for this research is also provided because the legislation has ‘drawn highly vociferous responses from many quarters of Australian society’ (Wooden 2006, p.99), including religious organisations and social welfare organisations. The ACTU has also organised and implemented a range of actions in response under the banner of ‘Your rights at work’, including media campaigns, the establishment of an information Internet site, and campaign materials (ACTU 2007). Assessments of the impact these actions are taking can also be addressed using these templates. Research into this area would greatly improve the usefulness of the framework and models for investigating policy reform and trade unions.

Studies in other jurisdictions could also be undertaken where trade unions face attacks on their position and influence from the indirect consequences of reforms. As noted above, this study has provided a platform for investigating the local government reform in Queensland and the ASU. The ALP-led State government’s approach and policy change has been more consultative and is more confined than that of the Kennett government and enables an investigation of how different underpinning agendas may alter outcomes for trade unions.
However, while the Queensland government has not followed the path forged by the Kennett government in terms of approach or comprehensiveness of the reform, there exist some similarities.

The Queensland Department of Local Government, Planning, Sport and Recreation’s report, *Local government reform: a new chapter for local government in Queensland*, raises similar concerns about local councils as the Victorian Local Government Board. These include poor coordination between councils, a limited ability to deliver community services, and the existence of financially unsustainable rural and remote councils (Queensland Department of Local Government, Planning, Sport and Recreation 2007).

A further area of analysis is warranted in the testing of the models and analytical framework used in this study under conditions where there is a more union-supportive government administration. The return of the ALP to the federal government in November 2007 provides an opportunity for conducting such a study. The ALP has confirmed support for trade union rights to organise, to take action on behalf of their members and on behalf of workers generally, and to bargain collectively and to overturn the *Workplace Relations Amendment (WorkChoices) Act 2005* (ALP 2007).

Another area of possible research is the expansion of the analytical framework to cater for other stakeholders impacted by public sector reforms. A study of this type would yield further insights into the way in which local variants influence policy outcomes.
Appendices

Appendix 1: Data collection documents

Appendix 1.1: Letters to case study organisations

Letter to Australian Services Union

24\textsuperscript{th} March 2000

Mr Paul Slape
National Secretary
Australian Services Union
Ground Floor
116 Queensberry Street
CARLTON SOUTH 3053

Dear Paul

Request for access to union personnel for academic research purposes

After speaking to Brendan O’Connor (Assistant National Secretary) on 21\textsuperscript{st} March, I am making a formal application to discuss a research project I am currently undertaking. The research project is direct at investigating the effects and outcomes of local government reforms on trade unions and their responses. The focus is on the reform agenda pursued by the Kennett government between 1992 and 1999. The research is for the completion of a PhD (Doctor of Philosophy) I am currently undertaking through the Bowater School of Management and Marketing at Deakin University.

Research in local government has commonly not addressed trade unions. Unlike the rich history of research undertaken in the United Kingdom, Australian research is limited. I anticipate my research will fill the void on local government reform and trade unions. I believe that now is a timely opportunity to undertake a study of this type.

The project requires the collection, analysis and eventual publication of findings on the reform agenda, the effects on trade unions, their responses and overall outcomes for trade unions. The ASU is the main trade union in local government and access to your union is essential to undertake this research. I am requesting access to appropriate officials in your union to discuss the matters raised in my research. These matters include: origins and formation of union, some historical background, structure and membership, organisation and action undertaken, the impacts of the reforms, including CCT and amalgamation, responses taken by the union between 1992 and 1999.

I would like to make personal contact with yourself and other appropriate officials to make the necessary arrangements for interviews and access to union documentation. I am aware that your time and that of other officials is valuable, however, I believe that the research offers valuable contributions to public policy change and trade unions for the future. Further queries can be directed to myself of to my Supervisor, Dr. Keith Abbott (ph: 035227 2414).

Yours sincerely

Rob Connoley (Principal Researcher)
Letter to case study local councils

1st September 2000

Chief Executive Officer

Dear Sir

*Project: The effects of local government reform including Compulsory Competitive Tendering (CCT) on local government in rural areas*

An invitation is extended to your council to participate in a research project on local government reform including compulsory competitive tendering (CCT) within rural local councils. The project investigates the nature of CCT and its effects on employment and industrial relations changes at the organisational level. The project is being conducted by Rob Connoley (Principal Investigator) and supervised by Dr Keith Abbott from the Faculty of Business and Law, Deakin University.

This project has two principal aims. The first is to present an historical account of the nature and effects of public policy change as it pertains to CCT. The second is to fill a gap in the existing research findings on its effects on employment and industrial relations.

Your council has been identified as a potential case council for a study of this type because it satisfies the rural criteria and focus of this project. In choosing your council, it is anticipated a better understanding of the impacts of CCT can be understood at the organisational level.

In order to undertake this study, data and access is sought in the areas of: the council’s (pre- and post-amalgamated councils) approach to competitive tendering prior to 1994 (pre-CCT) and post-1994 (post-CCT); CCT policies and strategies; employment policies; and industrial awards applicable to the council. The management of CCT and trade union responses is also sought through documented reports and semi-structured interviews.

I would like you to note that participation at every stage is entirely voluntary. In particular, I am fully aware that councils are highly sensitive about the possibility of confidential information being inadvertently released into the public domain. I therefore give an undertaking that, should your council choose to participate, you will be given the opportunity to sight and vet any findings prior to their publication.

I believe that now is a timely opportunity to undertake a study of this type. The findings will help broaden the understanding of issues confronting rural councils and their efforts to provide quality services to their communities. Your council’s positive response to this request will add to the knowledge base of the effects of CCT in the local government sector.

I will be pleased to answer any questions you may have about the project, and I will ring you in the next few days to discuss this proposal in further detail.

Yours sincerely

Rob Connoley
Principal Researcher
Deakin University
Geelong
Victoria 3220
Ph/fax: (03) 52272475
Email: connoley@deakin.edu.au
Appendix 1.2: Ethics approval

MEMORANDUM

TO: Mr Rob Connoley
Bowater School of Management & Marketing  Geelong
FROM: Secretary, Deakin University Ethics Committee (DUEC)
DATE: 4 August 2000
SUBJECT: PROJECT: EC 137-2000  (Please quote this project number in future communication.)
THE EFFECTS OF COMPULSORY COMPETITIVE TENDERING ON EMPLOYMENT AND INDUSTRIAL RELATIONS IN VICTORIAN LOCAL GOVERNMENT AND TRADE UNION RESPONSES

The above project was considered at DUEC Meeting 4/00 held on 31 July 2000 and the Ethics Committee decision and explanation given below.

THAT APPROVAL BE GIVEN FOR MR ROB CONNOLEY, UNDER THE SUPERVISION OF DR KEITH ABBOTT, BOWATER SCHOOL, TO UNDERTAKE THIS PROJECT FROM 1 SEPTEMBER 2000 TO 28 FEBRUARY 2001 SUBJECT TO APPROPRIATE ORGANISATIONAL CONSENT FOR UNION OFFICIAL PARTICIPATION.

Standard on-going ethics clearance would be given for the above project to proceed subject to appropriate written consent being obtained from any trade or professional union before officials are involved in the project. A sample copy of the organisational consent form to cover unions, with research and research information outlined, should be submitted to my office for the record.

Notwithstanding the above, the standard conditions for on-going ethics clearance are listed on the accompanying page. Please contact my office if you have any concerns or queries about the DUEC decision. The DUEC reference number should be quoted in any communication.

Keith Wilkins
Secretary, DUEC
Tel: (03) 9251 7123 (or ext 17123)
Email: keithwil@deakin.edu.au
# Appendix 1.3: Informants for formal interviews

## Australian Services Union

<table>
<thead>
<tr>
<th>Organisation/Position Title</th>
<th>Position Role</th>
<th>Date of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASU Assistant National Secretary</strong></td>
<td>Provide representation for workers covered by national awards and agreements, disseminates information, prepare submissions, sign-off on awards and agreements.</td>
<td>16-Feb-2001</td>
</tr>
<tr>
<td><strong>MEU Branch Secretary</strong></td>
<td>Management of personnel in branch, implementing ASU policy, oversees the daily activities of the Branch in relation to local authority matters.</td>
<td>16-Feb-2001</td>
</tr>
<tr>
<td><strong>MEU Assistant Branch Secretary</strong></td>
<td>Primarily involved in the industrial representation and organising activities of the Branch.</td>
<td>31-Mar-2000&lt;br&gt;13-Dec-2000</td>
</tr>
<tr>
<td><strong>MEU Organiser 1</strong></td>
<td>Primarily responsible for communication between the Branch and the workplace, recruitment, EBA/LAWA negotiations.</td>
<td>31-Mar-2000&lt;br&gt;25-Jun-2001</td>
</tr>
<tr>
<td><strong>MEU Organiser 2</strong></td>
<td>Primarily responsible for communication between the Branch and the workplace, recruitment, EBA/LAWA negotiations.</td>
<td>31-May-2001</td>
</tr>
<tr>
<td><strong>VSEB Branch Secretary</strong></td>
<td>Management of personnel in branch, implementing ASU policy, oversees the daily activities of the Branch in relation to local authority matters.</td>
<td>19-Jun-2001</td>
</tr>
<tr>
<td><strong>VSEB Assistant Branch Secretary</strong></td>
<td>Primarily involved in the industrial representation and organising activities of the Branch.</td>
<td>16-Jul-2001</td>
</tr>
<tr>
<td><strong>VSEB Industrial Officer 1</strong></td>
<td>Primarily responsible for communication between the Branch and the workplace, recruitment, EBA/LAWA negotiations.</td>
<td>21-Aug-2001</td>
</tr>
<tr>
<td><strong>VSEB Industrial Officer 2</strong></td>
<td>Primarily responsible for communication between the Branch and the workplace, recruitment, EBA/LAWA negotiations.</td>
<td>21-Aug-2001</td>
</tr>
<tr>
<td>Organisation/Position Title</td>
<td>Position Role</td>
<td>Date of Interview</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Director of Corporate Services</td>
<td>Overall management of finance, administration, information technology and human resources.</td>
<td>26/27-Oct-2000</td>
</tr>
<tr>
<td>Human Resources Manager</td>
<td>Management of all human resource functions including recruitment, awards and agreements, and training.</td>
<td>27-Oct-2000</td>
</tr>
<tr>
<td>Provider Manager 1 (Former)</td>
<td>Management of in-house Parks and Gardens unit, preparation of tenders, organisation and supervision of employees.</td>
<td>2-Nov-2000</td>
</tr>
<tr>
<td>Provider Manager 2 (Former)</td>
<td>Management of in-house Roads and Construction unit, preparation of tenders, organisation and supervision of employees.</td>
<td>2-Nov-2000</td>
</tr>
<tr>
<td>Corporate Services employees (3)</td>
<td>Administration duties.</td>
<td>29-Oct-2000</td>
</tr>
<tr>
<td>Parks and Gardens employees (2)</td>
<td>Labouring and plant operation.</td>
<td>29-Oct-2000</td>
</tr>
<tr>
<td>Roads and construction employees (4)</td>
<td>Labouring and plant operation.</td>
<td>29-Oct-2000</td>
</tr>
<tr>
<td>Local ASU Representative</td>
<td>Represent workers’ day-to-day industrial relations concerns, provide a line of communication between members and the Branch, recruitment of new members, monitoring developments in the workplace which may have an impact on members.</td>
<td>29- May-2001</td>
</tr>
<tr>
<td>MEU Shop Steward</td>
<td>Represent workers’ day-to-day industrial relations concerns, provide a line of communication between members and the Branch, recruitment of new members, monitoring developments in the workplace which may have an impact on members.</td>
<td>29- May-2001</td>
</tr>
</tbody>
</table>
### Moyne Shire Council

<table>
<thead>
<tr>
<th>Organisation/Position Title</th>
<th>Position Role</th>
<th>Date of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Office</td>
<td>Overall management of administration of the local council.</td>
<td>2-Nov-2001</td>
</tr>
<tr>
<td>Provider Manager 1 (Former)</td>
<td>Management of in-house Parks and Gardens unit, preparation of tenders, organisation and supervision of employees.</td>
<td>27-May-2001</td>
</tr>
<tr>
<td>Provider Manager 2 (Former)</td>
<td>Management of in-house Roads and Construction unit, preparation of tenders, organisation and supervision of employees.</td>
<td>27-May-2001</td>
</tr>
<tr>
<td>Corporate Services employees (2)</td>
<td>Administration duties.</td>
<td>28-May-2001</td>
</tr>
<tr>
<td>Parks and Gardens employees (4)</td>
<td>Labouring and plant operation.</td>
<td>27-May-2001</td>
</tr>
<tr>
<td>Roads and construction employees (4)</td>
<td>Labouring and plant operation.</td>
<td>28-May-2001</td>
</tr>
<tr>
<td>Local ASU Representative</td>
<td>Represent workers’ day-to-day industrial relations concerns, provide a line of communication between members and the Branch, recruitment of new members, monitoring developments in the workplace which may have an impact on members.</td>
<td>27-May-2001</td>
</tr>
<tr>
<td>MEU Shop Steward</td>
<td>Represent workers’ day-to-day industrial relations concerns, provide a line of communication between members and the Branch, recruitment of new members, monitoring developments in the workplace which may have an impact on members.</td>
<td>27-May-2001</td>
</tr>
</tbody>
</table>

### Office of Local Government

<table>
<thead>
<tr>
<th>Organisation/Position Title</th>
<th>Position Role</th>
<th>Date of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Government Inspector (Former)</td>
<td>Undertook investigations on behalf of Minister for Local Government over such matters as CCT probity and not adhering to clauses within the Local Government Act 1989</td>
<td>26-Oct-2000</td>
</tr>
</tbody>
</table>
Appendix 1.4: Plain language statement

DEAKIN UNIVERSITY ETHICS COMMITTEE
PLAIN LANGUAGE STATEMENT

Project: The effects of compulsory competitive tendering on employment and industrial relations in Victorian local government and trade union responses.

An invitation is extended to you to participate in the above project. The project is being conducted by Rob Comtoley (Principal Investigator) and supervised by Dr Keith Abbott from Deakin University.

The project I am asking you to participate in investigates the nature of compulsory competitive tendering (CCT) and its effects on employment and industrial relations changes and trade union responses to CCT.

Aims of the Project

The project has two central aims. The first aim is to present an historical account of the nature and effects of compulsory competitive tendering (CCT) at the organisational level on employment and industrial relations and trade union responses to the changes arising from CCT at the workplace level. The research will involve a study of the two major unions representing employees in local government, the Australian Services Union (MEU Private Sector) Victorian Branch and the ASU (Victorian Services & Energy Branch); and three rural local councils as case studies.

The second is to fill a perceived gap in much existing literature on public policy from an industrial relations perspective. Australian public sector literature often explores local government from a political perspective (such as local government’s relationship with other tiers of government) without relating policy change to a broader context that incorporates industrial relations implications. Since local government is the most labour intensive of all levels of government in Australia and CCT was implemented to cut the cost of local government, the policy was destined to alter employment and industrial relations in the sector. This was confirmed from findings in the United Kingdom (UK). Furthermore, the Victorian State Government was identified as aiming to apply competition policies to reduce the influence and power of trade unions.

The principal question underlying this research agenda is in two parts:

What has been the effect of CCT on trade unions in Victorian local government and in what ways did trade unions respond to the policy?

In order to assess this principal question, four sub-questions have been developed from the existing literature. These are:

- In what ways did CCT result in changes to employment and industrial relations for in-house provider units within Victorian local councils?
- What was the rationale for changes in employment and industrial relations within local councils?
- In what ways did CCT challenge trade union influence and power at the state and local levels?
- In what ways did trade unions respond to CCT?
- What was the rationale for trade union responses?

This thesis draws together an historical account of changes introduced into local government and contributes to a more informed understanding of how policy changes are interpreted and applied at both a central and organisational level.

Freedom to Participate and Withdraw

The researcher would like you to note that participation at every stage is entirely voluntary. Participants may freely withdraw at any stage or refrain from responding to any particular question or issue raised. Withdrawal of any contributions made to the project can be requested up to the point of agreed publication. Such requests will be respected and data withdrawn will either be destroyed or returned. This applies to both individuals and organisations. In particular, I am fully aware that organisations are highly sensitive
about the possibility of confidential information being inadvertently released into the public domain. Therefore, give an undertaking that should your organisation choose to participate, you will be given the opportunity to sight and vet any findings prior to their publication.

Procedures involved

You are invited to participate in this project through making yourself available for semi-structured interviews conducted by the Principal Researcher. The time commitment will range from 30 minutes to 4 hours (maximum), depending on your role in the organisation. The timeframe will be arranged to cause the least interruption to your regular work duties.

Confidentiality and Related Measures

To protect participants, data collected for the project will be secured in accordance with Deakin University guidelines. Data collected will be cross-coded with personal details and stored separately to the research data. No personal or identifying details will be reported in any publication. During the interviews, the researcher will request advice as to which information is likely to prove detrimental to the organisation as well as to individual participants. The researcher will make every attempt to work with this advice. Participants should also be aware that any data collected will be destroyed after a minimum period of six years following publication of results. Only the researcher will have access to the data and personal details recorded.

Project Progress and Outcomes

The findings of the project will form a basis for satisfying the requirements of the Doctor of Philosophy (PhD) degree through the Faculty of Business and Law at Deakin University, Waurn Ponds Campus. The findings will also be published in academic conferences and peer reviewed journals.

If you would like to participate in this project, please complete the attached consent form and return it in the pre-paid envelope provided.

Contact for further information

Participants should not hesitate to seek further information about the project from the following:

Rob Conoley
Principal Researcher
Deakin University
Geelong
Victoria 3220

Ph./fax: (03) 52633010
Email: conoley@deakin.edu.au

Dr Keith Abbott
Research Supervisor
Deakin University
Geelong
Victoria 3220

Ph: (03) 52272414
Email: abbottk@deakin.edu.au

Should you have any concerns about the conduct of this research project, please contact the Secretary, Deakin University Ethics Committee, Research Services, Deakin University, 221 Burwood Highway, BURWOOD VIC 3125, Tel: (03) 9251 7123 (International +61 3 9251 7123).

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Appendix 1.5: Ethical clearances

Individual consent

DEAKIN UNIVERSITY ETHICS COMMITTEE
CONSENT FORM:

I (Individual Name of personnel identified in the above consent form) of Council/union

Hereby consent to be a subject of a human research study to be undertaken

By Rob Connolly (Principal Researcher) and Supervised by Dr Keith Abbott

and I understand that the purpose of the research is (to be completed by researcher)

I understand that the purpose of the research is to investigate the effects of compulsory competitive tendering (CCT) on employment and industrial relations and trade union responses to CCT. I understand that the research will be using case study methods to examine five principal questions; that it will contribute to existing knowledge about CCT and serve to fill a gap in research on these matters.

I acknowledge
1. That the aims, methods, and anticipated benefits, and possible risks/hazards of the research study, have been explained to me.
2. That I voluntarily and freely give my consent to my participation in such research study.
3. I understand that aggregated results will be used for research purposes and may be reported in scientific and academic journals.
4. Individual results will not be released to any person except at my request and on my authorisation.
5. That I am free to withdraw my consent at any time during the study, in which event my participation in the research study will immediately cease and any information obtained from me will not be used.

Signature: Date:

(A25 DUEC Application Form (Minor Revision 2/11/98))
DEAKIN UNIVERSITY ETHICS COMMITTEE
CONSENT FORM – For Institutions/Organisations

1. ....(Name of CEO) ....... of .......Name of Council.................................

Hereby give permission for Names of HR Manager/In-house Provider Unit Manager(s)/ Union Shop Stewards
to be involved in a research study being undertaken by
Rob Consoley (Principal Researcher) and supervised by Dr Keith Abbott
and I understand that the purpose of the research is

to investigate the effects of compulsory competitive tendering (CCT) on employment and industrial relations and
trade union responses to CCT. I understand that the research will be using case study methods to examine five
principal questions; that it will contribute to existing knowledge about CCT and serve to fill a gap in research on
these matters.

and that involvement for the institution means the following:-

• Access to council documentation for collection of data on: the history of the council in terms of competitive
tendering prior to CCT (1994) and post-1994 under CCT; organisational structures; CCT policies and
strategies and management approaches; employment numbers and composition pre-1994 and post-1994;
employment policies; and employment awards applicable to the councils.

• Access to In-house Provider Unit Managers for collection of data on: the management approaches to CCT,
and trade union involvement through documented reports and semi-structured interviews.

• Access to trade union officials for collection of data on union organisational structure, membership details,
and trade union strategies and their rationale in response to CCT.

I acknowledge

1. That the aims, methods, and anticipated benefits, and possible risks/hazards of the research study, have
been explained to me.

2. That I voluntarily and freely give my consent for the institution/organisation to participate in the above
research study.

3. That I am free to withdraw my consent at any time during the study, in which event participation in the
research study will immediately cease and any information obtained through this
institution/organisation will not be used if I so request.

4. I understand that aggregated results will be used for research purposes and may be reported in scientific
and academic journals.

I agree that

4. The institution/organisation MAY / MAY NOT be named in research publications or other publicity
without prior agreement.

5. I / We DO / DO NOT require an opportunity to check the factual accuracy of the research findings
related to the institution/organisation.

6. I / We EXPECT / DO NOT EXPECT to receive a copy of the research findings or publications.

Signature: .................................................... Date: ..................................
Appendix 1.6: Interview questions

Interview questions for ASU Officials

General questions regarding the Branch

- How is the BRANCH structured at the council? (For example, Shop Steward – Members or some other structure)

- What roles and activities are expected of a shop steward of the BRANCH in a council?

- How has the shop steward position been determined at the council?

- To what extent has this position been contested? (For instance, has there been more than one standing for position?)

- How does the union operate at the council level (such as the communication and meetings with members; BRANCH membership of committees; the strategies employed at the council level by the BRANCH in pursuing its aims; the level of cooperation with other unions; etc)?

- What support (training, advice, etc.) is received from central union offices for this role?

- What contact mechanisms are used to inform local members from central office of the BRANCH? (For instance, journals, regional representatives visiting council)? How often are central representatives available to the local branch?

- What is the current level of membership?

- How has the membership level altered since amalgamation? (For instance, any data on membership numbers over period 1994-2000?)

- What strategies are used to recruit members in the council?

- How successful are such recruitment strategies?

- To what extent were the commissioners involved in the change process?

- Where was the major decision making power in relation to the changes, either commissioners or CEO?

- What challenges did the BRANCH face in the amalgamation and CCT process? (For instance, drop in membership; access to management over employment changes; relations between union branches; pressure for workplace changes etc.)

- What was BRANCH’s role in the amalgamation and CCT process? (For instance, was the BRANCH represented on appropriate forums to discuss the likely impacts of amalgamation and CCT?)
• What role did the local BRANCH undertake in relation to enterprise bargaining and LAWAs? How much control did the local branch have over the negotiations in comparison with the central branch?

• To what extent were members involved in negotiating enterprise agreement? To what extent was the central office involved in negotiations? Who had the ultimate say in what was decided upon?

• To what extent (and why) did the two branches of the ASU work together in relation to amalgamation and CCT?

• Was there any particular issues (through the period of change, 1994-99) that have ‘stirred up’ union members to request action?

• How did you feel about the approach taken by your council in regard to amalgamation (and subsequent downsizing) and CCT (the services placed to tender; the level of support given to in-house units; the organisational structure implemented; the council approach to industrial relations and enterprise agreement negotiations; the items negotiated through the EBA process)?

• What effect did the local environment (eg number of competitors) have upon the strategies pursued by the BRANCH?

• What has been your perception about the success of the union’s actions over amalgamation and CCT?

Effects on union

• What effect did the reform agenda have on the level of influence in policy determination and implementation?

• What effect did the reform agenda have on union membership?

• What effect did the reform agenda have on bargaining?

• What effect did the reform agenda have on intra- and inter- union relations?

Responses by union

• What stance did trade unions adopt in response to the reform agenda?

• Where did union action originate or be directed from?

• What internal and external actions were taken by trade unions?

General Comments

• Views on the changes undertaken to local government as a result of amalgamation, CCT etc?

• The future role of the BRANCH?
Interview questions for MEU Shop stewards and Local ASU Representatives

What is your role?

How long in the role?

What interaction do you have with central officials?

What support (training, advice etc) do you receive from central officials?

What is current membership?

What strategies are taken to recruit new members?

What role does Branch take at council level?

What were the roles and functions taken during the reform process? (training, EBAs, LAWAs, CCT)

How active was membership during the reform period?

Effects on union

- What effect did the reform agenda have on the level of influence in policy determination and implementation?
- What effect did the reform agenda have on union membership?
- What effect did the reform agenda have on bargaining?
- What effect did the reform agenda have on intra- and inter-union relations?

Responses by union

- What stance did trade unions adopt in response to the reform agenda?
- Where did union action originate or be directed from?
- What internal and external actions were taken by trade unions?

What were your impressions of the reform period?

General comments?
Interview questions for council personnel

What is your role?

How long in the role?

What approach did the council take to the reform (amalgamation, employment changes, trade union relations, CCT, EBAs, LAWAs)?

What role did commissioners and councillors play in the change process?

Could you explain how the CCT programme was designed and implemented?

What changes implemented and rationale for the changes (employment, finances, service provision, relations with trade unions, terms and conditions of employment)?

Did the council alter from its traditional functions and activities (size, scope of operations, finances, employment, service provision, collective bargaining)?

What were the reactions to the changes (staff, community)?

What were your perceptions of the reforms (benefits and costs)?
Appendix 2: CCT Process sought by ASU in enterprise bargaining agreements

The following is an extract of the compulsory competitive tendering process sought by the ASU to be contained in each enterprise bargaining agreement.

Establishment of a Committee

- To oversee the implementation of CCT.
- To comprise equal numbers of union representatives and management representatives.
- Union representatives to be provided with appropriate time off to attend to committee work and also for relevant training.

Function of Committee

- Determine the criteria for selecting which services are to subject to a competitive process.
- Determine the timetable for all stages of the process.
- Determine the approach to the packaging of contracts.
- Determine the criteria to be used in evaluating all tenders having regard to the elements in the evaluation of tenders section.

Information to be collated and made available to the Committee

- All the necessary information to determine the total value of goods and services required to meet the target and progress towards this.

Process for setting specifications

- Council shall require employees currently involved in providing the selected service to detail the service as it currently operates. They should also be involved in reviewing the service. A period of no less than 14 days shall be allowed for this to occur. Community input should also be sought by the council.
- The client side shall prepare an initial draft specification within 14 days using the information supplied by the current workforce and seek comment from the in-house contractor side within a further 14 days. Any alterations subsequent to this shall be developed into a second specification and comments sought from the provider side within 14 days.
- The CCT Committee to determine the final form of the specification.

Process for formulating in-house bids

- After the CCT Committee has approved the specification, current employees affected will prepare a trial bid.
Extract of CCT Process sought by ASU through EBAs. (Continued)

- An examination of the working arrangements and the cost structure of comparable operations external to council shall be undertaken jointly by the employees affected and relevant management officers nominated by the council.
- There shall be a period of no less than 6 months and not more than 12 months from the date of determination by the CCT Committee to the final form of specification of the selected services.

Resources to be provided to internal bids

- In-house units will be provided with all resources that will enable it to contribute to the writing of the specification, preparing a bid, financial and costing skills and any other administrative assistance necessary to participate in the competitive process.

Costing methodology

- In all circumstances, in-house bids are to be costed based on the net avoidance cost approach.
- Transaction costs are not to included in the costs of an internal bid.

Contract documents

- That all contractors provide documents that state they comply with relevant industrial awards, and relevant Acts.
- Contracts to have a minimum life of five years.
- External bidders to give preference in employment to employees who are currently providing the selected service.

Evaluation of tenderers

- Councils shall apply the following criteria in evaluating tenderers: capacity of the tenderers including but not be limited to experience, capability and qualifications of personnel to be involved, management and supervision back up, equipment, industry status, ability to meet time frame, ability to deliver the required quality, financial capacity, industrial relations record, occupational health and safety systems and EEO practices of the tenderer.
Extract of CCT Process sought by ASU through EBAs. (Continued)

Evaluation of tenders

- All tenders should be evaluated in accordance with the following:
- The council shall compare all tenders on a standardised cash-flow basis over the lifetime of the contract.
- The council shall provide preference to local businesses and in-house bids, to the value of up to 10 per cent of the lowest bid.
- The council shall when evaluating external tenders include the anticipated costs of retrenchment of employees currently providing the selected service.

Awarding the contract

- A council shall only award a bid to an external contractor, if there is no in-house bid, or where it can be conclusively demonstrated that it could provide for increased levels of efficiency and effectiveness to the council.
- The council shall publish to the parties the price of the winning tender and a statement of reasons for awarding the contract to the successful tenderer.


Alpine Shire Council
Australian Municipal, Administrative, Clerical and Services Union and Alpine Shire Council (c No. 36724 of 1998) Alpine

Ararat Rural City Council
Ararat Rural City Council Agreement No 2 1999
Australian Municipal, Administrative, Clerical and Services Union and Ararat Rural City Council (c No. 35843 of 1997)
Australian Municipal, Administrative, Clerical and Services Union and Ararat Rural City Council (c No. 35841 of 1997)
Ararat Rural City Council (local Road Maintenance) Certified Agreement 1997 (odn C No. 31088 of 1995
Australian Municipal, Administrative, Clerical and Services Union and Others and Ararat Rural City Council (c No. 34196 of 1997
Ararat Rural City Council Environmental Health Services Local Area Work Agreement 1996
Ararat Rural City Council Family Day Care Management Local Area Work Agreement [1997]

Ballarat City Council
Ballarat City Council (home Care) Agreement, No 2 1999
Ballarat City Council (Arboriculture Services) Agreement 1999
Ballarat City Council Enterprise Agreement No. 2 1998
Ballarat City Council (Parks, Gardens, Nursery and Arboriculture Services) Agreement 1996
Ballarat City Council (Waste Collection Services) Agreement 1997
Ballarat City Council (Building Maintenance Service) Agreement 1996
Ballarat City Council Environmental Cleansing Services Agreement 1996
Ballarat City Council Enterprise Agreement, 1995

Banyule City Council
Banyule City Council and Another (c No. 35512 of 1998) Banyule City Council (road and Infrastructure Maintenance Services)
Banyule City Council and Another (c No. 35512 of 1998) Banyule City Council (road and Infrastructure Maintenance Services) 1998
Banyule City Council (cleansing Services) Employee Agreement 1996
Banyule City Council and Another (c No. 31873 of 1998) Banyule City Council (home and Community Care Services-home Care 1998
Banyule City Council and Another (c No. 31872 of 1998) Banyule City Council (food Production Service) Employee Agreement 1998
Banyule City Council (home and Community Care Services-home Care) Employee Agreement 1998
Banyule City Council (home and Community Care Services-home Care) Employee Agreement 1998
Australian Municipal, Administrative, Clerical and Services Union and Banyule City Council (c No. 30256 of 1998) Banyule 1998
Banyule City Council (parks Maintenance Services) Employee Agreement 1996
Australian Municipal, Administrative, Clerical and Services Union and Banyule City Council (c No. 37992 of 1997) Banyule 1997
Australian Nursing Federation and Banyule City Council (c No. 37681 of 1997) Banyule City Council (Banyule Maternal Services)
Banyule City Council (Banyule Childrens Services) Employee Agreement 1997
Banyule City Council (Financial Services Unit) Employee Agreement 1997
Banyule City Council (Building Control Services) Employee Agreement 1996
Banyule City Council (Leisure Facility Management) Employee Agreement 1996
Banyule City Council (Tree Care Management) Employee Agreement 1998
Banyule City Council (Home and Community Care Services- Administrative Staff) Employee Agreement 1997
Banyule City Council (Environmental Health Services) Employee Agreement 1998
Banyule City Council (Youth Services) Employee Agreement 1996
Banyule City Council (Customer Communications Group) Employee Agreement 1997
Banyule City Council (Waste Management) Enterprise Agreement 1996
Banyule City Council (Immunisation Services) Employee Agreement 1996
Banyule City Council (Records Management Services) Employee Agreement 1997 (Odn C No. 31088 of 1995)
Bass Coast Shire Council
Bass Coast Shire Council Enterprise Agreement 1999
Bass Coast Shire Council Enterprise Agreement 1996
Bass Coast Work Team Agreement, 1997
Bass Coast Parks Gardens Work Team Agreement, 1997
Bass Coast Community Protection Work Team Agreement, 1997
Bass Coast Roads Infrastructure Work Team Agreement, 1997

Baw Baw Shire Council
Baw Baw Shire Council Enterprise Agreement No. 2, 1999
Baw Baw Shire Council Home Community Care (hacc) Services Local Work Area Agreement 1996
Baw Baw Shire Council Enterprise Agreement No. 1 1995
Baw Baw Shire Council Technical Service Local Work Area Agreement 1997
Baw Baw Shire Council Community Services Local Work Area Agreement 1997
Baw Baw Shire Council Parks and Gardens Local Work Area Agreement 1996
Baw Baw Shire Council Road Maintenance (western Zone) Services Local Work Area Agreement, 1996
Baw Baw Shire Council Urban Maintenance (cleansing) Local Work Area Agreement 1996
Baw Baw Shire Council Material and Child Health Local Work Area Agreement 1996

Bayside City Council
Bayside Enterprise Agreement No. 1 1996
Australian Municipal, Administrative, Clerical and Services Union and Bayside City Council (c No. 30141 of 1998)

Boroondara City Council
Boroondara City Council Redundancy Agreement 1995
Boroondara City Council and Australian Municipal, Administrative, Clerical and Services Union (c No. 35589 of 1998)
Boroondara City Council and Australian Municipal, Administrative, Clerical and Services Union (c No. 31544 of 1998)
Boroondara City Council Local Area Workplace Agreement
Boroondara City Council Local Area Workplace Agreement No. 1 1999 (Traffic and Environment)
Boroondara City Council Local Area Workplace Agreement No. 1 1999 (infrastructure Design Team)
Boroondara City Council Local Area Workplace Agreement No. 1 1999 (workshop Operations)
Boroondara City Council Local Area Workplace Agreement No. 1 1999 (customer Service)
Boroondara City Council Local Area Workplace Agreement No. 1 1999 (leisure and Cultural Services)
Boroondara City Council Local Area Workplace Agreement No. 2, 1999 (home and Community Care Services)
Boroondara City Council Local Area Workplace Agreement
Boroondara City Council Local Area Workplace Agreement No. 1, 1999 (strategic Planning)
Boroondara City Council Local Area Workplace Agreement
Boroondara City Council Local Area Workplace Agreement No. 1, 1999 (health Services)
Boroondara City Council Local Area Workplace Agreement No. 1, 1999 (trade Services)
Boroondara City Council Local Area Workplace Agreement No. 1, 1999 (line Marking Services)
Boroondara City Council Local Area Workplace Agreement No. 1, 1999 (building Services)
Boroondara City Council Local Area Workplace Agreement No. 1 1999 (statutory Planning)
Boroondara City Council Local Area Workplace Agreement No. 1 1999 (aged Planning and Development)
Boroondara City Council Local Area Workplace Agreement No. 1, 1999 (parks and Gardens - Horticultural Services)
Boroondara City Council Local Area Workplace Agreement No. 1, 1999 (parks and Gardens - Reactive Trees Maintenance)
Boroondara City Council Local Area Workplace Agreement No. 1 1998 (Finance)
Boroondara City Council Local Area Workplace Agreement No. 1 1998 (school Crossing Supervisors)
Boroondara City Council Local Area Workplace Agreement No. 1 1998 (business Tendering)
Boroondara City Council Local Area Workplace Agreement No. 2, 1998 (maternal and Child Health Services)
Boroondara City Council Local Area Workplace Agreement No. 1 1998 (drainage)
Boroondara City Council Local Area Workplace Agreement
Boroondara City Council Local Area Workplace Agreement No. 1,
Boroondara City Council Local Area Workplace Agreement No. 1,
Boroondara City Council Local Area Workplace Agreement
Boroondara City Council Local Area Workplace Agreement No. 1 1997 (freeway Golf Course)
Boroondara City Council Work Group Agreement No. 1 1996
Boroondara City Council Work Group Agreement No. 1, 1996
Boroondara City Council Enterprise Agreement No.1 of 1995
Boroondara City Council Local Area Workplace Agreement
Boroondara City Council Competitive Tendering Implementation Agreement 1996

Borough of Queenscliff
Borough of Queenscliff Enterprise Bargaining Agreement 1995
Municipal Restructuring (Brough of Queenscliff) Agreement 1993
Borough of Queenscliff Enterprise Bargaining Agreement 1998

Brimbank City Council
Brimbank City Council and Australian Municipal, Administrative, Clerical and Services Union (c No. 30423 of 1999) Brimbank
Brimbank City Council and Australian Municipal, Administrative, Clerical and Services Union (c No. 76277 of 1998) Brimbank
Brimbank City Council Enterprise Agreement 1996
Brimbank City Council Enterprise Agreement 1996
Brimbank City Council Local Area Work Agreement (residential Recycling Collection) Agreement 1999
Brimbank City Council Local Area Work Agreement (Mechanical Services Local Area Work Agreement 1998
Brimbank City Council Keilor Golf Course Maintenance Local Area Work Agreement 1998
Brimbank City Council Parks Maintenance Local Area Work Agreement 1998
Brimbank City Council; Brimbank Records Services Local Area Work Agreement 1998
Brimbank City Council; Brimbank Records Services Local Area Work Agreement 1998
Australian Municipal, Administrative, Clerical and Services Union and Brimbank City Council (c No. 30331 of 1999) Brimbank
Brimbank City Council: Sport Recreation Culture, Local Area Workplace Agreement 1998
Brimbank City Council and Australian Municipal, Administrative, Clerical and Services Union (c No. 76276 of 1998) Brimbank
Brimbank City Council and Australian Municipal, Administrative, Clerical and Services Union (C No. 34162 of 1998) Brimbank
Local Area Work Agreement (domestic Garbage Collection) Agreement 1995
Brimbank City Council Physical Infrastructure Maintenance Services Local Area Work Agreement 1999
Brimbank City Council Enterprise Agreement 1999
Brimbank City Council Leisure Centre Local Area Work Agreement 1999
Brimbank City Council; Revenue Department: Local Area Work Agreement 1998
Brimbank City Council, Engineering Services Local Area Work Agreement 1998
Brimbank City Council: Library and Information Services Local Area Work Agreement 1997
Brimbank City Council Compulsory Competitive Tendering Process and All Purpose Redundancy Agreement 1995

Buloke Shire Council
Buloke Shire Council Enterprise Agreement 1996
Buloke Shire Council Enterprise Agreement No 2 1999

Campaspe Shire Council
Shire of Campaspe, Civilcam, Local Area Work Agreement, 1996
Campaspe Shire Council Enterprise Agreement 1999
Camcare - (Campaspe Care - Aged and Disability Services) Direct Line Staff Certified Agreement 1997
Camcare - (Campaspe Care - Aged and Disability Services) Supervisory/Administrative Staff Certified Agreement 1997 (Odn C

Cardinia Shire Council
Cardinia Shire Council Enterprise Agreement 1996
Cardinia Shire Council Maternal and Child Health Service Agreement 1997
Cardinia Shire Council All Purpose Redundancy Agreement 1995
Casey City Council
Australian Municipal, Administrative, Clerical and Services Union and Casey City Council (c No. 34859 of 1997)
Casey City Council Enterprise Bargaining Agreement 1998
Casey City Council Records Management Services Local Area Workgroup Agreement 1998
Casey City Council Enterprise Bargaining Agreement 1996

Central Goldfields Shire Council
Central Goldfields Home Care Agreement 1996
Central Goldfields Shire Council Enterprise Bargaining Agreement No. 2 1999
Central Goldfields Shire Enterprise Agreement 1996

City of Greater Geelong
City of Greater Geelong, Engineering Infrastructure Work Area Agreement [1998]
City of Greater Geelong, Halls and Facilities Work Area Agreement [1998]
City of Greater Geelong, Waterfront Geelong and City Planning Unit Work Area Agreement [1998]
City of Greater Geelong, Saleyards Work Area Agreement [1998]
City of Greater Geelong, Client Services Work Area Agreement [1998]
City of Greater Geelong, Children's Services Resource and Development Work Area Agreement [1998]
City of Greater Geelong Civiltech Design Work Area Agreement 1998
City of Greater Geelong, Community Development and Environment Work Area Agreement [1998]
City of Greater Geelong, Civiltech Construction Work Area Agreement [1998]
City of Greater Geelong, Tourism Unit Work Area Agreement [1998]
City of Greater Geelong, Marketing and Public Relations Work Area Agreement [1998]
City of Greater Geelong, Economic Development Unit Work Area Agreement [1998]
City of Greater Geelong, Organisation and Administration Work Area Agreement [1998]
City of Greater Geelong, Business Development Unit Work Area Agreement [1998]
City of Greater Geelong, Commercial Services and Recreation Facilities Work Area Agreement [1998]
City of Greater Geelong, Customer Service Work Area Agreement [1998]
City of Greater Geelong, Youth Services Work Area Agreement [1998]
City of Greater Geelong Childcare Unit Local Work Area Agreement 1998
City of Greater Geelong Mechanics Workshop Local Work Area Agreement 1998
City of Greater Geelong Car Parking Attendants and Meter Mechanics Unit Local Work Area Agreement 1998
City of Greater Geelong Fire Prevention, Community Liaison and Administration Unit Local Work Area Agreement 1998
City of Greater Geelong Information Technology Services Local Work Area Agreement 1998
City of Greater Geelong Local Laws and Traffic, Uniform Section Local Work Area Agreement 1998
City of Greater Geelong Financial Services Unit Local Work Area Agreement 1998
City of Greater Geelong, City Services Landfill Operations Work Area Agreement [1997]
City of Greater Geelong, Executive Personal Assistants Team Work Area Agreement [1998]
City of Greater Geelong, Property Services Work Area Agreement [1998]
City of Greater Geelong Aged and Disability Services Local Work Area Agreement 1998
City of Greater Geelong, Human Resources Work Area Agreement [1998]
City of Greater Geelong and Australian Municipal, Administrative, Clerical and Services Union and Others (c No. 30236 of
City of Greater Geelong, Parenting Resource Work Area Agreement [1998]
City of Greater Geelong Surfside Centre Local Work Area Agreement 1998
City of Greater Geelong, Waste Collection Services Local Work Area Agreement [1997]
City of Greater Geelong Family Day Care Unit Local Work Area Agreement, 1997
City of Greater Geelong (city Development Department Work Area Agreement) 1997
City of Greater Geelong Leisure Services Work Area Agreement 1997
City of Greater Geelong Community Child Health Unit Local Work Area Agreement 1997
City of Greater Geelong Enterprise Bargaining Agreement 1996

City of Port Phillip
Municipal Employees (port Phillip City Council) - Priority Issues Enterprise Agreement 1995
City of Wodonga
Municipal Restructuring (rural City of Wodonga) Agreement 1994
City of Wodonga Enterprise Agreement 1998
City of Wodonga Enterprise Agreement 1995

Colac Otway Shire Council
Colac Otway Shire Council and Australian Municipal, Administrative, Clerical and Services Union (c No. 31644 of 1998) Colac-
Colac Otway Shire Council Enterprise Agreement 1996

Corangamite Shire Council
Corangamite Shire Council Enterprise Agreement 1999
Corangamite Shire Council Enterprise Agreement No.1 1996

Darebin City Council
Darebin City Council Enterprise Agreement 1995
Darebin City Council and Australian Municipal, Administrative, Clerical and Services Union and Others (c No. 30587 of 1999)

Delatite Shire Council
Delatite Shire Council, Home and Community Care, Local Area Workplace Agreement 11998
Delatite Shire Council Enterprise Agreement 1998
Delatite Shire Council Enterprise Agreement, 1996

Frankston City Council
Frankston Parklands Service Local Work Area Agreement, 1996
Frankston Community Care Services Local Work Area Agreement, 1996
Frankston City Council Enterprise Agreement 1995
Milpara Park Hostel Local Work Area Agreement 1996
Frankston City Council Enterprise Agreement No. 2 1999
Frankston City Council Customer Service Shopfront Local Work Area Agreement 1998
Frankston City Services Local Work Area Agreement, 1997
Frankston City Council Centenary Park Golf Course Unit Local Work Area Agreement 1999
Frankston City School Crossing Agreement 1996

Gannawarra Shire Council
Municipal Employees Gannawarra Shire Council Enterprise Bargaining Agreement 1996
Australian Municipal, Administrative, Clerical and Services Union and Gannawarra Shire Council (c No. 36229 of 1997)
Gannawarra Shire Council Enterprise Bargaining Agreement - Number Two, 1999

Glen Eira City Council
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