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Recension

Book Review

Hard Bargain: Transforming Public Sector Labour-Management Relations

by Peter WARRIAN, Toronto, Ont.: McGilligan Books, 1996, 205 p., ISBN 0-9698064-3-4.

This book challenges a number of current practices and assumptions. It is based on the premise that the public sector is a “system in crisis”, that major changes are required in the management and delivery of public services, but that needed changes cannot take place without a fundamental transformation of the labour-management relationship. The author is convinced that the “Wagner model” of industrial relations, currently in effect in the public sector, with its built-in structural and contractual rigidities and legally entrenched adversarial relationships, is a major impediment to change.

He calls on the parties, in particular the unions, to adapt to the challenges of a new economic environment before it is too late.

In this new environment, fiscal pressures in the public sector have become the equivalent of business competition in the private sector, and improved cost effectiveness and efficiency in the delivery of public services the counterpart of the productivity imperative in the private sector. But whereas, as he notes, the parties in the private sector have been adapting to competitive pressures in the past decade, although with variations across industries, with new methods of production and more flexible work relationships, he deplores the fact that there has been no comparable movement toward flexibility in the pub-

lic sector where job control unionism is still dying hard. He is, therefore, sounding a virtual alarm to the unions when he discusses the potential for “political exit”.

Warrian paints an extreme, though not impossible scenario, in which fiscal pressure, reinforced by ideology, could lead a public employer to exit from all but its core political and budgetary functions, with non-core functions either being contracted out or else entirely privatized. While it is unlikely that an exit from all non-core government functions will occur in any jurisdiction in Canada (unlike New Zealand, where a “contract state”, introduced by a labour government, is a reality) recent experience suggests that some provincial governments would not be averse to such a development or at least some modification of it. At the municipal level, Warrian points out, contracting out of a number of services is occurring on an ever increasing scale.

This book reads as a wakeup call to the parties in the public sector. As such, it may well reflect the author’s own background and experience. However, this does not detract from its scholarly merit. Warrian is to be commended for his extensive research on developments in the public sector in other countries and for his analysis of strategies that have been adopted in some of

them, in particular England, the United States, Australia and New Zealand, that might have relevance in the Canadian context.

Warrian is convinced that underlying “drivers of change” — new attitudes (anti-big government sentiment), new techniques (particularly new information technology, which allows services to be delivered in new ways), combined with fiscal pressures — now go beyond local politics and political ideology in pushing transformation in the public sector, both in public sector managerialism and in the labour-management relationship. To support this thesis, he describes structural changes in the management and delivery of public services that began virtually simultaneously a decade ago in widely separated countries and, of particular interest, in countries with radically different political ideologies.

Another point, raised at the outset, is that the system is now faced with a new factor, qualitatively different from the political factor generally emphasized, at least until recently, in public sector research. Warrian argues that this new factor, fundamental economic constraint, has changed the dynamics of public sector labour relations irrevocably. Noting that the State’s role, as macro-economic regulator, rather than as employer, has been paramount in shaping public sector industrial relations in the past decade, he warns that union activists, decision makers, arbitrators and commentators are seriously mistaken if they interpret this “sea change”, as he calls it, as a political rather than an economic imperative.

Warrian argues that traditional public sector management approaches are inadequate in the new economic climate and that innovations must be found to “do more with less” rather than by simply cutting programs through “downsizing”. He deals in some detail with a new public sector

management model, some features of which have already been adopted in a few jurisdictions in Canada, but most of which originated and were developed in other countries. He identifies three core features of this new management model and discusses their implications in detail. These core features are: the separation of the delivery of services from their financial and policy direction (the purchaser/provider split); the shifting of transfer payments in some sectors from flat grants to performance-based funding, as is currently happening in some Ontario hospitals (where, ironically, the system that was originally intended, by an NDP government, to determine incremental funding increases is now being used, by the Harris government, as an instrument for calculating funding cuts); and the introduction of a contract work system, not only for sending work “out”, but also between service delivery units within the public service, the purpose being to improve service efficiency, cut costs and promote accountability. This, in turn, raises the question of productivity which, in the public sector includes, in addition to cost effectiveness and efficiency in the delivery of services, factors such as the quality of the services delivered and their responsiveness to customer needs. The question of productivity improvement and measurement is discussed in detail in several parts of the text.

Warrian points out that the implementation of certain aspects of the new management model would fundamentally destabilize the overall labour-management system currently in effect in Canada. He maintains that the impact would be strongest at the levels of government involved in service delivery — provincial, regional, and municipal — as well as, and perhaps more importantly because of the numbers involved, in a broad area of non-governmental public services, the health and education sectors, social and other

agencies, even some Crown corporations. He believes that this is also the area in which the new and irreversible economics of public sector bargaining will play itself out. It is in this area of the public sector that local managers (school boards, hospital administrations, etc.) must operate within financial constraints imposed by a central government. In the author's words, when a government makes cuts in transfer payments, "the consequences must be handled locally".

To see how the new economic realities have been dealt with in practice, Warrian selected three representative components of the broader public sector, the health sector, the municipal sector and Ontario Hydro, for individual case study. A separate chapter is devoted to each of them. While the focus of the case studies is on Ontario, Warrian discusses initiatives that have been undertaken in related sectors in other countries where he feels there could be lessons for Ontario.

The case studies are presented in chapters 3, 4 and 5, the first two chapters having set out issues of general application, some of which are noted above. The concluding chapter, which follows the case studies, returns to an examination of general issues. Each of the chapters ends with a section on implications for the labour-management relationship.

Hard decisions already taken by a few Ontario hospitals, in response to drastic cuts in funding, provide practical examples of the reorganization of work and service delivery — multi-skilling, multi-tasking and more fluid job descriptions — that the author advocates throughout the book. Looking at the experience of two Toronto hospitals, he deals in considerable detail with the new concept of "patient-centered care" as a basis for the reorganization of work. While the introduction of patient-centered care has involved the

expansion of some job functions, as in the case of registered nurses, the most significant change that Warrian notes has been the combination of job classifications, up to seven in one hospital. In one of the hospitals at least, there has been no reduction in the number of employees, reductions at some levels being offset by gains at others. Some employees have seen their salaries red-circled, others have enjoyed salary increases. Cost savings have been achieved primarily through reduction in numbers of supervisory employees.

All things considered, Warrian concludes that the economic productivity gains to be achieved by work reorganization and multi-skilling in the hospital sector strongly support moving in that direction. He is less sanguine with respect to improvements to be expected in the quality of patient services which, he feels, will only be achieved with a fundamentally different method of management and a very different approach to labour-management relations. He emphasizes the difficulty, under the present system of centralized bargaining, of achieving what he considers a fundamental need: labour-management innovation in local and regional hospitals and local productivity-based collective agreements. Without fundamental change of this nature, he fears that the parties "will lapse into a downward spiral of bloody mindedness".

The case study of the municipal sector focuses on contracting out in Canada and productivity measurement in the United States. With a growing number of municipalities turning to contracting out of services, particularly garbage collection and transportation, for relief from budgetary pressures, this became one of the most contentious labour-management issues during the 1980's. With even more serious funding problems in recent years, Warrian foresees contracting out becoming a generalized phenomenon in the municipal

sector by the end of the 1990's. This in spite of serious questions he raises as to its actual cost effectiveness.

While, in Warrian's view, there is little evidence that contracting out works, he finds abundant evidence that the threat of contracting out can work, "if it moves the parties to jointly seek new arrangements to reduce costs and improve service". But how could the effectiveness of such new arrangements be measured?

Warrian finds a possible answer to this question in some American experience with the development of measurable service goals. He deals in some detail in this chapter with a comprehensive performance management and budgetary system developed in a California city which he cites as a model for Canadian cities to emulate. The system involves long-term planning for the achievement of established and measurable goals (outcomes) as well as long term budgetary planning with regular, periodic review. Unlike productivity measurement in the private sector, the emphasis is on the achievement of service goals, within prescribed budgetary limits, but not on cost-cutting as such. The result, as described in the chapter, has been better service for lower taxes than in similar municipalities, with significantly fewer employees but higher wages for those who are employed.

While the author cites the success of this system as a model for other cities to emulate, he is aware that performance measurement which, by definition, requires clear-cut policy objectives, is not as easily achieved in some areas of municipal service as in others. He takes developments in service delivery in the welfare sector of Toronto (where provincial funding has been drastically cut and a higher proportion of financial responsibility offloaded on the city) to make the point that differences in political philosophy "can confound efforts

at performance measurement". Given the different approach to welfare between the Harris government in Ontario and the NDP government that it replaced, the question becomes what there is to measure.

Warrian's examination of the municipal experience leaves him with no doubt that traditional work rules must give way to greater flexibility and cooperation between the parties. This, he argues, is the only hope of sustaining, and possibly improving, existing services within reduced funding limits. Otherwise, political exit, in the form of contracting out or privatization, would appear to be inevitable on a growing scale. He goes so far as to say that "Canadian municipal unions may very well have to think the unthinkable and start making proposals on how they will participate in contracting out systems". He cites experience of this nature by some municipal unions in the United States and the United Steel workers in Canada.

Although this book was completed before the recent closing of a number of Ontario Hydro's nuclear facilities, the general thrust of the discussion in chapter 5 remains relevant. In view of increasing pressure to privatize this largest of Crown corporations, in whole or in part, Warrian begins the chapter with two questions: how long will Ontario taxpayers continue to foot the bill to keep a Crown corporation the size of Ontario Hydro? and can restructuring prevent full-scale privatization?

He addresses the issue of restructuring first. He describes labour relations at Ontario Hydro as "a pure case of fully developed public sector Wagnerism", a system that has served the parties' interests in the past but is not able to deal with the challenges the utility is facing in the current state of the energy industry. He argues that the change most urgently needed at Hydro is in the management of human resources.

The chapter deals first with the restructuring and downsizing that have already taken place. The downsizing, in 1993-94, was effected through generous early retirement and voluntary separation allowances, complemented by job security provisions under the collective agreements. Given the cost to the employer and the dislocation to affected employees, Warrian maintains that the means by which the downsizing was effected cannot be repeated often, if at all. He challenges the parties to cooperate in looking for new ways to reduce both the social and economic costs of job loss, a subject on which he presents some interesting statistics and expresses considerable concern, as well as the expense to the employer of adjustment programs used to date. He stresses the need for progressive movement from the Wagner industrial relations model to a more participative and higher performance model in which the parties will deal, with each other, in new and cooperative ways within the workplace. This would involve, among other things, a movement away from the restrictive job classifications and work rules provided in existing collective agreements and the introduction of changes within the workplace, including re-skilling, work reorganization and training for career planning.

Warrian places particular emphasis on the joint responsibility of the parties for employees who may be displaced in the interest of productivity improvement and describes a successful experiment with restructuring by an electrical utility in Australia as an example for Ontario Hydro to follow. He believes that lessons may be learned as well from private sector experience in Canada with sectoral councils, through which the parties throughout an industry co-manage the labour market within that industry with the purpose of training, re-training and re-deployment of employees as enterprises within the sector re-structure. The analogy for

Ontario Hydro from the sectoral council experience would, Warrian suggests, be to establish a similar body to deal with labour market policy across its own operations and ultimately, in the Ontario electrical industry as a whole. This suggestion emphasizes a recurring theme in this chapter, that the parties must move on both the collective bargaining and joint labour-management adjustment fronts, the latter both within the organization and in the external labour market.

As to privatization, Warrian notes the recommendation in the Macdonald Report (1996) that Hydro operations be further split and some parts privatized to encourage competition. In this regard, he forecasts that a future structure for the utility will take place along a spectrum of organizational choices and delivery agents rather than simply converting from a not-for-profit government utility to a private for-profit firm. As to Macdonald's recommendation for active employee and bargaining agent involvement in the process of change, Warrian introduces a note of realism, undoubtedly based on personal experience: "Squaring the circle between this and the commitment to privatization will require qualitatively new collective bargaining and human resource policies at Hydro. There is no way to get to there from here in the existing relationships and contractual agreements".

The final chapter summarizes and synthesizes matters dealt with in the earlier chapters and raises a few new issues. In particular, it re-iterates the thesis with which the book began and which the author confirmed in the three case studies, namely that the Wagner model of industrial relations is no longer appropriate in the public sector and is, in fact, an impediment to urgently needed change. After taking a hard look at the challenges facing the parties, the author concludes that there is no alternative to a major transformation in the labour-management relation-

ship — a transformation from rigidity to flexibility, from confrontation to cooperation. This, he argues, must involve an ongoing re-examination and re-negotiation of the format of the work place and a new emphasis on employer openness and employee commitment and participation. The multi-skilling, multi-tasking and reorganization of work relationships that he advocates would, by definition, put an end to job control unionism which is still dying hard. However, it would not mean an end to the unions themselves, for whom he envisages an important role in the process of change. In fact, the ideal, in Warrian's view, would be some approximation in the public sector of the "union co-managed" work arrangement developed at the general Motors Saturn Plant.

The final chapter elaborates on the matter of local bargaining alluded to in some of the previous chapters and which the author favours strongly. Among the few new points raised in this chapter, he describes the shift toward local bargaining in New South Wales, Australia as a lesson worth following in Canada. The Australian practice encourages local approaches to enhance productivity, improve service delivery and stimulate performance reward. As this takes place within centrally determined guidelines on sick leave, hours of work and wage rates, he sees no reason why the method would not be transferable.

Warrian warns the unions in the final chapter against their "risky assumption" that the welfare state is still firmly entrenched in the political culture of Canada. He believes that the opposite is more likely the case and that the public sector is now vulnerable in the face of a growing conservatism in the media and in the general popula-

tion which, he points out, includes the union membership. He warns that political protest and pressure will more likely than not be futile, that answers must be found at the bargaining table. "*Unions are what they negotiate*. The key is what happens at the bargaining table *and* what enlightened management has to offer in a deal".

Warrian also questions the applicability, in the current public service environment, of Keynesian demand economic theory on which the assumptions of public sector Wagnerism have been based. With economists now agreed on the importance of productivity in sustaining growth in income and employment; he is convinced of the need for "a new strategic bargaining strategy" and makes a list of suggestions in this regard.

Finally, with radically different economic choices now being played out on the political scene in Canada, from the neo-conservative philosophy of deregulation to tax-based government interventionism, Warrian appears to be seriously concerned about the outcome. If the neo-conservative policies prevail, he predicts that it will be difficult for public sector Wagnerism to sustain itself. Even if it manages to do so, he is convinced that the consequences will be short-lived and will apply to a dwindling number of services. If the Wagner model is not sustained, which he clearly feels it should not be, "a new basis will have to be found for negotiation in the workplace that is inclusive of employees' interests, community and client needs and fiscal limits".

Either way, he concludes, it will be a *Hard Bargain*.

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