

## **Globalisation and workplace reforms in two regional agri-food industries**

### *Australian meat processing and Fiji's sugar mills*

*Darryn Snell*

In a growing number of South Pacific nations, there is rising concern about the impact of globalisation on the region's agri-food industries. In developing Pacific Island Countries (PICs) changing market conditions and declining preferential trading arrangements have contributed to harsh competitive pressures and an uncertain future for many of their agricultural industries (Hince 2000; Murray 1998; Prasad & Akram-Lodhi 1996, 1998; World Bank 1993). Agricultural industries in New Zealand and Australia also continue to confront staunch competition as increased agricultural exports from the United States, Europe and Latin America enter into their local and traditional agricultural export markets (Lawrence 1987; LeHeron 1993). Agri-industrial reform programmes throughout the Pacific have been the outcome of these competitive pressures (Lawrence, Share & Campbell 1992; UNIDO 1983).

This paper presents two case studies—the Australian beef industry and Fiji's sugar industry. It compares and contrasts recent reform efforts in the processing sectors (i.e. meat processing and sugar milling) of each of these industries. This comparison revolves around two core issues: the use of alternative payment schemes to boost performance and productivity levels and overall international competitiveness; and the managerial styles adopted to carry out reforms in the respective industries. The paper concludes with a discussion of matters for regional consideration.

*The basis of comparison*

Despite differences between meat processing and sugar milling and the vastly different economies of Australia and Fiji, the Australian beef industry and the Fiji sugar industry are, in a certain sense, comparable industries, in which common trends, backgrounds and experiences are found.

In both industries production is export-oriented and contributes significant export earnings to their local economies. The sense of urgency in reforms has stemmed from changes in international markets involving direct or potential loss of market shares. Concerns about profitability and international competitiveness have surfaced in this increasingly competitive environment of diminishing returns.

On account of their overall importance to their local economies, government intervention and oversight of reform efforts have been the rule. Reforms have occurred against a backdrop of major economic adjustment involving trade and labour market deregulation in the two countries. In both cases, the government position regarding the respective industry reforms has followed these general macroeconomic policies.

The reform packages in each industry were informed by a process of industry-based and government supported strategic planning. Inefficiencies in the agri-industrial commodity chain were identified and strategies drawn up to address them. The processing sectors were identified as industry 'weak spots' contributing to competitive disadvantages.

Sugar milling and meat processing represent high-volume, marginally profitable and often risky industries. Large capital input costs mean there is always strong economic pressure to achieve volume in order to reduce overhead costs per unit. To increase volume and throughput levels, however, depends upon steady inputs. Both sugar cane and livestock, in any year, are affected by a number of factors, including seasonal conditions, changes in world market prices, producers' price expectations, need for cash, etc. The recurrent gluts or shortages of farmers' inputs are largely beyond the control of the processors and pose a serious problem by increasing total cost per unit and diminishing profits. Australia's abattoir owners and Fiji's sugar millers have sought to maintain profit margins and reduce costs by controlling labour costs.

Common confrontational managerial practices, seeking to reduce labour costs through tight and unyielding managerial control, contributed to strengthened worker and trade union opposition in the two industries. Worker control and high levels of distrust and deeply rooted antagonism between employers, workers and their trade unions became the standard. These conditions created similarly challenging environments in which to carry out workplace reforms.

### **Australia's meat processing reforms**

You do not shut down multimillion dollar processing units without first considering all the consequences. Australian Meat Holdings (AMH) is prepared to suffer some short-term processing losses at this time and keep its people employed if they are prepared to accept the need to improve productivity . . . Change is the catch-call of industry in Australia but unfortunately these people are living like dinosaurs and if they cannot accept change, they will see the demise of our export beef industry. (John Hughes, General Manager of AMH, quoted in *Beef Improvement News* 1995: 22).

#### *Background*

The agricultural and pastoral sectors have been fundamental to Australia's cultural and economic development since British colonialism (Curran et al. 1987; Dyster & Meredith 1990). While the economy is now more diversified, agriculture and related downstream manufacturing industries continue to drive Australia's trade performance. The beef industry itself represents Australia's fourth largest export earner (after coal, gold and wool) generating nearly \$6 billion in turnover and over \$2.2 billion in export revenue annually (ABARE 1996).

Unlike the beef industries in the United States and the European Union, which are large domestic-oriented industries, Australia's beef industry is moderately sized and export-oriented. For nearly three decades Australia has ranked as the world's largest exporter of beef: over 60% of its total beef production is exported, the three largest markets being the US, Japan and South Korea (AMLC 1995b). The industry's livelihood and expansion have depended upon the opening of new export markets, favourable trading agreements and maintaining a competitive edge.

Beginning in the late 1980s, the Australian beef industry confronted increased competition in all major export markets. The New Zealand beef industry increased its exports in competition with Australian suppliers to both the US and South Korean markets. As American beef consumption levels declined and US beef production expanded throughout the 1980s, America shifted from being the world's largest beef importer to a major exporter. By the mid-1990s, America was the world's third largest exporting nation behind Australia and the European Union and the second largest beef exporter in the Asia–Pacific region. Due to larger economies of scale and a higher level of output, the US beef industry quickly became the price maker in the international beef market (Beaumont 1993).

By the early 1990s, Australia's beef industry was severely weakened in all major markets. From 1980 to 1992, Australian exporters witnessed their preeminence in the US slip from 57% to less than 50% of the US beef import market (AMLC 1995a). In the more lucrative Asian markets, the situation was even worse. In 1980, Australia was responsible for over 70% of Japan's total beef imports and nearly 80% of South Korea's total beef imports. By 1994, however, Australia's market share had declined to 53% in Japan and 42% in South Korea (Industry Commission 1994b).

Concerns about the continual loss of market share in the Asian and American markets and the potential for increased competition from low-cost producers in South America placed the Australian beef industry under increasing competitive pressures, particularly with respect to productivity and cost levels. These concerns drove farm organisations, export abattoirs and government and industry leaders to conduct a series of inquiries into the industry and a search for new ways to improve the industry's competitive position in the world beef market.<sup>1</sup>

The conclusion reached was that while livestock production was relatively efficient by international standards, Australia's major Achilles' heel in the world beef trade was to be found in inefficiencies in the meat processing sector. The most widely cited study concluded that Australian processing costs had become three times those of the US (Booze, Allen & Hamilton 1992: 1). A variety of factors was put forward to explain these cost disadvantages, but concern focused on distance to key markets; lack of government support; a smaller (less numerous) and less reliable supply of

animals available to the industry; and higher labour costs (about 20% more than the US equivalent).

*The tally system: pros and cons*

Explanations for labour cost disadvantages focused upon the industry's traditional work practices and the system of payment to workers known as the tally system. This is a complex performance-based pay system whereby workers are paid according to the number of livestock processed (i.e. the 'tally') rather than hours worked. This system of payment has been a common feature of the industry in various forms since the early 1900s.

In its current form, payment for key function workers on the disassembly line, such as slaughterers, boners and slicers, is calculated according to tally payments. A minimum daily tally is set according to a minimum number of cattle or carcasses processed for the day divided by the number of slaughterers, boners or slicers in the different teams that day (this calculation sets a per unit payment for each worker).<sup>2</sup> The workers receive bonuses for each animal processed over the minimum tally. This is referred to as the maximum tally rate. Employers are also required to pay penalty payments if additional shifts are worked or for animals processed that are over a certain weight, diseased or require additional work (Industry Commission 1994b; Maggs, Testi & Rimmer 1996).

Historically, the tally system provided a number of benefits to both managers and workers. Because payment is contingent upon performance, the system encouraged high levels of effort and is fair and objective to both workers and management. The tally allowed for varying production levels depending on the supply of livestock to be killed on any one day, the number/amount of tasks to be performed as specified in the award and local arrangements, or as required given varying plant layouts and technology. This arrangement enabled managers to lift production to higher levels when required and to have employee and production 'flexibility' during slow production periods.

From the perspective of the Australasian Meat Industry Employees' Union (AMIEU), the tally allowed the meat workers to maintain control over the pace of the chain on the disassembly-line. Any reorganisation of work practices resulting from the introduction of new technology or slaughtering

and cutting methods necessitated discussion with a Job Control Board and a renegotiation of the tally labour rate if it resulted in an increase or decrease in the number of employees. In this regard, the tally system prevented employers from speeding up the chain or introducing labour-saving technology without negotiation and compensation (Kitay & Powe 1987). While semi-skilled and unskilled follow-on labour was paid on a time basis (representing roughly 80% of the workforce), the tally system worked to control the workload and pace of production of these workers. If the tally and production increased significantly, then wages for these workers could be renegotiated (Industry Commission 1994a; Maggs, Testi & Rimmer 1996). As the AMIEU maintained, these practices provided 'the required flexibility . . . the requisite speed in terms of processing . . . benefits to employees in terms of maximising earnings . . . scope for employees to finish difficult and arduous works in an unpleasant environment' (Industry Commission 1994a: 184).

Industry investigations, however, took a contrary view. Meat processing awards and the tally system were considered to be too rigid, complex and open to dispute (Australian Industrial Relations Commission 1991; Industry Commission 1994a; 1994b). The tally system was blamed for stifling technological innovations and constraining productivity improvement (Booze, Allan & Hamilton 1992; 1993; Industry Assistance Commission 1983). Tally payments were seen as too difficult to adjust to reflect technological change; in this way they were alleged to contribute to technological 'backwardness'. The main beneficiary of any productivity improvement, in any case, tended to be labour (Industry Commission 1994a). Reduced utilisation of plant capacity was another problem. Typically, Australian abattoirs operated only one shift, with a day's tally being completed in 5–7 hours, leaving the plant idle for the remainder of the day. The negotiated system of bonuses and penalties associated with second and third shifts, and livestock slaughtered over the maximum tally, were viewed as contributing to the reduced level of plant utilisation (Industry Assistance Commission 1983; Industry Commission 1994a). In conclusion, Australia's higher unit costs were attributed to constraints to productivity improvement stemming from 'over-emphasis on the tally system' (AACM 1992: vi).

### *Industry reforms*

By the early 1990s, the ruling Australian Labor Party (ALP) was increasingly making demands for workplace reforms in the meat processing sector. The Australian Industrial Relations Commission conducted an inquiry into the meat processing industry (1991). In 1992 the full bench of the commission handed down a decision recommending the rationalisation of the meat industry award system and the devolution of negotiation to the enterprise level as a 'means of achieving the necessary flexibility for greater productivity incentives' (Industry Commission 1994a: xvii).

Failure to implement these changes resulted in further government scrutiny, this time by the Australian Industry Commission. In 1994, the Industry Commission fell just short of recommending a complete restructuring of work practices and the removal of the tally system as abattoir owners had hoped. They concluded, however, that alternatives to existing work practices and widespread workplace reform should be 'pursued as a matter of priority' and called for the formation of a meat industry consultative council so as to 'facilitate enterprise bargaining, and other issues affecting industrial reform' (Industry Commission 1994a: 207).

The industry's lack of success in carrying out reforms throughout the late 1980s and early 1990s stemmed predominantly from managers' confrontational reform strategies. Rather than negotiate changes in work practices and negative aspects of the tally system, employers embarked upon a series of de-unionising drives aimed at removing workers' control and the complete abolition of the tally system. Employers, maintaining that industry problems stemmed from the AMIEU, believed these campaigns would ensure the quickest avenue to industry reforms. As the subsequent evidence highlights, employers' challenges to union control neither had the desired outcomes for the employers nor did they result in the betterment of the industry as a whole.

### *Industrial disputes*

Industrial conflict, which had always tended to be high in the meat processing industry, broke industrial dispute records throughout the 1980s (Blackmur 1993). In the meat processing sector in 1980, the average number of days lost per 1000 employees due to industrial action was 9 times

greater than for all manufacturing, mining and transportation. By 1989, this number had grown to 12 times greater—2,498 days per 1000 employees in meat processing compared with 190 days per 1000 employees in total manufacturing (Industry Commission 1994a).

One of the earliest and most notorious industrial conflicts in the meat processing industry began in 1985. The Mudginberri dispute, as it came to be termed, began when the Australian Conciliation and Arbitration Commission permitted a new payment-by-results clause to be inserted into a new Northern Territory meat processing award. This clause permitted employers the freedom of contract, that is, the right to hire whomever they wanted and the right to negotiate terms individually with the employees. The first abattoir attempting to operate under these new arrangements was a small export abattoir located in the far northern rural town of Mudginberri (Underhill & Kelly 1993; Jones 1990).

Shortly after this decision AMIEU officials attempted, unsuccessfully, to persuade the Mudginberri workers to join them in opposition to these working arrangements and the new award clause. In May of 1985, the AMIEU set up a picket line outside the plant. The abattoir's operations were immediately halted as Federal Meat Inspectors, who were required for export production, refused to cross the picket line.<sup>3</sup> Within a few weeks, the abattoir restarted production for the domestic market and applied to the Federal Court for an injunction against the AMIEU, who continued to maintain a picket line (Ashton & Blackmore 1987; Austin 1986).

Following nearly one month of hearings, the full bench of the Industrial Relations Commission gave its decision (Underhill & Kelly 1993). The Court recognised that the contract system did not provide adequate award coverage (related to annual leave, sick leave and payment for waiting time). Nevertheless, it ruled that the new Northern Territory Meat Award should stand and that employers should be given the power to engage in direct bargaining with workers, with or without the involvement of the union (Kitay & Powe 1987). The Court ordered the AMIEU to drop the picket and settle the dispute.

The AMIEU resolved to protect the standards of wages and conditions of employment in the industry, defied the Court order and maintained the picket line. The continued maintenance of the picket, now in defiance of the



Court injunction, led to the imposition of a fine of \$100,000 for contempt of court and the issue of a writ of sequestration against the property and income of the AMIEU (Underhill & Kelly 1993). The abattoir's owner meanwhile pursued through the courts, and won, a claim for damages against the union to the sum of nearly \$1.8 million. This decision constituted not only the final blow to the union, but also the largest damages judgment against any Australian trade union (Jones 1990).

An alternative strategy adopted by abattoir owners became the hiring of contract labour. In 1991, two domestic abattoirs in Victoria began employing contract labour through an Australian labour supply firm known as 'Troubleshooters Available' (*Beef Improvement News* 1991). Under the Troubleshooters system, no legal employment relationships existed between contract workers and the company they worked for. The system was based on the conception of the worker as an individual contractor, subject to direction at the work site, but choosing to be at that work site (Underhill & Kelly 1993). The abattoirs viewed the contract system as a way to by-pass the AMIEU and reduce labour costs and oncosts of employment.

The Troubleshooters system, however, proved less than adequate. The first abattoir to use Troubleshooters proved not to be commercially viable and closed just a few months after the trial programme. Success at the second abattoir proved to be marginal and resulted in clashes and picketing from the AMIEU and the previous workforce. The Troubleshooters Agency, finding it difficult to recruit skilled workers, provided largely unskilled workers, which contributed to reduced production levels and increases in damaged and contaminated product (Underhill & Kelly 1993).

Although Troubleshooters remains a legal option for abattoir owners, no export abattoirs and only a handful of domestic ones have used contract labour to date. It is not likely to spread much further, particularly into the export abattoirs. The AMIEU maintains its centre of power in the export abattoirs and the size of the labour force and required skills to operate such a facility make it difficult for contract labour arrangements.

The fiercest campaign launched against AMIEU's authority in the export sector came from AMH, the nation's largest meat processor.<sup>4</sup> In 1994, AMH began a long campaign to take on the AMIEU and implement new labour arrangements in their six Queensland abattoirs.<sup>5</sup> The firm's

ultimate goal was to remove the tally system and introduce hourly wages for all employees. According to AMH's general manager, these changes were necessary if Australia wanted to improve its 'uncompetitive position in the international beef export market' (*Beef Improvement News* 1995b: 22).

The tactics used by AMH to accomplish these objectives varied from plant to plant. At four of AMH's Queensland abattoirs, the company reduced production levels to minimum tally and introduced a second shift. This enabled AMH to reduce individual workers' earnings by one-third while maintaining the required throughput. By placing workers under immediate economic stress, the company hoped to force them to give in to company demands (*National Newsletter* 1995).

At another plant, the company locked out workers and introduced a new time work system that increased weekly hours from 38 to 40 hours. AMH resigned from the employers' association. This permitted them to escape the provisions of the Federal Meat Processing Industry Award (which maintained minimum standards for the industry) and to embark on a course of setting their own rules and agenda. Following tense labour disputes and an Industry Commission investigation, the Commission ruled to suspend the old Award and uphold the new system on a trial basis. Within weeks of the Commission's decision, AMH threatened to stand down all workers at their other plants unless they also agreed to trial the new proposal (*The Meatworker* 1995b; *National Newsletter* 1995).

AMH furthered their de-unionising campaigns at all their plants by advertising job openings, denying the union the right to hold meetings at the plants, and hiring a private investigator to infiltrate and disrupt union meetings. AMH agreed to negotiate with unions and workers only under the conditions that they agree to time work, the removal of the tally system, and unrestricted extended hours of work (*Meatworker* 1995b: 10).

After nearly six months of further labour disputes, the Government intervened and called on the Industrial Relations Commission to conduct a full investigation into the allegations of duress and reductions of workers' wages and conditions. The Government forced AMH to recognise and uphold conditions of the old award in all of their plants with exception of the initial plant, where the trial of new work procedures was permitted to continue (*Meatworkers' National News* 1996).

### *Current state of reforms*

In recent years, industrial disputes in the nation's abattoirs have declined due to a combination of factors including employers' limited success with other work practices and a change in government leadership. Since the election of a conservative Coalition Government in 1996, employers' strategies to undermine workers' control have relied less on direct action and more upon seeking major changes in the Federal Meat Processing Industry Award.

Broad changes in industrial relations legislation brought about under the 1996 Workplace Relations Act strengthened abattoir owners' capacity to establish enterprise agreements and choose between individual non-union contracts and national industrial awards. Since the passage of this legislation a number of enterprise agreements have been reached with some of the industry's major employers, including AMH. These agreements, however, have largely mirrored the wage and working conditions as set forth in the Federal Meat Processing Industry Award.

There are two primary reasons for this. First, for the approval of all enterprise agreements they must pass a 'no disadvantage test' proving that employees are not disadvantaged with regard to terms and conditions of minimum award standards for the industry. As it stands, the Federal Award upholds the negotiated work practices of years past. Second, the meat workers and the AMIEU have resisted any enterprise agreement that has sought to remove the tally system and reduce their control over the production process.

The Coalition Government, however, has announced proposals to amend the Workplace Relations Act. The objective of this second round of industrial relations reforms is further reduction of the scope and content of awards to a small core of safety net provisions. Tally payments are one of the provisions specifically targeted for removal from Federal awards. This comes as little surprise: Coalition Party members, seeking support among the nation's livestock producers, had made this a pre-election policy and lobbying by abattoir owners and producer organisations for these changes has persisted ever since (NFF 1995).

The amendments to the Workplace Relations Act have yet to be tabled in Parliament. Nonetheless, this recent development clearly demonstrates that Australia's abattoirs and their allies, including the Federal government,

are engaged in a coordinated effort to debilitate the union movement and to enforce the introduction of individualised working arrangements within the meat processing sector. If the Coalition Government should succeed in the removal of the tally system from the Award, employers' ability to avoid dealings with the AMIEU and replace the tally system with an alternative payment system will be substantially strengthened. This scenario, however, is not likely to speed up badly needed reforms. It is more apt to usher in a new series of industrial disputes as the AMIEU seeks to protect the overall control of the union and the meat workers in the plants, even if it means bitter conflict with government authorities.

### **Fiji's sugar mill reforms**

We can draw up the most equitable procedures imaginable but they alone will not bring industrial harmony; that lies in the hearts and minds of those who implement the procedures. (Daryl Tarte, Industrial Commissioner of Fiji's Sugar Industry Tribunal, quoted in Singh 1994: 34).

#### *Background*

Sugar has remained the mainstay of Fiji's economy since quite early in the era of British colonisation. Throughout all except the earliest years of the colonial period, the Colonial Sugar Refining Company of Australia (CSR) controlled the entire sugar industry. Production was organised on the lines of the well-known plantation model, with manpower supplied by imported indentured Indian labourers. Shortly after Independence in 1970, the government-owned Fiji Sugar Corporation (FSC) took over the milling operations from CSR, heralding an era of expansion and development in what was still the country's most important industry. While Fiji's economy is less dependent on sugar revenues than during the colonial period, sugar continued, at least during the operation of the Lomé Convention, to put more dollars into circulation than any other Fiji industry. Raw sugar exports worth F\$280 million in 1994 contributed 12% to Fiji's gross domestic product (GDP) and approximately 40% of the nation's total export earnings (World

Bank 1995). Fiji annually exports around 400,000 tonnes of sugar of which, until its expiry in February 2000, about 45% was sold at preferential prices to the European Union under the Lomé Convention's Sugar Protocol. Under the Sugar Protocol, Fiji and other African Caribbean and Pacific (ACP) nations received prices equal to the internal support price Europe pays its sugar beet farmers. This preferential price averaged between 2.5 and 3 times the world market price (Prasad & Akram-Lodhi 1998).

Like other forms of preferential trading, the Sugar Protocol is under increasing pressure from the trade liberalisation guidelines of the World Trade Organisation (WTO). The implementation of GATT (the General Agreement on Tariffs and Trade) and the reform of European agricultural policies means the price of Fiji sugar sold to the EU will fall. Estimates of the decline are at least 2–3% each year for a 6-year period, in dollar terms \$F5 million a year or \$F30 million at the end of 6 years (Singh 1994). With the Lomé Convention currently under review and the EU under pressure from the WTO to show its commitment to 'free trade', there are strong prospects of greater price falls.<sup>6</sup> These developments in international trade inspired a number of industry commissioned international 'best practice' studies and restructuring proposals throughout the late 1980s to 1990s (Snell & Prasad 2001).<sup>7</sup>

Most studies confirmed that FSC's four mills were efficient by international standards, with good sugar quality and historical levels of sugar recovery. Mill efficiency standards, nonetheless, needed to be improved if the industry was to survive in a 'free' world market. To be internationally competitive, the reports agreed that the mills should reduce breakdowns and stoppages and boost efficiency by shortening the crushing season and increasing sugar recovery rates. Cost-saving measures, involving labour-saving technologies and new methods of wage determination, were also placed high on the agenda. Reaching each of these targets meant major industry reforms—and potential industrial disputes if not handled appropriately.

*Industrial disputes*

FSC's industrial relations, never particularly good, became progressively worse throughout the 1980s (M Prasad 1995). The breakdown in relations could be found at a number of levels. Management rarely consulted workers regarding industrial issues. None of the collective agreements had provisions for consultation or workers' right to industry information. Management also showed increasing disregard for their employees' well being. In 1993, an independent inquiry found FSC to be in breach of health and safety guidelines on over a dozen counts (S Prasad 1994). Increasingly, routine variations of collective agreement disputes were being referred to the Sugar Industry Tribunal for resolution—signalling a clear deterioration of union–FSC relations.

Industrial disputes involving direct action also increased. Strong union representation has been a feature of Fiji's sugar mills since the colonial period. Four workers' unions are present in the mills—the Fiji Sugar and General Workers Union (FSGWU), the Fiji Sugar Tradesmen's Union, the Fiji Sugar Clerks and Supervisors Association and the Sugar Milling Staff Officers' Association. The largest and most vocal of these became the FSGWU; representing around 2,500 unskilled and semi-skilled workers in the employment of the FSC (S Prasad 1994).

In 1993, an 18-day long strike was staged by the FSGWU over wages and working conditions. Two years later, during the 1995 harvesting/milling season, a seven-day strike was called as cut cane piled up at the mills and in the fields. Accusations from both sides accelerated with the rise in disputes. FSC managers accused the unions of holding the country to ransom each year by resorting to strikes in the middle of the sugar cane harvesting and milling season. The unions, on the other hand, blamed the FSC for not being responsive to the needs and aspirations of their employees. Management's failure to address workers' concerns or include workers in the decision-making process, according to the FSGWU, had forced the unions to rely upon lightning strikes to improve wages, benefits and working conditions (M Prasad 1995). This environment of hostile industrial relations provided the context within which badly needed reforms were to be carried out.

### *Industry reform*

Beginning in 1995, the Sugar Commission of Fiji (SCOF) began drawing up a strategic plan for reforming the sugar industry. As part of this process, the Commission hired a foreign consultant to develop a comprehensive plan of action for the restructuring of the industry. By 1997, a number of specific proposals for improving FSC's efficiency and competitive position had been put forward in the strategic plan, centring on three core issues:

- increased investment in equipment that would improve sugar recovery and reduce breakdown and labour demand rates (automation and computerisation of mill operations being central to reducing excess manning);
- contracting out of certain essential (e.g. maintenance work) and non-essential services; and
- implementation of a new system of performance pay incentives, whereby individual pay rises would be linked to an individual's capacity to control costs, improve efficiency and quality standards, and reduce operator error and downtime.

According to the plan, through appropriate mill automation, and the implementation of performance payments and outside service contracts, FSC could reduce mill and mill ancillary labour costs by 15% and thereby survive price falls in the market (Sugar Commission of Fiji 1997).

These proposals translated into the recognition of a need to create a smaller and more productive workforce. Potentially, these recommendations could have become a union–labour–management powder keg. Proposals to alter payment systems proved sufficient for worker concern. Historically, the unions maintained a common position on wage bargaining, with base-salaries being the agreed form of remuneration and seniority as the primary determination in making lay-off or termination decisions. The plan challenged the union position on hourly wages by arguing that fixed-wages encouraged a sense of entitlement that reduced risk-taking, innovation and productivity (Sugar Commission of Fiji 1997). The plan's developers insisted that the implementation of performance pay systems would both encourage higher levels of effort and performance and enable FSC managers to turn part of the company's fixed labour costs into a variable cost.

Initially, the plan's proposals drew vehement opposition from the unions, which complained of not having been fully integrated into the development of the proposals and of fearing their implications. Union resistance to the performance pay scheme was on the grounds that it would encourage competition, division and speed-up among workers. While the unions anticipated changes as a result of declining international sugar prices, they made it clear to industry leaders that the changing sugar market must not be used to instil a fear of low wages or job loss in the minds of the workers.

In an effort to gain acceptance among the workers, the SCOF developed a series of open discussions with union representatives, aimed at reaching an acceptable solution for implementing the proposals. The strategies put forward included:

- entering a trial period to test the productivity pay system;
- opening up lines of communication with unions to fine-tune the system and to ensure that employees trusted the method of logging worker productivity;
- ensuring in-depth briefing of all unions and mill employees; and
- setting up a mill employee relations committee to improve worker participation (Sugar Commission of Fiji 1997).

Through this consultative and participatory approach, what first appeared as objectionable suddenly became negotiable. By December 1998, FSC and the four sugar mill unions agreed to the signing of the Sugar Industrial Accord. The Accord, which was the result of consultation, dialogue, and give and take by the leaders of the mill workers unions and the FSC, represented four special agreements:

- the introduction of a 'quality of work' productivity pay system in the mills aimed at improving efficiency and productivity levels;
- the implementation of annual cost of living adjustments (COLA) for the workers. In the past, the unions would negotiate COLA increases annually and these were frequently a source of wage disputes. Under the Accord, FSC agreed to increase COLA by 2% each year for the next three years;
- the establishment of mill consultative committees for each of the four



mills, aimed at gathering together unions' branches and management of the mills to break down distrust and improve communication, conflict resolution and the quality of work conditions in the mills; and

- the creation of a national consultative committee consisting of union and mill management representatives. This committee served to discuss issues affecting the entire industry and for the development of new work practices aimed at improving working conditions and work practices such as the productivity pay system, a shorter working week and employee welfare (Sugar Commission of Fiji 1999).

From the unions' point of view, the most controversial issue was the productivity payment scheme. From the outset, the unions made it clear that this scheme was not to be used to weaken collective institutions and rules. Productivity payment evaluations, as agreed upon under the Accord, were not to be left solely to managerial discretion but were to be carried out in cooperation with a trained union representative. Each worker was also to be provided access to a 'feedback' sheet to follow their evaluations, the objective being to reduce conflict between management, unions and workers regarding variable payments and to make the system as transparent to workers as possible.

While it is too early to determine the real benefits of the Accord for workers as well as management, preliminary research suggests it is improving mill operations in the 1999 crushing season [the time of writing]. The formation of workplace, as well as industry-based, consultative committees in the FSC appears to have resulted in positive steps towards reforming the industry, improving communication and establishing industrial harmony. Although workers have yet to receive their first official performance payment, unions and management have expressed their satisfaction with the system of worker evaluation. The stumbling block in the reform efforts is likely to be the implementation of new labour-saving machinery and the contracting out of services. Associated with the Accord was an unwritten commitment to reducing the size of the workforce by approximately 25%. As this commitment becomes clearer, the consensus between unions, workers and management may unravel.

### **Matters for regional consideration**

In many Pacific nations, agricultural-based industries continue not only to figure prominently in the local economies but also to drive export earnings. Historic changes in world agricultural markets and subsequent downturns in export earnings in the region have resulted in common concerns regarding agricultural trade, rural development, employment, sustainable economic growth and competitiveness. For the agri-food industries themselves adjustment and reform have become necessary to survive under the new (globalised) market conditions. While the farm sector has typically been at the centre of these reform efforts, the processing sector is increasingly being targeted for reorganisation in an effort to improve overall industry competitiveness.

In the two cases considered, the response to globalisation and competitive pressures has been to increase global competitiveness, in part at least, through promoting workplace reforms in the processing sectors. Alteration in the payment system to workers has been a common strategy to improve productivity and efficiency standards. The rationales for altering payment schemes and the managerial styles utilised to bring about the reforms have, however, differed dramatically.

For as long as there has been employment, payment systems have been the object of endless experimentation. Payment has been used as a device for raising labour productivity and worker performance or reducing labour costs.<sup>8</sup> Performance pay schemes, such as those being trialled in Fiji's sugar mills, are currently viewed by many managers and industry planners as a more effective way to boost performance and productivity levels than traditional base-payment systems. Performance payment, it is said, recognises workers' contribution and rewards them in accordance with their effort. Unions, on the other hand, tend to view individual performance pay as a mechanism whereby trade unions come to be marginalised and collectivism weakened. Such straightforward assumptions are too simplistic. As shown in the case of reforms in Fiji's sugar mills, the payment scheme has not been employed as part of a concerted attempt to undermine collectivism. In fact, the payment scheme has been integrated into a new managerial strategy aimed at improving industrial harmony and labour-management cooperation.

Performance pay schemes may theoretically be better employee motivators but they are notoriously short-lived. Performance related pay schemes are typically difficult to monitor, often have dysfunctional side-effects and can generate demotivating pay anomalies if not handled properly by management (Brown, Marginson & Walsh 1995). In the case of FSC, the integration of unions and employees into the design, implementation and operation of the performance evaluation process may help overcome some of these weaknesses, allowing for long-term effectiveness (see Kessler & Purcell 1995).

In the case of reforms in the Australian abattoirs, government agencies, industry strategic planners and abattoir managers have taken a counter position on payment systems. The tally system, a form of performance based pay scheme, is viewed as unproductive, outdated, complicated and a liability to the entire industry. Calls to remove the tally system from the industry awards now resonate from the Australian Industrial Relations Commission.

Efforts to implement alternative payment schemes in the Australian abattoirs are motivated not by the notion of creating a more rewarding payment system but from efforts to reduce worker control. For the tally system has been a source of worker control for nearly a century. Worker control, however, is currently seen as an impediment to necessary changes and has come under increasing criticism from employers, pastoralists and conservative politicians. Although not exclusive by any means, the Mudginberri dispute, the initiation of 'Troubleshooters' contract labour and AMH de-unionising campaigns all illustrate the lengths to which employers have gone to distance themselves from the meat workers' union. In each of these disputes, abattoir owners, under mounting competitive pressures, have sought to undermine or by-pass the AMIEU, establish more 'beneficial' wages and set up alternative employment schemes. Attempts to remove the tally system must therefore be viewed as part of an overall managerial strategy of removing worker control, undermining collectivism and developing a non-union workforce.

In consideration of the outcomes of the two case studies, Fiji's sugar mill reform efforts provide a more sustainable framework. Reducing worker control and de-unionisation are certainly options open to management

seeking to reduce labour costs and maximise profits under competitive pressures. This strategy, however, may not result in the desired outcomes, particularly in the long term. As illustrated in the case of Australia's beef industry, abattoirs attempting to make use of non-union and contract labour have had limited success. These tactics resulted in lengthy and costly labour disputes and strengthened union opposition to all reform efforts, and the alternative work practices proved an inferior replacement to traditional work practices.

The reality of globalisation and international competition is that reforms are often necessary. Unions, however, must not be held in contempt and viewed as obstacles to either reform or increased profit and productivity levels. Unions are not backward looking or blindly opposed to change. Unions' objection is that reforms and new advanced techniques are often introduced without consultation and with no regard to their future in the industry. As Fiji's case illustrates, unions do recognise the need to change for the betterment of the entire industry. They are not prepared to grant such recognition, though, if it means a significant weakening of their bargaining strength. A more desirable solution to the reform process, therefore, is for management and industry leaders to integrate unions and employees into the reform process through participatory management styles.

Industries suffering from long histories of a strained industrial relations climate make peaceful reform efforts difficult but not impossible. As illustrated in the case of FSC, even in the harshest industrial relations climate, reforms can be carried out if done in a consultative and participatory manner. Any other approach would have been not far short of disaster and would no doubt have resulted in similar outcomes to those in the Australian abattoirs. The fact that FSC is a public enterprise no doubt eased the successful adoption of this strategy. However, there is no reason why privately owned agri-firms cannot also forge new relationships with trade unions more akin to consultation and negotiation on reform packages and a wide range of other issues.

Unions and employees must also be involved in the planning and development stages of reform packages. Their inclusion will help ease dissent and resistance and secure workers' and unions' long-term commitment to reforms. As previously stated, the failure of strategic planners to include Fiji's unions in the early stages of reform planning over issues of redundancies and other vital employee issues may be a source in the potential breakdown in management–labour cooperation.

Pacific governments, whose tax-revenue is largely dependent upon the survival of their agri-food industries, must provide the environment to foster such labour–management arrangements. Efforts to enforce reforms through legislative changes favouring or weakening one party over another, as is presently being attempted in the Australian meat industry, are likely to be only marginally successful. These attempts may actually prolong the implementation time for real workplace reforms if employers or workers abuse their new powers and the weaker partner attempts to preserve its interests through other mechanisms. A truly successful model for agri-industrial reforms is one in which the consultation on and negotiation of reform packages include all interested stakeholders—employers, farmers, trade unions and government—in social partnership throughout all stages of the reform process. It has not been an easy lesson to learn but Fiji's sugar industry now recognises how difficult yet vital establishing and maintaining such a partnership is in the era of globalisation.

---

## Notes

1 Australian Industrial Relations Commission 1991; Industry Assistance Commission 1983; Industry Commission 1994a, 1994b; Booze, Allen & Hamilton 1992, 1993; ACIL 1994; MRC 1993; AACM 1992.

2 Two dominant types of tally evolved. The 'unit' tally determines the number of tally workers to be employed to meet a tally target. Defined tasks are weighted in terms of the different work effort involved, which is then modified for processing of the different sizes and weights of animals, and cuts of meat. The less complicated 'head' tally, on the other hand, is based on the ratio of the total number of livestock processed to the number of slaughterers in the processing team (or in the case of boning functions, of the total number of carcasses processed to the number of boners in the boning team) (Industry Commission 1994b).

3 Federal Meat Inspectors have their own union, the Meat Inspectors Association, and are not directly associated with the AMIEU.

4 AMH, owned by the US-based agribusiness giant ConAgra, controls 16.5% of the national beef kill, 30% of Australia's feedlot capacity and 70% of the grainfed exports to Japan (Jenkins 1996).

5 Prior to this campaign against the AMIEU, AMH was involved in a major industrial dispute in Victoria. In 1990, following twelve months of picketing by the AMIEU, AMH managed to get a new industrial award covering their Portland, Victoria abattoir. The new award, estimated to have reduced meat workers' wages by 18% due to changes in the tally system, led to a number of other Victorian abattoirs attempting to establish a similar award. The outcome of these developments was 10 months of strikes, stoppages and picketing at various Victorian abattoirs and over 40 Federal industrial dispute cases involving the AMIEU (Underhill & Kelly 1993; Cooper 1992; *Beef Improvement News*, 1995). AMH at the time of these disputes was owned by Elders IXL (Australia's largest agribusiness firm) and not ConAgra.

6 [Prognostication of the future of Fiji's sugar industry is more difficult, being complicated by the escalating expiry of leases held under the Agricultural Landlord and Tenant Act (ALTA) and uncertainty about future arrangements; and the general uncertainties precipitated by the unresolved political conflicts of 2000, which *inter alia* prevented the successor agreement to the Lomé Convention from being signed in Suva. The comments made here were, however, correct at the time of writing. Ed.]

- 7 Booker Agriculture International Ltd. 1981; Landell Mills Commodities 1991; Sugar Commission of Fiji 1997; TechEcon 1993.
- 8 For further discussion of payment schemes see Brown & Walsh 1994.
- 

### References and Bibliography

- AACM, 1992, *Productivity and Efficiency in the Australian Meat Industry*, AACM International, Adelaide.
- ABARE (Australian Bureau of Agricultural and Resource Economics), 1996, 'Commodity Overview', *Australian Commodities* 3(2): 148–60.
- ACIL, 1994, *Performance of the Australian Meat Processing Industry: A Stocktake of Recent Developments*, ACIL Economics and Policy Pty Ltd, Canberra.
- AMLC (Australian Meat and Livestock Corporation), 1995a, *Annual Report*, Australian Meat and Livestock Corporation, Sydney.
- 1995b, *Statistical Review*, Australian Meat and Livestock Corporation, Sydney.
- Ashton, P & Blackmore, K, 1987, *On the Land*, Kangaroo Press, Kenthurst.
- Austin, N, 1986, *Kings of the Cattle Country*, Bay Books, New South Wales.
- Australian Industrial Relations Commission, 1991, *Inquiry into the Meat Industry: Report to the Full Bench*, Australian Government Publishing Service, Canberra.
- Beaumont, M, 1993, 'The United States as competitor' *Meat and Livestock Review* Nov.: 12–17.
- Beef Improvement News*, 1991, 'Contract labour announced in two Victorian abattoirs', Oct.: 6.
- Beef Improvement News*, 1995, 'Workers blamed for shutdown', Oct.: 22.
- Blackmur, D, 1993, *Strikes: Causes, Conduct and Consequences*, Federation Press, Sydney.
- Booker Agriculture International Ltd, 1981, *Fiji Cane Transportation Study*, vols 1–3, January.
- Booze, Allen & Hamilton, 1992, *International Comparisons in the Beef Processing Industry*, Booze, Allen and Hamilton, Sydney.
- 1993. *International Comparisons in the Beef Processing Industry*, Booze, Allen and Hamilton, Sydney.

- Brown, W, Marginson, P & Walsh, J, 1995, 'Management: pay determination and collective bargaining', in *Industrial Relations: Theory and Practice in Britain*, ed. P Edwards, Blackwell, Oxford.
- Brown, W & Walsh, J, 1994, 'Managing pay in Britain', in *Personnel Management in Britain*, 2nd edn, ed. K Sisson, Blackwell, Oxford.
- Cooper, S, 1992, *Farm Wars: The Battles Confronting Australian Agriculture*, Schwarz & Wilkenson, Melbourne.
- Curran, B et al., 1987, 'Australian agriculture in the international community', *Quarterly Review of the Rural Economy* 9(1): 53–87.
- Davies, A E, 1974, *The Meat Workers Unite*, Union Printing, Annandale, NSW.
- Dyster, B & Meredith, D, 1990, *Australia in the International Economy*, Cambridge University Press, Melbourne.
- Fiji Sugar Corporation, 1998, Annual General Meeting Report, Fiji Sugar Corporation, Suva.
- Hince, K, 2000, 'The Tonga Growers Federation Inc.: a case study of a relationship between worker and farmer unions', *Journal of Pacific Studies*, 24(1): 33–49.
- Industry Assistance Commission, 1983, *The Abattoir and Meat Processing Industry*, IAC Report No. 313, Australian Government Publishing Service, Canberra.
- Industry Commission, 1994a, *Meat Processing: Volume I Report*, Australian Government Publishing Service, Melbourne.
- , 1994b, *Meat Processing: Volume II Appendices*, Australian Government Publishing Service, Melbourne.
- Jenkins, D, 1996, 'The farm is going foreign', *Sydney Morning Herald*, 17 August: 31.
- Jones, C, 1990, *100 Years of Struggle and Change*, AMIEU, Spring Hills, Queensland.
- Kessler, I & Purcell, J, 1995, 'Individualism and collectivism in theory and practice: management style and the design of pay systems', in *Industrial Relations: Theory and Practice in Britain*, ed. P Edwards, Blackwell, Oxford.
- Kitay, J & Powe, R, 1987, 'Exploitation at \$1,000 per week? The Mudginberri dispute', *Journal of Industrial Relations* Sept.: 365–400.
- Landell Mills Commodities, 1991, *A Review of the Sugar Industry in Fiji*, report prepared for the Sugar Commission of Fiji, Suva.
- Lawrence, G, 1987, *Capitalism and the Countryside: The Rural Crisis in Australia*, Pluto Press, Leichhardt, NSW.



- Lawrence, G, Share, P & Campbell, H, 1992, 'The restructuring of agriculture and rural society: evidence from Australia and New Zealand', *Journal of Political Economy* 30: 1–23.
- LeHeron, R, 1993, *Globalised Agriculture: Political Choice*, Pergamon Press, Oxford.
- Maggs, G, Testi, J & Rimmer, M, 1996, *Study of Annualised Pay Systems*, National Key Centre in Industrial Relations, Monash University, Melbourne.
- Meatworker*, 1995a, 'Shiftwork, deregulation and rationalisation: the illusory panacea of the meat processing industry', Nov.: 1.
- , 1995b, 'AMH—On the Attack!', Nov.: 10–11.
- Meatworkers' National News*, 1996, 'Mr. Hughes's employee, Bruce Studley Townsend', Nov.: 1–5.
- MRC (Meat Research Corporation), 1993, *The Value Chain for Meat and Livestock Products*, Meat Research Corporation, Sydney.
- Murray, W, 1998, 'The global agro-food complex, neoliberalism and small farmers in Chile: Lessons for the Pacific islands?', *Journal of Pacific Studies* 22(1/2): 27–59.
- National Newsletter (AMIEU)*, 1995, 'Federal Council campaign forges ahead', Feb.: 1.
- NFF (National Farmers Federation), 1995, *Address to NFF's 34<sup>th</sup> Council Meeting*, NFF.
- Prasad, M, 1995, 'Sweet victory for union', *The Enquirer* (Suva), Sept.: 8–12.
- Prasad, S, 1994, Labour–management consultation and cooperation and industrial relations in Fiji: comparative study of the Fiji Sugar Corporation and Air Terminal Services Limited, paper prepared for the International Labour Organization (ILO), South Pacific Regional Office, Suva. Edited version published as *Labour–Management Consultation and Cooperation in Fiji: Case studies at the national and sectoral level: Air Terminal Services and the Fiji Sugar Corporation*, SSED Working Papers, No. 22, SSED, USP, Suva, 1995.
- Prasad, S & Akram-Lodhi, A H, 1996, A case for trade-based development assistance? Fiji and the Sugar Protocol, Working Paper No. 250, Institute of Social Studies.
- 1998, 'Fiji and the Sugar Protocol: a case for trade-based development co-operation', *Development Policy Review*, 16(1): 39–60.
- Singh, M, 1994, 'Sugar: the challenge', *The Review*, (Suva) July: 25–44.
- Snell, D & Prasad, S, 2001, 'Benchmarking and participatory development: the case of Fiji's sugar industry reforms', *Development and Change* 32(2): 255–76.

- Sugar Commission of Fiji, 1997, *Sugar Industry Strategic Plan*, Government Printer, Suva.
- 1999, *The Sugar Accord*, Government Printer, Suva.
- TechEcon, 1993, *Study on ACP Sugar Transport Costs: Final Report, vol. 1*, Commission of the European Communities, Directorate-General for Development.
- Underhill, E & Kelly, D, 1993, 'Eliminating traditional employment: Troubleshooters available in the building and meat industry', *Journal of Industrial Relations* Sept.: 398–422.
- UNIDO (United Nations Industrial Development Organisation), 1983, *Fiji: Agro-Industrial Development*, United Nations, New York; World Bank, Washington, DC.
- World Bank, 1993, *Pacific Island Economies: Towards Efficient and Sustainable Growth, vol. 1*, The World Bank, Washington DC.
- 1995, *Fiji: Restoring Growth in a Changing Global Environment*, The World Bank, Washington DC.
-