

Achieving a responsive industrial relations environment for construction industry workers: a project alliancing case study

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Abstract: This paper outlines how the project agreement operating on the Australian National Museum project in Canberra, Australia facilitated a responsible and responsive workplace environment for construction workers. A project alliancing approach was adopted and designed to encourage industrial relations innovation in the workplace. The trigger for this approach was the perceived success of the alliancing working arrangements between key project delivery teams and a desire to extend this arrangement to subcontractors, suppliers and the workforce. Changes in the Australian workplace relations environment and introduction of a national code of practice for the Australian construction industry provided impetus for reaching a new type of workplace agreement. The workplace culture and characteristics of relationships formed between workers and management on that site shaped the agreed terms and conditions of work. It also spurred the pursuit of innovative approaches to project delivery from a technology, management and workplace culture perspective.

Key words: industrial relations, procurement, project agreements, project alliancing, reward systems, risk sharing, workplace relations

Introduction

Research undertaken to develop this paper was part of a larger research project sponsored by the Department of Industry Science and Resources to investigate the way in which Australia's first project alliancing procurement arrangement for a building project has been undertaken. The objective of the research project was to identify and report on lessons learnt on the construction of the Australian National Museum project in order to promote best practice in the Australian construction industry. The project research team involved members from Queensland University of Technology, RMIT University and CSIRO. The authors acknowledge the assistance and advice openly and freely provided by members of the Alliance Leadership Team (ALT).

The Australian National Museum project forms the unit of analysis as a case study. Uniqueness of a phenomenon provides a sound basis for choice of a case study approach (Yin, 1994). The project cost was completed within its budget of AUS\$155.4 million and handed over one day ahead its fixed scheduled opening date of 12 March 2001. The museum

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houses approximately 175 000 items and documents relating to three integrated Australian cultural and heritage themes and was a 'flagship' project for Australia's centenary of Federation celebrations.

In October 1997, the Australian Commonwealth Government Parliamentary Standing Committee of Public Works (PWC) held public hearings in December 1997 and February 1998 and gave approval to seek project alliance partners to design and construct the project. This was after the architectural consultants had been commissioned and they formed part of the project alliance team and took part in the selection process for the successful general contractor and key services contractor alliance group. The selection process and criteria though interesting is unfortunately beyond the scope of this paper. Interested readers could refer to (Walker *et al.*, 2000a). Construction of the project commenced in February 1999 (Auditor-General of the Australian National Audit Office, 2000). The project's design is highly innovative, complex and unique and makes significant demands upon the construction team well beyond that normally to be expected for an institutional building project. This places severe quality and buildability demands upon the construction management team and the workforce. The project presented a potential industrial relations nightmare as it was both a 'flagship' project with highly sensitive political significance and a fixed scheduled opening date. It was fundamentally necessary that workplace relations be managed in such a way as to deliver industrial harmony to enable innovation, quality and time project objectives to be met. Thus its uniqueness is well established and study of this project as a landmark is well justified.

This paper is structured in six parts. First, the concept of alliancing is introduced with its principle features of risk sharing and improved relationships. Next, a brief introduction to the Australian construction industry workplace relations system is provided. This is followed by a brief discussion on the Australian national code of practice for the construction industry. These elements enable detailed discussion of the case study project with some detailed observations on implementation of the site agreement. Implications for the construction industry in general are then discussed with concluding discussion and comments upon ramifications of this approach on construction productivity and wider aspects of working relationships between parties involved in the assembly and fabrication of buildings.

The concept of project alliancing

The Australian National Museum project is the first building project to be undertaken using the project alliancing concept. A continuum of partnering-type relationships has been described elsewhere (Walker *et al.*, 2000b). This continuum is a function of the degree of *joint* rather than *shared* commitment of parties undertaking a project. In nonpartnering or nonalliancing arrangements, parties may share a commitment to project goals. Indeed on most projects there is an incentive for teams to work together to achieve project success. Under those arrangements, and indeed under partnering, one team may 'sink or swim' without necessarily affecting the business position of other teams. One team may make profits from a project while others may actually make a financial loss.

Parties agree their contribution levels and required profit beforehand and then place these *at risk*. If one party in the alliance under-performs then all other alliance partners are at risk of losing their rewards (profit and incentives) and could even share losses according to the agreed project painsharing/gainsharing model. Thus, alliance members form a quasi-joint venture because they operate at one level as a single entity, however, they do not merge their

companies in any legal or official way. They remain truly independent companies but they must help each other satisfy key performance indicators (KPIs) to realise the rewards at risk. This provides a powerful incentive to achieve projects goals – indeed to perform beyond expectations where incentive schemes encourage them to do so.

The important distinction between partnering and project alliancing is that with partnering aims and goals are agreed upon and dispute resolution and escalation plans are established *but partners still retain independence* and may individually suffer or gain from the relationship. With alliancing the alliance parties form a cohesive entity that *jointly shares risks and rewards to an agreed formula*. Thus if the project fails to meet agreed project KPIs then **all partners** jointly share the agreed penalty. Rewards are likewise bestowed for successfully exceeding expectations. Risk and reward issue are pivotal in providing immediate monetary or financial motivation to meet or exceed KPI's on alliancing projects.

The Australian industry relations system and the construction industry

The Australian industrial relations system has from its earliest days been characterized by centralized wage fixing that entails tribunals (currently the Australian Industrial Relations Commission (the 'Commission') at the federal level) determining wages and conditions of employment by making awards that cover industries or occupations.¹ It has also been characterized by complicated state versus federal politics both in view of union and political party conflict.

However, since the final decade of the twentieth century this system has been undergoing significant change under successive governments towards a more decentralised system that focuses on the enterprise or business (Quinlan, 1996). Callus notes that 'by March 1996 Australia's system of industrial relations rule-making had dramatically changed. An historically unprecedented consensus between capital, organised labour and the state had emerged under the Accord that led to institutional changes that would have seemed impossible just years earlier' (Callus, 1997, 17).

One implication of a change of federal government was the enactment of the *Workplace Relations Act 1996* ('the WRAct'), which aimed to place even more emphasis on enterprise agreements, further undermining the primacy of awards. To this end it mandated that awards act as a 'safety net',² that the Commission's functions and powers with respect to awards are exercised in a way that encourages making agreements at the workplace or enterprise level,³ and that the Commission's award determinations do not include details best dealt with by an

¹ The reason for this is that the Commonwealth's power is to make laws for the 'conciliation and arbitration' of industrial disputes; rather than to legislate directly with respect to industrial matters. Thus, for example, unlike the USA who possess inherent powers, the Commonwealth has no power to legislate for a minimum wage. This has necessitated the establishment of tribunals (and attendant registered organizations of employers and employees, awards and orders), before which industrial disputes between employers and employees over wages can be brought, in the first instance, for conciliation, and if that fails, by arbitration.

The limitations embodied in the conciliation and arbitration power has led successive federal governments looking to move away from the model of centralized wage fixing by tribunals to have recourse to other subject matter of the Constitution for legislative validity, in particular the corporations power contained in section 51(xx). Unfortunately, this head of power has limitations, too. For as the Commission's jurisdiction is limited by the concept of 'industrial disputes', defining them in section 4(1) by reference to 'matters pertaining to the relationship between employers and employees' implies that the WRAct excludes the Commission from dealing with disputes between independent contractors and those who hire (and fire) them. Given the building, cleaning and road transport industries rely heavily on independent contractors, this is an important limitation on the Commission's powers.

² Section 88A(b) of the WRAct. In the objects of Part VI dealing with dispute settlement and prevention.

³ Section 88A(d) of the WRAct.

agreement at the workplace.⁴ It also limited the number of matters that can be included in awards,⁵ and the Commission's power to make awards by providing that arbitration to settle disputes will be a 'last resort'.⁶

By the beginning of the 1990s Australia was considered to have serious inefficient work practices, such as 'homers' and over manning, and some of its most intractable industrial disputes. Indeed, the late 1970s and early 1980s were seen to be a particularly low point in industrial relations in the construction industry (Ireland, 1988).

Although having little to do with industrial issues, the disputation during this period led to union de-registration under Coalition and Labor Governments. Thus in 1974 the Builders Labourers Federation (BLF) was deregistered, although the misbehaviour complained of was the work of the New South Wales (NSW) branch – in particular, its 'green bans'⁷ caused chaos during the first rebuilding of the Sydney central business district (CBD).⁸ In 1981, Norm Gallagher, the leader of the BLF, found himself the object of a Royal Commission inquiry into alleged 'corrupt' activities of BLF officials. To derail the Royal Commission, Gallagher decided on a course of action that involved the BLF in widespread industrial disputation, ostensibly over such issues as the 35 hour week. The industrial action was initially aimed at Victorian Government sites, but later against the private sector in the naïve hope that the Master Builders Association of Victoria (MBAV) could pressure the Cain Government (the Labour Victorian State Government at the time) into somehow getting the Royal Commission to back off. Cain would not, and could not; and eventually the Hawke Government (The Federal Labour Government of the time) decided on deregistration, which generally had support of the union movement (Boyd, 1991).⁹

During the late 1980s there were positive signs of a more cooperative workplace environment taking hold in Victoria. In 1987, the first Victorian Building Industry Agreement (VBIA) was signed between the Victorian State Labor Government, major contractors and nine unions. And according to some observers, the VBIA succeeded in encouraging a move away from the industrial relations battlefield exemplified by the actions of the BLF during the 1980s towards improved productivity by way of the removal of work practices that had discouraged sensible management of site operations (Department of Labour (DOL) – Building and Construction Division, 1988).

In 1990 the NSW Premier established a Royal Commission into the NSW building industry to investigate illegal activities and a range of issues affecting productivity. Acting on a recommendation of the Royal Commission, the Government instituted proceedings for deregistration of the Building Workers Industrial Union (BWIU). It later discontinued the proceedings and

⁴ Section 143(1B)(a) of the WRAct.

⁵ Section 89A(2) of the WRAct. Although discretion is vested in the Commission to include 'incidental' and 'exceptional' matters.

⁶ Section 89(a)(ii) of the WRAct. Rather than 'wherever necessary', as was the case under the former Act.

⁷ The union's communist leadership believed the 'green bans' would attract the young middle class supporters of the social movements (which ironically arose in the USA during the 1960s) to the Party's banner, whether as members or fellow travellers.

⁸ During this initial period of deregistration the union movement supported the BLF, in particular the BWIU represented BLF members in the AIRC, and neither it nor any of the other building unions attempted to enrol BLF members. However, the leadership of the NSW BLF were to ultimately misjudge this support, and by doing so left itself open to takeover by the Federal Secretary of the BLF, Norm Gallagher.

⁹ In contrast to the earlier deregistration, the other building unions did not keep their hands off the BLF's members this time around. However, this was Gallagher's own doing, for as part of his strategy of industrial disputation he had initiated a number of demarcation disputes with other building unions, in particular the BWIU, and when they were settled the union would go back on the deal. Finally the BWIU had had enough and came to arrangement with the AWU to sign up BLF members, and that sounded the death knell for the BLF in Victoria, NSW, the ACT.

signed a Deed of Agreement with the union, pursuant to which the union gave a number of undertakings including to 'operate within the law'.¹⁰ The Building Industry Task Force, whose responsibilities for pursuing criminal (and civil) matters identified in the Royal Commission's Final Report included the Deed of Agreement, was to have a sobering effect upon industrial relations in the NSW construction industry.¹¹

Around this time it was noticed that unions were losing the support of the workforce, although in the construction industry they still had a significant presence. Thus while trade union density had generally declined throughout Australia from 40.5% in 1990 to 31.1% in 1996 (and the overall construction industry reflects these figures), the unions maintained, and retain, a solid influence over major commercial construction as opposed to residential construction (ACIRRT – Australian Centre for Industrial Relations Research and Training, 1999). In part at least, this support is dependent upon the union's ability to negotiate project agreements with head contractors which deliver productivity allowances, and higher levels of superannuation, redundancy and workers compensation top up to all the workforce on site, including subcontractors.

Not surprisingly, these arrangements appalled the Coalition Government. The Hon. Peter Reith, the Minister for Workplace Relations and Small Business, said:

To highlight the need for reform [in the construction industry], we need to look no further than the type of wage and work arrangements that apply on construction sites in the Melbourne CBD. The first thing that becomes obvious is the plethora of different industry deals that prevail on such sites. The *Victorian Building Industry Agreement* (VBIA), portable sick leave schemes, redundancy schemes, long service leave schemes, pattern enterprise agreements applying to the various contractors and subcontractors engaged on site, *site agreements* all on top of the various awards.

What also troubles me about VBIA is the requirement that where a party or parties to the agreement engages subcontractors, it shall be the responsibility of those parties to ensure that the subcontractors take all reasonable steps to abide by this agreement. All too frequently, such requirements can lead to a subcontractor being coerced into accepting arrangements against their will. (italics added)¹²

The unions (and contractors) argue that we are now seeing innovative project agreements that not only focus on wages and conditions of employment, as they traditionally have, but also on issues such as the provision of training and career paths and more flexible quality of life issues which accommodate the needs of both workers and employers. The Australian National Museum project agreement indicates how such agreements may be structured and delivered in the future.

¹⁰ It also undertook to comply with the NSW Code of Practice.

¹¹ Of course it was not just the union who fell foul of the Royal Commission, one employer association, the Australian Federation of Construction Contractors (AFCC) closed its doors in 1993, while another, the NSW Master Builders Association (NSWMBA) was effectively sent to Coventry by the Government until agreement was reached on the repayment of monies.

¹² A speech to the Air-conditioning and Mechanical Contractors Association of Victoria, 17 March 1999. He had earlier said: 'In the first term of this government, building and construction was one of 4 sectors, along with the waterfront, meat processing and coal mining that I identified as being key areas in need of workplace reform. In essence, the government considered that these key industries had blockages – of structural, attitudinal or behavioural kinds – that prevented optimum workplace change from being achieved. I am disappointed to say that 2½ years down the track, the building industry seems to be lagging behind these other industries in pursuing much needed changes to work practices . . . what is more, it could be argued that a major reason for this apparent lack of progress is the actions of building employers, or their associations, themselves.'

The national code of practice

In effect, the Code reflects key principles of the WRAct. Minister Reith said:

The government has sought to assist in the process of reform [in the construction industry] in a number of ways. One of these steps has been the introduction of the *National Code of Practice for the Construction Industry* . . . The Workplace Relations objectives of the Code are essentially:

- to provide practical reinforcement to the Principle of Freedom of Association;
- the shift the emphasis of workplace relations on construction sites away from project or industry-wide outcomes towards an enterprise-based approach . . .¹³

The Minister could easily have added the ‘prevention of coercion of sub-contractors aimed at achieving industry-wide or pattern pay and conditions outcomes’.¹⁴

The Australian Procurement and Construction Council and the Departments of Labour Advisory Committee developed the Code jointly. It has been endorsed and adopted by Commonwealth, State and Territory governments through the Procurement and Construction Minister’s Council and the Labour Ministers’ Council. It acknowledges that existing or new codes will be ‘consistent’ with the principles established in the Code.¹⁵

The Code applies to all new Commonwealth government funded construction projects.¹⁶ All contracts, tendering processes, expressions of interest or market testing proposals entered into after 22 September 1997 have to comply with the Code (application of the industrial relations elements of the Code commenced from 1 July 1997).¹⁷

The Commonwealth Government released two other documents in support of the Code.¹⁸ First, the Industry Guidelines set out the industrial relations requirements for those parties¹⁹ with whom the Commonwealth wishes to do business.²⁰

Secondly, the Implementation Guidelines are to assist Commonwealth agencies in inter-

¹³ Ibid.

¹⁴ Department of Workplace Relations and Small Business, Report on Workplace Relations Issues in the Building and Construction Industry.

¹⁵ A number of States and Territories have their own Codes, with the Queensland Government finalising a Code to apply to that State’s construction budget. Given the different approach to project agreements in the WRAct and the Industrial Relations Act 1999 (Qld), it will be interesting to see just how consistent the Code’s principles governing project agreements are with similar provisions in the Queensland Code.

¹⁶ The Code is to apply to the ‘maximum practicable extent to all construction and building work undertaken for the Commonwealth purposes’, including all budget-funded construction, pre-commitment lease projects and Build Own Operate Transfer and Build Own Operate and facilities built for the delivery of Commonwealth-funded services. Implementation Guidelines, p. 2.

¹⁷ The private sector is to be ‘encouraged’ to adopt the Code on a voluntary basis. But it is fair to say that the private sector has been somewhat less than enthused by such a prospect.

¹⁸ The Department of Workplace Relations and Small Business and the Department of Finance and Administration jointly prepared the Commonwealth Implementation Guidelines for the National Code of Practice for the Construction Industry (the ‘Implementation Guidelines’), and Industry Guidelines for the Industrial Relations and Occupational Health and Safety Components of the National Code (the ‘Industry Guidelines’).

¹⁹ The term ‘party’ in the Code includes but is not limited to: clients, principal contractors, subcontractors, suppliers, consultants, employees, unions – their officials, employees and members and industry associations whilst undertaking a representative role. However, as the sanctions under the Code are commercial in nature (relating to the opportunity to tender for government work), it is difficult to see what sanctions the Government could impose on the union or employees (other than where the breach amounts to a breach of a statutory requirement), which have no contractual relationships with Commonwealth.

²⁰ Its components are awards and legal obligations of employment, workplace arrangements, overaward payments, project agreements, freedom of association and right of entry, dispute settlement, strike pay, industrial impacts, workplace reform and occupational health, safety and rehabilitation.

preting and implementing aspects of the Code on the construction projects undertaken on their behalf. They detail the extraagency processes which the Government has set up to monitor and report on compliance with the Code and determine whether a sanction should be imposed on a party found to have breached of the Code. Primary responsibility for investigating alleged breaches of the industrial relations provisions of the Code rests with the Office of the Employment Advocate (the OEA).²¹

The requirements of the Code bind the Australian National Museum project, being a Commonwealth Government project. This presented a potential constraint in bringing construction workers into alliancing, for the building unions are opposed to the Code as a matter of principle.²² Indeed, the Building Trade Group (BTG) in 1999 mounted a legal challenge to the Code. Further, as part of the CFMEU's application in the Federal Court against Ministers Reith, Fahey and the Commonwealth, the union claims the Employment Advocate has contravened administrative law principles by acting beyond his powers in enforcing the Code.²³ In the meantime, the unions refuse to recognize the Code and have been quite aggressive in opposing its implementation.

More particularly, unions generally expect project agreements for large or complex construction projects. The Australian National Museum site manager stated that such agreements are usually about buying industrial harmony by paying each worker an additional sum over the industrial norm or award rates of about AUS\$1.50/hour. The money is paid up front and if there was a problem with the quality of work or time taken there was no way to get the money back. In light of Minister Reith's views, however, it is not surprising the Code stipulates that contractors must seek the client's authority prior to negotiating a project agreement.²⁴ The threshold issue for the client is the requirement that the proposed project agreement provide a demonstrable benefit to the project (most likely in the form of time or cost savings), and be reviewable against performance benchmarks.²⁵

In the Australian National Museum project case the clients required a process that demonstrates how any bonus or over-award payments will improve productivity and thus be justified. The Client indicated that in principle it supported the use of a project agreement to manage workplace relations, but emphasised that there needed to be demonstrable benefits to the client.

Implementation of the project agreement

Figure 1 below indicates the dynamics between the three interested parties in negotiating and implementing the National Museum of Australia project agreement.

²¹ Implementation Guidelines, p. 7.

²² However, some provisions within the Code are in line with the aspirations of construction workers, such as OHS provisions.

²³ Specifically, in so far as the OEA engages in conduct which threatens to enforce or which enforces a National Code and Implementation Guidelines, he is acting ultra vires and beyond power.

²⁴ The Code also prohibits 'coercion' in relation to workplace arrangements. This provision is designed to protect subcontractors from a head contractor pressuring them into complying with a project agreement.

²⁵ Project agreements must also be certified and/or registered. Under the relevant legislation. In particular, project agreements covering several employers should be certified under the multiple business-business agreement provisions of the Act (s170LC), and this should be made a condition of approval by the client. Implementation Guidelines, p. 12. Multiple-business agreements present a major hurdle for project agreements, as they must be certified by a Full Bench of the Commission after satisfying itself that it is in the public interest. Further, unions may not take 'protected action' during negotiations for a multiple-business agreement, and have effect to the extent of any inconsistency with any other agreement.

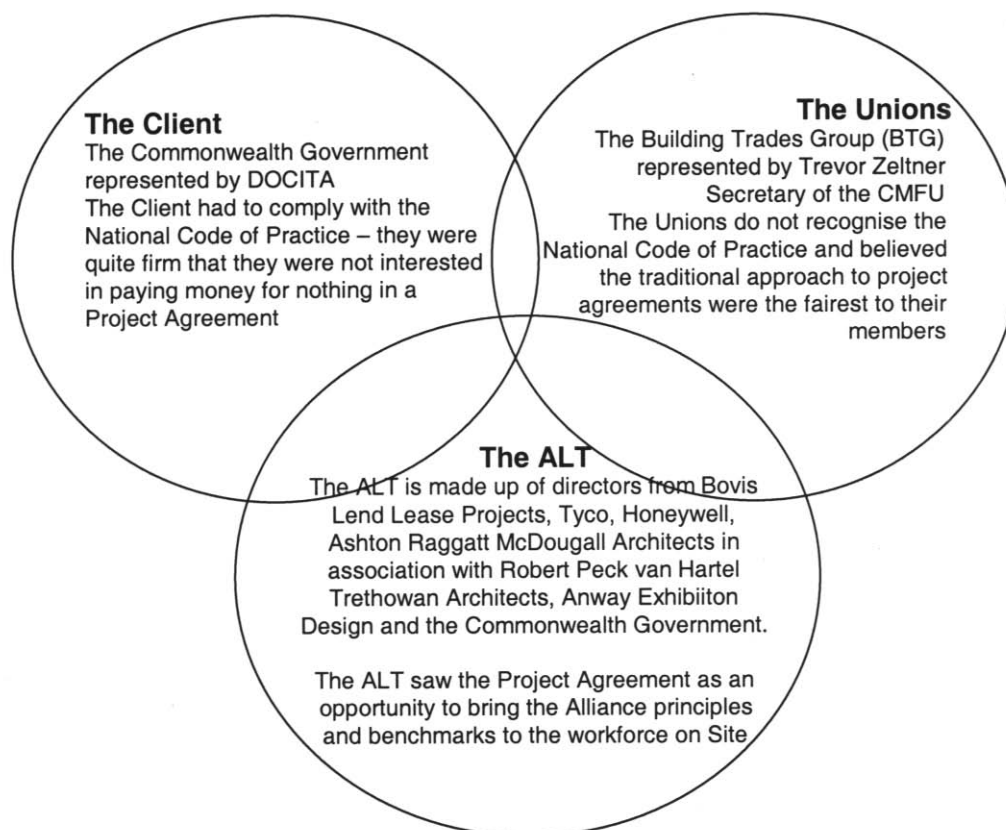


Figure 1 Three interested parties involved in the project agreement

The Australian National Museum project is a project alliance – so whilst the client is the Commonwealth Government the Alliance Leadership Team (ALT) is jointly managing the project. The ALT is made up of directors from Lend Lease Projects, Tyco, Honeywell, Ashton Raggatt McDougall Architects in association with Robert Peck van Hartel Trethowan Architects, Anway Exhibition Design and the Commonwealth Government represented by the Department of Communications, Information Technology and the Arts (DOCITA).

The ALT believed that if they worked with the unions they could produce a project agreement that satisfied all needs. In December 1998, Bovis Lend Lease Projects representing the ALT submitted a paper to DOCITA, which outlined the need for a project agreement and the possible benefits to the client. The paper titled ‘Workplace Relations Discussion Paper’ contained an exceptionally enlightening attachment (see Appendix A) entitled ‘Statement of Principles – How are we going to work together’. This attachment demonstrated the commitment of the ALT to bring the workforce into the vision created for the Australian National Museum project.

DOCITA accepted the ‘Workplace Relations Discussion Paper’ and gave approval for Bovis Lend Lease projects, on behalf of the ALT, to start discussions with the unions on a project agreement with remuneration being linked to the achievement of outstanding results. This approach to the project agreement is directly in line with the project alliance principles.

Twelve months of negotiations took place. There was no disputation during the negotiation of the project agreement. According to the site manager on the Australian National Museum the BTG represented by Trevor Zeltner were keen to negotiate. Mr. Zeltner showed a clear understanding of his members concerns and needs, but also understood the objectives of the alliance and how they could benefit his members and the industry in general. A considerable amount of trust and respect was built up between the parties during the twelve months of negotiation. The relationship established was crucial in the establishment of the final agreement and the ongoing assistance for implementation.

Whilst negotiation were going on between the Unions and the ALT, the ALT were also working closely with the Department of Employment Workplace Relations and Small Business to ensure that everything being negotiated in the project agreement was acceptable to the Commonwealth Government.

The parties involved in the negotiations for the project agreement believe that the principles behind the project alliance were invaluable in establishing trust and open communication. The ALT appears to have genuinely wanted to work with the Unions to produce the best project agreement for the Acton Peninsula Project and the language used in the attachment (Appendix A) indicates this.

The project agreement for the action peninsula project

The project agreement for the Australian National Museum project was tailor made to suit the project alliance delivery approach. The project alliance has a risk and reward structure based on time, cost, design integrity and quality. The agreement provides for obligations representing responsibility and responsiveness from both the ALT and the building trades group (BTG). Quality is divided into the following sections illustrated in Table 1:

Table 1 Broad quality measures

Buildings	Quality of built finishes Non conformances defects
Exhibitions	Design quality Use of content Integration of technology
Environment	Accessibility visitor experience Environmental management Waste management Water quality Air quality Energy efficiency/life cycle costs Ecologically sustainable development
Indigenous employment opportunities	Enhancing opportunities in construction Enhancing opportunities beyond construction Training Employment Supportive workplace
Public relations	Promoting the site Industry recognition of alliancing Stakeholder image
Safety	Management processes Safety outcome Individual intention

For example in terms of Safety, the Environment, Health, Safety and Rehabilitation (EHS & R) section requires of employees that

‘All employees must attend an agreed EHS & R induction course as and when required’. All employers are required to submit an environment, health and safety management plan to the Alliance. These plans shall include evidence of:

- a) risk assessment of trade works;
- b) hazard identification, prevention and control;
- c) planning and re-planning for a safe working environment;
- d) induction of employees;
- e) monitoring performance and improvement of work methods;
- f) reporting of all incidents; and
- g) regular EH & S meetings, inspections and audits of the Project.

Implementation of these clauses specifies three conditions that are remarkable as they tie all parties to responsible and responsive courses of action.

- a) That Parties acknowledge and agree that all Parties are committed to safe working procedures and to the Project Environment, Health and Safety Policy (EHSP).
- b) If the Construction Manager or Safety Committee²⁶ is of the opinion that an Employee or Employer has committed a serious breach of either the EHSP or the relevant safety management plan (or any other agreed safe working procedures), the Construction Manager (or the Construction Manager on recommendation from the Safety Committee) will implement disciplinary action against the Employer or Employee which may include taking all steps required to remove the Employer or Employee from the Project.
- c) The Parties agree that in the event that an unsafe condition exists, work is to continue in all areas not affected by that condition and that employers may direct employees to move to a safe place of work.

The agreement was comprehensive and even handed in its provision for power to enforce it though a management plan that included the establishment of an agreement monitoring committee. This committee was made up of the following: an alliance partner; the relevant subcontractor nominee; an independent party; an employee representative; and a subcontractor employee representative. The monitoring committee considered ways in which aims and objectives of the agreement could be achieved. This included discussion of such innovative IR aspects as developing more flexible ways of working, enhancing OH and S, productivity plans to ensure that enhancements to the processes and procedures were adopted to the mutual benefit of all parties.

Each performance component had benchmarks and was measured by an independent panel before rewards were paid. An interesting concept developed in this agreement was that of performance-based bonus payments. The traditional additional site allowance payment for such a project of about AUS\$1.50 per hour was replaced with a sliding scale payment made upon proven performance based on productivity achievement. This was assessed based on benchmark measures made by the independent panel before rewards were paid. This panel was made up from: an alliance partner; a subcontractor; an independent party; an employee representative and a subcontractor employee representative.

²⁶ Properly constituted in accordance with the Occupational Health and Safety Act (ACT), 1989

The score given by the panel was the percentage used to determine the amount of *Excellence Allowance* owed to the individual workers. The *Excellence Allowance* is based on AUS\$1.75/hr for a 100% score. The following is an example of the payment in relation to percentages:

- 100% performance score achieved, AUS\$1.75/hr;
- 80% performance score achieved, AUS\$1.40/hr;
- 50% performance score achieved, AUS\$0.88/hr; and
- 0% performance score achieved, AUS\$0/hr (no reward).

The project agreement was based on the following performance components:

1. workmanship;
2. safety;
3. environment;
4. workplace Relations; and
5. program.

Each of the components was scored –10(poor) to +10(outstanding) with 0 representing the business-as-usual (BAU) level. BAU is the generally accepted level prevailing in the construction industry so excellence is rigorously measured and assessed. In this paper we focus on OH and S because this was and remains a critical element of workplace relations in the construction industry. An example of the way that safety performance is assessed provides a sound indication of the way in which this agreement operates. The shift in culture from OH and S being an excuse used to ‘manufacture’ a dispute is evident from this agreement. Safety is agreed to be every individual’s responsibility, pro-activity involvement of each employee and subcontractor for their actions is considered paramount for outstanding results to be achieved. The following scoring example in Table 2 illustrates this.

This was measured weekly for all site employees. Safe working practices represented safe work practices adopted on the project. Nonconformances were measured on the basis of:

- wearing of hard hats;
- protective footwear;
- safety vests;
- protective safety attire provided by the subcontractor applicable to the task undertaken;
- small portable power tools to be certified for safe use on a monthly basis;
- access equipment (e.g., ladders, mobiles etc) to comply with manufacturers specification and relevant authority regulations; and
- execution of work in accordance with method statements agreed/approved by the safety committee.

Table 2 Safety scoring benchmark measures

POOR – 10	Business as Usual 0	Outstanding +10
Average weekly site safety meter score below 60%	Average weekly site safety meter score between 60% and 80%	Average weekly site safety meter score 95% or higher
Weighting 3		

Table 3 Safety nonconformances scoring benchmark measures

POOR – 10	Business as Usual 0	Outstanding +10
Greater than 10 non-conformances per reporting period	5 non-conformances per reporting period.	Zero non-conformances per reporting period.
Weighting 3		

The safety committee and safety officer undertook monitoring of the procedures and registered breaches that might eventuate. Table 3 shows the measurements for direct employees.

Lost time injuries are the standard industry performance measure for safety. It was agreed that this must be the objective for all participants to strive for zero lost time injuries. Table 4 illustrates the approach used to benchmark this performance measure.

This approach was adopted for each aspect of the five performance components and a weighted score index was produced to objectively assess performance. The composition of the assessment team, the rationale for the measures used and the application mode was all agreed, transparently and objectively arrived at. All parties were confident that the system was consistent with the agreement, and that excellence in work practices and match the project objectives.

While the above may appear to be onerous, needlessly bureaucratic or wasteful in human effort they appeared to actually foster savings through waste normally caused by rework, injury, poor workmanship and poor planning. The degree of planning required for example, represented excellence in standards. Previous research into Australian construction projects has indicated similarly high levels in construction management planning and monitoring is associated with increased construction time performance of 30% (Walker, 1996). Further, demonstrating evidence of a capacity to achieve this level of excellence was part of the selection requirements for the successful alliance group. The effort required to demonstrate and achieve this level of construction management practice could help secure future projects that may adopt similar selection requirements. For further information regarding the selection criteria for alliance groups considered for the Australian National Museum project see (Walker *et al.*, 2000a).

Discussion and concluding remarks

The Australian National Museum project was used as a case study example to illustrate how to achieve a responsible and responsive workplace environment for construction industry workers. The concept of alliancing and the mechanism used to select the successful alliance on this project established the framework for not only a procurement delivery system but also

Table 4 Lost time injuries (LTI) scoring benchmark measures

POOR – 10	Business as Usual 0	Outstanding +10
Greater than 1 LTI over the duration of the contract.	1 LTI over the duration of the contract.	Zero LTI over the duration of the contract.
Weighting 2		

a changed workplace culture. The ideals of co-operation, collaboration and mutual respect of alliance partners appears to have spilled over into wider engagement with all elements of the supply chain on this project. One point, not able to be elaborated upon due to the limited scope of this paper was that on the Australian National Museum project, the ALT have facilitated suballiances to be established on the project between suppliers and subcontractors. The approach represented by the project workplace agreement reported upon in this paper illustrates how the alliance concept has been extended to the general workforce. The degree of gainshare/painshare evident in the alliance partners agreement has not been replicated but the concept of performance based rewards has echoes in the concept of mutual commitment to excellence as a basis for reward. While this may have been instigated as a necessity imposed by Government (and hence client) requirements as expressed in the National Code of Practice, it has resulted in an innovative way to achieve a responsible and responsive workplace environment for construction industry workers.

The project was completed 1 day ahead of an extremely tight schedule and the Prime Minister of Australia opened it on the scheduled opening day with all facilities operational and functioning for the general public. Quality and other project success Key Performance Indicators (KPIs) demonstrated success and alliance partners achieved the level of reward that they strove for.

The implication for the industry is that this project has established a new set of benchmarks for a number of KPIs that the construction industry will be challenged to meet in the future. The subjects of this paper, the indicators relating to workplace environment, are of particular interest. The manner in which the agreement was framed and the language used as well as the discipline imposed upon all parties takes the construction industry into a new era. Appendix A following this section demonstrates a marked cultural shift and language use that cannot be dismissed at mere rhetoric.

One stark ramification for the construction industry that must be recognized is that clients and unions may be entitled to ask more of the contractors and subcontractors in the future. This could be in terms of employers treatment of workplace planning for safety, waste minimisation, environmental management as well as considering hitherto poorly considered aspects of workforce skills and development. For workers, there is now a model that links personal responsibility and responsiveness to a rewards system. This may significantly change the perceptions of what may be achieved in future.

In a series of workshops presenting interim findings of the Australian National Museum project, the project manager Mr. Peter Wright stressed that this was indeed a special project. The fact that it is a 'flagship' project that will kick-start the Centenary of Australian Federation, the birth of Australia as an independent nation, has seemed to engender pride and a special feeling on site that supports cooperation. This 'Hawthorn effect' does place the project in a unique position that may not be easily replicated. However, this project has seemed to achieve a responsible and responsive workplace environment for construction industry workers.

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Appendix A: statement of principles – how are we going to work together

The Acton Peninsular Project²⁷, together with the Building Trades Group of the ACT²⁸ and affiliates, are committed to delivering an exceptional Australian Cultural Precinct on Acton Peninsular in Canberra. This Statement of Principles provides the basis for these stakeholders in the Project to develop and implement ways of working to give people that work on the Project the best chance of doing a great job.

Aspiration

- The project is the flagship for the centenary of Federation and will be a source of pride for all Australians.
- The APP will be recognised as unique in its approach to people management and thereby provide benefits for the project, workforce and the industry.

²⁷ Australian National Museum project

²⁸ Australian Capital Territory

- The project will be safe, commercially successful, technologically advanced and environmentally sound and rewarding to all stakeholders.

Principles

This aspiration will be achieved by developing and implementing processes and behaviour consistent with the following principles:

- A safe and healthy worksite where every employee should expect to work without injury.
- Innovative, open and effective employee relations based on flexibility, trust and mutual respect.
- Working together as a team with honest, open and ethical communications and actions.
- Identifying and implementing opportunities for improving quality and new ways of delivering project outcomes.
- Provision of on-site skilling that delivers job satisfaction, personal development and meets challenging project outcomes.
- Implementing a project industrial relations arrangement development through consultation with the relevant stakeholders.
- Delivery of the project objectives in an environmentally responsible way.
- Taking pride in and receiving acknowledgement in quality of workmanship.
- Aligning rewards to the achievement of Project objectives.

Commitment

The following stakeholders are committed to:-

1. Developing and agreeing to strategies which allow the Project's aspiration to be achieved;
2. Being prepared to adopt new approaches to people management;
3. Creating an employee relations environment, which supports delivery of the Project Objectives.

Signed for an on behalf of:

(Each ALT member in Figure 1 and Union group named)