

Shareholder value and industrial relations: Two Australian case studies

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ABSTRACT

Much of the literature on industrial relations change has examined the connections between changes in product market conditions and regulatory frameworks and labour management practices. However, there is an emerging literature which examines the impact capital markets and firm financing decisions can have on employment relations practices. This literature has mainly focussed on national level comparisons and argued that differences in capital market structure and corporate governance arrangements produce differences in labour management practices. One of the major problems with this literature is the establishment of clear causal relationships between capital markets and labour management practices. Because firm labour management practices are deeply embedded and potentially affected by a broad range of variables makes it unlikely that national level studies will produce evidence of a clear causal relationship between finance and labour. This paper attempts to overcome these problems by focussing on the connections between shareholder value and changes in labour management in two recently privatised Australian companies- Qantas and Commonwealth Bank of Australia. The experience of privatisation makes it possible to compare employment relations practices at these companies before and after labour management became subject to capital market and shareholder pressure. This research design makes it easier to isolate the effects of shareholder value on firm level labour management practices. Both companies experienced significant changes in employment relations practices in the aftermath of privatisation and the paper reports evidence to suggest that these changes were closely associated with changes in ownership. The evidence from the case studies is therefore consistent with the view that the ideology of shareholder has an independent impact on managers' labour management decisions.

