Human resource diversity management practices in the Australian manufacturing sector

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We examined employee perceptions of the benefits and challenges of workforce diversity and human resource (HR) diversity management practices adopted in the Australian manufacturing sector. We found that overt discrimination does not exist in the Australian manufacturing sector. However, Australian employers appear to adopt a ‘legalistic compliance approach’ and have not considered workforce diversity as a source of competitive advantage. Employers have not adopted effective HR diversity management practices. The Australian manufacturing sector has failed to value diversity or capitalize on the benefits of workforce diversity. Inadequate recognition of overseas skills, ineffective communication, increased training costs and social isolation were perceived as the main challenges, whereas a stronger work ethic among multicultural employees, greater opportunities to learn from other cultures, lower absenteeism and less labor turnover were regarded as major benefits of workforce diversity. Overall, we found migrant workers are disadvantaged in the Australian workplace.

Keywords: Australia; human resource management; workforce diversity

Introduction

Rapid internationalization and globalization have resulted in a diverse workforce in most Western countries (Shen, D’Netto and Tang 2010). Given that workforce diversity has both advantages (such as attracting minority talent and innovation) and disadvantages (such as increased conflict, additional training costs and communication issues), diversity management has significant implications for both employees and organizations (Florkowski 1996; Roberson, Kulik and Pepper 2003; Kossek, Lobel and Brown 2005). Effective diversity management enables organizations to capitalize on workforce diversity and minimize the negative consequences (Kossek et al. 2005; Shen, Chanda, D’Netto and Monga 2009). Human resource management (HRM) undoubtedly plays a pivotal role in diversity management, since HRM can not only ensure equality but also value and effectively make use of diversity (Konrad and Linnehan 1995; Truss, Gratton, Hope-Hailey, McGovern and Stiles 1997; Goodman, Fields and Blum 2003; Shen et al. 2009).

Diversity management had its origins in the USA where the emphasis was mainly on equality in employment, such as compliance with equal employment opportunity (EEO) and affirmative action (AA) legislation to achieve bias-free recruitment (Cox and Blake 1991). In Australia, AA/equal opportunity is an umbrella term that includes a range of corrective responses to discrimination, past and present (Poiner and Wills 1991). Dagher, D’Netto and Sohal (1998) are among the first to use and more specifically define the ‘HR diversity management’ construct by linking diversity management to the key areas of HRM. More recently, diversity management researchers (Kossek et al. 2005; Pitts and

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Jarry (2009) suggested that diversity management should go beyond equality and fairness and include valuing personal differences. Building on these arguments in the literature, Shen et al. (2009) conceptualized HR diversity management along two dimensions: (i) to achieve equality through complying with equal opportunity-related laws and (ii) to value and make use of diversity through increasing diversity and representativeness of traditionally under-represented employees, such as racial minorities and women, and empowering them. Rather than focusing on merely a compliance approach, these authors argued that organizations could benefit significantly by valuing and making use of workforce diversity. This is achieved by linking diversity to key areas of HR management (Shen et al. 2009). In other words, effective HR diversity management not only minimizes the negative impact of diversity but also helps organizations to capitalize on diversity.

Despite the recognized importance of HR diversity management, little research has empirically investigated how employees perceive benefits and challenges of diversity in the workplace and how organizations manage diversity in the HRM domain. In the mid-1990s, several scholars stated that diversity research lacked scientific precision, theoretical analysis, historical specificity, empirical grounding and had been seriously under-researched (Nkomo and Cox 1996; Sanchez and Brock 1996; Litvin 1997). Later, Maxwell, Blair and McDougall (2001) highlighted the potential disparity between espoused organizational rhetoric on managing diversity and the reality of organizational practices in key HR areas. As researchers continue to focus on AA and EEO (Blum, Fields and Goodman 1994; Rynes and Rosen 1995), limited knowledge is available about HR diversity management.

To bridge this gap in past research, this study focused on diversity management practices, specifically on ethnicity, in the key HRM areas. Ethnicity is one of the most important aspects of workforce diversity in Australia. Although 24.8% of the total Australian workforce was born overseas, a further 26% have at least one parent born overseas. Migrants from over 130 different countries live in Australia and speak over 200 languages (Australian Bureau of Statistics 2008). In addition, migrants constitute 30.8% of the workforce in the manufacturing sector (Australian Bureau of Statistics 2007). The concentration of migrants in the manufacturing sector is the highest when compared with the migrant employment in other sectors of the Australian economy. Hence, the manufacturing sector was chosen for our study.

In addition, past research in Australia has looked only at employer perceptions of diversity management practices (Dagher et al. 1998; D’Netto and Sohal 1999; Fenwick, Costa, Sohal and D’Netto 2011). These researchers have found that HR diversity management in Australia needs to be improved. However, past research has not considered employees’ perceptions of HR diversity management practices, and as a result little is known about HRM diversity practices from this important perspective. As diversity management practices directly impact on employees, we specifically focused on employee perceptions of diversity management practices. The aim of this research is two-fold. First, it assesses the perceived benefits and challenges of workplace diversity, and second, it investigates employee perceptions of the extent to which organizations in Australia are implementing workforce diversity practices in the performance of their key HRM functions.

**Australian manufacturing sector and workforce diversity**
Manufacturing is an integral part of the Australian economy. Despite recent contractions in its growth, the manufacturing sector remains a major contributor to the production in
Australia. As of the March quarter 2013, the manufacturing sector employed approximately 941,000 people. In 2012, it contributed $106 billion to the Australian economy. Manufacturing is also central to innovation, accounting for over one quarter of all business expenditure in research and development in 2010–2011, representing an investment of around $4.8 billion (Australian Government 2013). The manufacturing industry has made significant contribution to the state and territory production. In 2009–2010, Tasmania and South Australia had the highest contribution to state production from manufacturing (11.7% and 11.6%, respectively), followed by Victoria (11.2%) and New South Wales (9.6%). At only 1.1%, the Australian Capital Territory had the lowest contribution by manufacturing. In 2009–2010, manufacturing businesses paid $52 billion in wages and salaries, generated $381 billion of sales and service income and $97 billion of industry value added (i.e. IVA). New South Wales and Victoria continued to be the largest contributors to manufacturing production, accounting for 32% ($35 billion) and 28% ($30 billion), respectively (Australian Bureau of Statistics 2012). Manufacturing remains the most significant employer among individual industry divisions.

Since migrants constitute about one-third of the manufacturing workforce in Australia, cultural diversity has emerged as one of the most important dimensions of diversity in the manufacturing sector. Cultural diversity management stresses building specific skills, creating policies and drafting practices that get the best from every employee in a multicultural work force (Dagher et al. 1998; D’Netto and Sohal 1999; Roberson 2005). Cultural diversity management, therefore, is about managing the differences and similarities of employees, or the degree of ‘otherness’ felt by individuals. This might vary according to the extent to which mainstream employees and the ‘others’ are open to diversity. Diversity or dissimilarity openness refers to the ‘degree of receptivity to perceived dissimilarity’, to embracing and tolerating differences (Härtel 2004, p. 190). In terms of individual and group well-being, there is a social responsibility imperative, albeit often prompted by legislation in Australia, for organizations to reflect the cultural composition of society in their employment policies and practices. Diversity management should take into consideration the differences in people and respect these differences while working to optimize employee performance (Ivancevich 2007). Despite this, Fenwick et al. (2011) noted that while manufacturers believe that they can improve organizational performance by effectively managing cultural diversity, the overall performance in management of workforce diversity is only above average. These authors have argued that the combined mean score of 4.10 out of a maximum of 7.0 indicated that there is still considerable scope to improve HR diversity management in the Australian manufacturing sector.

**Benefits and challenges of workforce diversity**

Workforce diversity is often viewed as a ‘double edged sword’, which can yield both negative and positive outcomes (Milliken and Martins 1996). On one hand, researchers have found that diversity increases creativity and innovation (Bantel and Jackson 1989) and has a positive effect on firm performance (Wright, Ferris, Hiller and Kroll 1995; Hartenian and Gudmundson 2000; Richard 2000). Workforce diversity is a current organizational reality, and effective diversity management practices can yield huge benefits (Storey 1999; Jayne and Dipboye 2004). Research by the Australian Centre for International Business (ACIB 2000) indicates that diversity improves the quality of decisions. Diversity groups can generate more innovative ideas than homogeneous ones, provide superior solutions to organizational problems and increase organizational efficiency, effectiveness and profitability (Watson, Kumar and Michaelsen 1993; McLeod,
Label and Cox 1996; Wilson and Iles 1999). In addition to the full utilization of the skills and potential of all employees, managing diversity effectively can contribute to organizational success by enabling access to a changing marketplace through the organization’s multicultural employees (Cox and Blake 1991; Iles 1995; Gardenswartz and Rowe 1998) and improving corporate image (Kandola 1995). Therefore, valuing diversity may become a source of competitive advantage, improve the quality of organizational life and ultimately be good for business (Cassell 1996).

On the other hand, past research shows that a diverse workforce, particularly in terms of race, has various problems, including communication breakdown, low cohesion and high turnover (Milliken and Martins 1996; Williams and O’Reilly 1998; Australian Bureau of Statistics 2008). Diversity has also been found to have a detrimental effect on organizational performance (Sacco and Schmitt 2003). Wentling (2004) has identified work environment barriers, people-related barriers and diversity initiative-related barriers, which prevent the successful implementation of diversity initiatives. Barriers in the work environment include competing agendas, size and complexity of the organization and rapid economic change resulting in a decrease in resources for diversity initiatives. People-related barriers include the failure to understand the value of diversity, absence of support for diversity and slow involvement of some groups in the organization. Barriers to diversity initiatives include difficulty in evaluation, difficulty in showing return on investment of diversity initiatives and organizational policies, which interfere with diversity initiatives. Another important barrier that affects full integration of ethnic employees in the workforce is the issue of communication, mainly English literacy (Adler 1986; Loden and Rosener 1991). These arguments are consistent with social categorization and social identity theories (Tajfel 1981; Turner 1987) and the similarity-attraction paradigm (Byrne 1971). These authors argue that diversity will instigate ingroup–outgroup distinctions and negative social processes, thereby compromising group performance. Hence, multiculturalism presents several benefits and challenges in the workplace. These benefits and challenges may vary between national contexts. Our first research objective was to examine how employees’ views have evolved regarding benefits and challenges of workforce diversity in the Australian manufacturing sector. We therefore posed our first research question as follows:

Research Question 1: What are the benefits and HR challenges that result from workforce diversity in the Australian manufacturing sector?

Managing diversity through HRM

Researchers suggest that diversity-related problems can be solved and the potential benefits realized only through effective diversity management. The challenge for managers of diverse groups is to adopt interventions that diminish the detrimental effects of social categorization processes without relinquishing the benefits of diversity (Ely 2004). If designed and implemented properly, effective HR diversity management can support key organizational development initiatives (Agocs and Burr 1996; Liff and Wajcman 1996; Storey 1999). Effective diversity management requires close integration with HR practices, given the focus of diversity management is on employees. Both HRM (especially soft HRM) and diversity management are concerned with individual differences, the development and well-being of each and every individual (Truss et al. 1997).

When HR practices support the creation of a workforce that has the skills needed to turn diversity into an advantage, diversity is more likely to lead to positive performance outcomes (Kochan et al. 2003). Past studies concluded that using HRM toolkits in
addressing inequality in recruitment, appraisal, advancement and rewards can enhance EEO, improve inclusiveness and increase creativity in a diverse workforce (Konrad and Linnehan 1995; Burbridge Diaz, Odendahl and Shaw 2002; Goodman et al. 2003). There is empirical evidence supporting the positive relationship between HR diversity management and employee work attitudes and behavior. For example, the study by Shen et al. (2010) involving 530 employees in Chinese firms reported that diversity management in recruitment and selection ($\beta = 0.14$) and reward and compensation ($\beta = 0.50$) was positively related to employee organizational citizenship behavior.

**Recruitment and selection**

Effective diversity management in the area of recruitment and selection ensures EEOs for applicants from diverse backgrounds and avoids what Schneider (1987) called ‘the A-S-A (attraction–selection–attrition) cycle’. Organizations that appreciate a diverse workforce and effectively manage diversity in recruitment and selection are likely to be regarded as socially responsible and develop a good corporate reputation. Recruiters from ethnic backgrounds can help convince ethnic candidates that the organization has a diversity-friendly environment (Cole 2002). Scholars have suggested a range of practices to manage diversity in recruitment and selection, such as anti-discrimination, demographic data analysis and representation of ethnic employees on selection panels (Perlman 1992; Kramar 1998; Allen, Dawson, Wheatley and White 2004; Childs 2005). Many world-class organizations have been effective in hiring women and minorities by adopting a policy of zero tolerance of workplace discrimination in recruitment, to win over new customers (Allen et al. 2004; Childs 2005). Tracking and analysing demographic data, e.g. comparing current ethnic representation of different groups within the organization to the labor market, will identify processes requiring intervention and monitor progress as interventions are implemented (Jayne and Dipboye 2004). Other commonly used HR diversity management practices in recruitment include advertising in ethnic newspapers, magazines and websites to increase the pool of qualified ethnic candidates (Digh 1999), and screening job candidates’ attitudes toward diversity to ensure that new employees will fit in with the culture of diversity in the organization and support organizational diversity policies (Cole 2002).

However, recruiting diverse workers does have challenges. Jaeger and Vitalis (2005) noted that culturally diverse police officers experienced racism in their workplace. These police officers viewed this as a barrier to recruitment and retention of migrants. In addition to the cost of advertising through different media, fluency in English is seen as a major barrier in recruiting migrants (McMurray, Karim and Fisher 2010). When firms that recruit diverse employees do not actually have a positive diversity climate, applicants may feel misled and leave the organization (Mckay and Avery 2005).

Given the overall benefits of diversity in recruitment, our second research question probed the extent to which these practices are adopted in the Australian manufacturing sector.

Research Question 2: What are the diversity recruitment and selection practices adopted in the Australian manufacturing sector?

**Training and development**

Effective diversity training and development focuses on equal opportunities for training and development, diversity training, which increases diversity awareness, and meeting the needs of diverse employees (D’Netto and Sohal 1999). Diversity training and development improves employee morale and job satisfaction, and helps retain qualified employees.
(Davis 2000; Roberson et al. 2003). Thus, organizations should determine the personal development needs of each minority employee, such as the need for English language (D’Netto and Sohal 1999), and create a tailored employee training, development and progression plan (Wentling and Palmas-Rivas 2000). Although all promotions should be merit based, promotion panels should take cultural or ethnic differences into account (Cox 2001). Effective diversity development, including coaching, mentoring and open communications, reduces the negative effects of racial diversity on constructive group processes (Morrison 1992; Wentling and Palmas-Rivas 2000; Thomas 2001; Ragins 2002; Kochan et al. 2003). Also, diversity management development avoids ‘the glass ceiling’ phenomenon, which creates artificial barriers based on attitudinal or organizational bias that prevent qualified individuals from advancing in the organization (U.S. Department of Labour 1991; Powell and Butterfield 1994).

Diversity training programs sensitize employees to the impact of stereotypes on their own and others’ behaviors (Morrison, Ruderman and Hughes-James 1993; Kossek and Lobel 1996). Both minority and mainstream employees can benefit from diversity awareness training, which helps to improve the effective integration of diverse group members. Diversity training also builds a common understanding of the value of diversity, assisting in building social cohesion so that it improves individual and organizational outcomes (Rynes and Rosen 1995). It is suggested that diversity training be customized to specific organizational needs, and trainees should be clearly informed about the purpose of the training (Roberson et al. 2003). However, Brief et al. (2005) have argued that latent attitudes toward diverse communities are difficult to change through diversity training and that some Whites react negatively to diversity in the workforce. Inappropriate diversity training strategies result in Whites being provoked and victimized for errors of the past and political correctness becoming a priority rather than a principle (Ely, Meyerson and Davidson 2006). Many HR managers erroneously assume training sessions should be limited to individuals within a minority group whether ethnic, gender or preferably both (Hemphill and Haines 1997). This has resulted in the inadvertent isolation of Whites from becoming a productive part of the solution. Instead, they are marginalized and made to feel non-ethnic, the cause of contemporary racial and gender problems, and incapable of addressing diversity issues (Mohammad and Tyner 2012).

Since work group diversity can lead to increased conflict among team members in the short term, external facilitators involved in diversity training can help to reduce conflict and achieve higher levels of productivity (Kossek et al. 2005). We were interested in exploring whether the diversity training and development practice are adopted in organizations in Australia. Hence, we posed the following research question:

Research Question 3: What are the diversity training and development practices adopted in the Australian manufacturing sector?

Performance appraisal

Effective diversity performance management requires appraisal practices to be objective, job-relevant, fair and equitable to all employees (Schuler, Dowling and DeCieri 1993). The language of appraisal should focus on the individual’s performance, not on personality or demographic differences, and should be as culturally neutral as possible (Fulkerson and Schuler 1992). Scholars suggest that including multicultural managers on appraisal panels can help create objective criteria for fair performance appraisals, while ensuring that diversity concerns are represented and different cultures are understood (D’Netto and Sohal 1999). Feedback during the performance appraisal process and
continued support are essential to help minorities progress in the organization. Thus, special coaching may be required to ensure that multicultural employees have equal opportunities and adequate preparation to take on demanding assignments in the organization (Loden and Rosener 1991; Morrison 1992; Shcreiber et al. 1993). Diversity management, e.g. actions taken by the manager to hire and promote minorities and women, should be included as an important performance criterion when evaluating managers in order to promote diversity (Morrison 1992; Sessa 1992; Kramar 1998). Effective diversity management in performance appraisal can help to reduce the negative effects of stereotyping. These effective diversity performance management practices minimize the potential of real or perceived discrimination against ‘non-conventional’ employees.

As a result of stereotyping, appraisers have a poor perception of minority employee competence, which lowers their performance evaluations and negatively affects their advancement opportunities (Cox 1994; Thomas 2005). Because most large organizations rely heavily on performance appraisal to identify and rank candidates for promotion, racial bias in this process could result in the under-representation of minorities at higher levels in the organization (Cox and Nkomfo 1986).

Past research from the employers’ perspective indicates that Australian organizations did not generally involve culturally diverse employees in performance appraisal panels (Dagher et al. 1998) or adopt proactive diversity management practices in the performance appraisal process (Dagher et al. 1998; Tsui and Gutek 1999). We were interested in exploring whether there was any improvement in diversity performance management in firms in the Australian manufacturing sector. Therefore, we developed the following research question:

Research Question 4: What are the diversity performance management practices adopted in the Australian manufacturing sector?

**Reward and compensation**

Diversity reward and compensation management ensures pay equity and rewarding contribution of diverse employees in an equitable manner. Past research has indicated that despite legislation and efforts to ensure pay equity, discrimination in employment compensation continues to be an active issue (Ashraf 1996; Graham, Hotchkiss and Gerhart 2000). According to Petersen, Saporta and Seidel (2000), wage gaps between demographic groups may have several causes. First, demographic majorities and minorities are allocated to occupations and organizations that differ in compensation. This allocative discrimination occurs through the hiring, promotion and termination processes. Second, even after merit is constructed in the performance evaluation stage, employers consciously or unconsciously discount the performance ratings of employees because of their gender, race or nationality resulting in valuative discrimination. Third, demographic minorities may receive lower wages for a given job within a given organization as a result of overt racism (Dovidio and Gaertner 1986). To reduce these problems, the compensation structure, wage determinants and benefit schemes should be designed not only on common principles but should also consider each individual in terms of their ability, knowledge and skill (Brickson 2000). At the same time, organizations should emphasize team goals and collective rewards in order to develop a cooperative culture and team membership (Chatman, Polzer and Barsade 1998). Prior research on HR diversity practices in compensation found that Australian organizations adopted equitable diversity practices because of a strong ‘union effect’ (Dagher et al. 1998). These authors found that the presence of strong trade unions in the manufacturing sector has resulted in diverse
employees receiving the same rewards and compensation as other employees in the
organization. To develop a better understanding of how firms manage diversity in reward
and compensation, we developed the following research question:

Research Question 5: What are the diversity reward and compensation practices adopted in
the Australian manufacturing sector?

Methodology
The data for this research were collected using a qualitative approach. We focused on the
Australian manufacturing sector, since migrants comprise 34.9% of the workforce in this
sector and 66.2% of these migrants come from non-English speaking backgrounds
(Australian Bureau of Statistics 2011). The Australian Workers Union played a key role in
providing access to HR managers and local unions at the firms in our study. Our sample
included a total of nine large global companies, located in New South Wales, Victoria and
South Australia. As shown in Table 1, the proportion of overseas-born employees ranges
from 30% to 95%.

Employee opinion data represent an important method of evaluating the effectiveness
of diversity initiatives (Jayne and Dipboye 2004). Employees’ perceptions of working
environments affect their attitudes toward the organization and their work attitudes and
behavior (Truss et al. 1997). Hence, we collected data on employees’ perceptions of HR
diversity management.

At our request, HR managers of the firms in our study posted notices on the company
notice boards inviting workers, both overseas born and those born in Australia, to
volunteer to participate in our study. Two research team members visited and conducted
two focus group interviews in each manufacturing plant. Each focus group consisted of
four to six workers. Our sample was very diverse, including 92 workers from 28 different
countries (see Table 2). In total, 34.8% of the participants were born in Australia and the
remaining 65.2% were born in other countries; 55.4% of the respondents were male and
44.6% were female. Also, 30.4% of the respondents worked in New South Wales, 29.4% worked
in Victoria and 40.2% were from South Australia.

Table 1. Profiles of firms included in the study.

<table>
<thead>
<tr>
<th>Firm</th>
<th>State</th>
<th>Main products</th>
<th>Number of employees</th>
<th>Percentage (%) of employees born overseas</th>
<th>Headquarters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org 1</td>
<td>New South Wales</td>
<td>Automotive components</td>
<td>350</td>
<td>90</td>
<td>Australia</td>
</tr>
<tr>
<td>Org 2</td>
<td>New South Wales</td>
<td>Glass</td>
<td>450</td>
<td>30</td>
<td>USA</td>
</tr>
<tr>
<td>Org 3</td>
<td>New South Wales</td>
<td>Glass</td>
<td>75</td>
<td>60</td>
<td>Australia</td>
</tr>
<tr>
<td>Org 4</td>
<td>Victoria</td>
<td>Glass</td>
<td>400</td>
<td>40</td>
<td>USA</td>
</tr>
<tr>
<td>Org 5</td>
<td>Victoria</td>
<td>Automotive components</td>
<td>350</td>
<td>35</td>
<td>Germany</td>
</tr>
<tr>
<td>Org 6</td>
<td>Victoria</td>
<td>Locks and door opening solutions</td>
<td>460</td>
<td>95</td>
<td>Australia</td>
</tr>
<tr>
<td>Org 7</td>
<td>South Australia</td>
<td>Cars</td>
<td>930</td>
<td>60</td>
<td>Japan</td>
</tr>
<tr>
<td>Org 8</td>
<td>South Australia</td>
<td>Automotive components</td>
<td>730</td>
<td>35</td>
<td>Germany</td>
</tr>
<tr>
<td>Org 9</td>
<td>South Australia</td>
<td>Automotive components</td>
<td>420</td>
<td>30</td>
<td>Japan</td>
</tr>
</tbody>
</table>

Note: Org, organization.
Table 2. Country of origin of respondents.

<table>
<thead>
<tr>
<th>Number</th>
<th>Country of birth</th>
<th>New South Wales</th>
<th>Victoria</th>
<th>South Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Org 1</td>
<td>Org 2</td>
<td>Org 3</td>
</tr>
<tr>
<td>1</td>
<td>Australia</td>
<td>4</td>
<td>4</td>
<td>2</td>
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<tr>
<td>2</td>
<td>Bosnia</td>
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<td>3</td>
<td>Chile</td>
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<td>4</td>
<td>Colombia</td>
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<td>5</td>
<td>El Salvador</td>
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<td>6</td>
<td>England</td>
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<td>7</td>
<td>Fiji</td>
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<td>8</td>
<td>Germany</td>
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<td>9</td>
<td>Greece</td>
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<td>10</td>
<td>Holland</td>
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<td>11</td>
<td>Hungary</td>
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<td>12</td>
<td>India</td>
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<td>13</td>
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<td>14</td>
<td>Japan</td>
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<td>15</td>
<td>Macedonia</td>
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<td>16</td>
<td>Malaysia</td>
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<td>17</td>
<td>Malta</td>
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<td>18</td>
<td>New Zealand</td>
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<td>19</td>
<td>Peru</td>
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<td>20</td>
<td>Philippines</td>
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<td>21</td>
<td>Poland</td>
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<td>Scotland</td>
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<td>23</td>
<td>Sri Lanka</td>
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<td>Turkey</td>
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<td>25</td>
<td>Ukraine</td>
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<td>26</td>
<td>Uruguay</td>
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<td>27</td>
<td>Vietnam</td>
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<tr>
<td>28</td>
<td>Yugoslavia</td>
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<tr>
<td>Total</td>
<td></td>
<td>12</td>
<td>9</td>
<td>8</td>
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Note: Org, organization.
We commenced the interviews by informing the participants that their responses would be anonymous and only aggregate findings would be published. Each focus group interview lasted between 45 and 60 min. Interview questions were focused on demographic information, participants’ perceptions of HR diversity practices in four key HRM areas, and the benefits and challenges of workforce diversity. We also asked the participants to discuss any other diversity-related issues they considered relevant to our study. We noticed that ethnic workers, in particular, spoke more freely when they were not being tape recorded. Hence, we decided to take detailed notes rather than tape record the interviews. Answers were affirmed with participants by summarizing and reiterating major points back to them, in line with a standard facilitation approach (Lee 1999). The data were coded, and content analyses were conducted by two independent diversity experts to determine emergent themes and issues in the HR diversity management practices. There was a 90% agreement between the independent coding of the two experts. Differences were resolved through extensive discussions.

Results

Diversity benefits and challenges

All our focus groups had a positive view about cultural diversity, resulting from several perceived benefits of working in a multicultural work environment. The first theme that emerged from our qualitative analysis of interview data was the increase in creativity, innovation and problem solving as a result of diversity. That diversity resulted in better creativity and innovation was indicated by 77.8% indicated of the focus groups, whereas 55.6% stated that diverse groups were able to provide better solutions to organizational problems. Some of the comments from the interviewees included, ‘There are opportunities to learn from one another about different cultures’, ‘Diverse employees contribute to different ideas to get the job done easily’ and ‘Diverse employees make the workplace interesting, like a real community’.

The second theme centered on employee commitment and a strong work ethic. The majority of our focus groups, i.e. 88.9%, believed that ethnic employees were more committed as they cherished employment opportunities and had a strong work ethic. There were common statements from ethnic employees, such as, ‘We cannot afford to lose jobs as our families and relatives back home rely on us’, ‘We work hard in order to prove we are equally good or even better’, ‘We have to be really, really sick before we take a day’s sick leave’ and ‘We seem to put up with extreme heat in the plant, while many white Australian workers refuse to work under such conditions’. The third theme focused on improved capabilities to deal with international markets. The majority of interviewees felt their organization could gain access to new overseas markets through their multicultural employees, but few companies capitalized on this opportunity.

Interviewees highlighted several challenges that multicultural employees experience at work. The central theme dealt with language difficulties. All the focus groups felt that lack of fluency in English affected the ability of a diverse team to work effectively, often resulting in misunderstanding, implicit social tensions and safety issues. Most participants felt that their organization regarded this issue as an employee’s personal problem. The second theme related to segregation and relative isolation at work. Ethnic workers felt that workforce diversity segregated workers, resulting in many small ethnic groups within the workplace and ethnic employees often becoming ‘outsiders’ of the mainstream community within the organization; 44.4% of the focus groups indicated that diversity increased training costs, as more training is needed to help employees work effectively in multicultural environments in their organizations.
Recruitment and selection
The first theme that emerged in the area of recruitment dealt with poor advertising practices. All the organizations in our sample posted vacancies on their company notice boards and websites. However, none of these companies advertised in ethnic newspapers to attract multicultural workers. There were no special programs to recruit multicultural employees. Ethnic workers got jobs because ‘... a friend who worked in the organization told me about the job and asked me to apply’. The second theme focused on the negative perceptions that White Australians had about manufacturing jobs. Most migrant workers stated that they had been employed not because they were lucky or skilled but that the jobs they were doing were the ones White Australians did not want to do. This view was also supported by some Australian workers, as they commented that their families did not want them to work in a manufacturing plant. The third theme dealt with migrant skill underutilization. Migrant employees appeared to accept manufacturing jobs out of sheer necessity. One migrant employee was a scientist in Russia. He had to work on the production line in a factory for 20 years because he could not speak fluent English when he arrived in Australia.

Over emphasis of English fluency in the selection process emerged as the fourth theme. Our findings indicate that during the past decade, companies have increased the level of English required for employment. Six organizations in our sample assessed applicants’ English proficiency in the selection process. Interviewees reported that many of their friends and relatives were not successful in the recruitment process because they failed the English proficiency test. One worker said that she joined the company 13 years ago and the work group comprised of 45 people. Thirty-one of these people were migrant workers who could speak little English. Interviewees commented, ‘Today, if you do not speak good English, you cannot get a good job’.

Diversity of the selection panel was the fifth theme. Only three companies in our study (organizations 4, 5 and 9) included ethnically diverse members on the selection panel. This was, according to interviewees, because in these three organizations, there were ethnically diverse employees working in the HR department. When asked whether selection criteria were equally applied to everyone, the common answer was, ‘The company is concerned about job skills and ability to work and not who we are or where we are from’. There was a debate on whether English language requirements were unfair to migrants. A typical comment was, ‘Anyway, only us (migrants) need to take the test’. Organizations 2 and 7 used Indonesian ethnic workers to translate and assist in the negotiations when Indonesian customers came to negotiate purchase orders. The use of migrant workers to deal with international clients did not occur in the other eight firms. Failure of top management support for diversity in recruitment emerged as the final theme. Nearly all the workers indicated that top management did not take an active role in supporting diversity-related recruitment practices. A common statement was, ‘Top management does not care who is recruited. They are too busy with bigger issues’. The diversity recruitment and selection management practices are summarized in Table 3.

Training and development
All the companies included our study provided technical training, focusing on machinery operation, manual handling and occupational health and safety procedures. The type and quality of training emerged as the first theme. Technical training appeared to be good, whereas non-technical training focusing on English language development was inadequate. All interviewees stated that their organization had
Table 3. Diversity recruitment and selection management practices.

<table>
<thead>
<tr>
<th>Diversity management practices</th>
<th>Org 1</th>
<th>Org 2</th>
<th>Org 3</th>
<th>Org 4</th>
<th>Org 5</th>
<th>Org 6</th>
<th>Org 7</th>
<th>Org 8</th>
<th>Org 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job advertisements in ethnic newspapers</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Special programs to recruit multicultural employees</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Comparing proportion of ethnic employees with the labor market</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Maintaining statistics of recruitment, promotion and turnover for ethnic groups</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Multicultural employees in the HR department</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>✓</td>
</tr>
<tr>
<td>Diversity on the selection panel</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>✓</td>
</tr>
<tr>
<td>Assessing the diversity competency of job candidates</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>No discrimination in the recruitment process</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Using ethnic employees to deal with multicultural customers</td>
<td>X</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Top management supports diversity in recruitment</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Notes: Org, organization; ✓, yes; X, no.

detailed technical training induction programs for new recruits and these programs were regarded as ‘improving understanding of the legal requirement on manual handling and occupational health and safety procedures, and understanding the organization’. Technical training was provided through job rotation, on-the-job training and vocational training in order to develop a multi-skilled workforce. Most of the vocational training programs were provided by government training institutes. Workers who possessed multiple skills were more likely to be assigned better-paid jobs than those who did not have these skills. There were no individual training and development plans for diverse employees. A common response from focus group members indicated that although training and development opportunities were open to everyone, only the most suitable workers were selected for training programs. As a result, interviewees stated, ‘If you are not fluent in English, you will probably not get selected for advanced training programs’.

The companies in our study also provided non-technical training, focusing on language, interpersonal skills and effective working in a multicultural environment. Although most organizations offered English language training in the past, only organizations 2, 4 and 7 currently offer such training programs for migrants. It was interesting to note that organization 5, which had its headquarters in Germany, offered German courses to its employees. However, this organization had stopped offering English classes. The reason for ceasing English training was ‘English language training is no longer necessary since our company is recruiting only those who can speak good
English’. Yet, the majority of ethnic interviewees felt that English training was still needed as their fluency in English was not good enough. This affected their ability to communicate effectively and significantly reduced promotion prospects.

The second theme dealt with diversity awareness training programs. Only three firms including organizations 2, 4 and 7 provided diversity awareness training to production workers. The programs aimed at reducing stereotyping and increasing sensitivity to cultural issues. These three organizations also had very strict anti-discriminatory policies ensuring equal opportunity. In organization 1, of the 350 production workers, only 4 were women. The company was keen to protect the rights of these female workers, and focus group members believed that this was the reason behind the strong anti-discriminatory policies. Interviewees perceived that all the organizations in our study did not tolerate racial discrimination and complaints on this issue were treated very seriously. One respondent recalled that several years ago, a White worker was terminated because he hurled racial abuse at an ethnic co-worker. In organization 7, according to interviewees, a few years ago two ethnic workers got into a heated argument, which included racial abuse and both employees were subsequently terminated.

Failure to provide adequate career planning and promotion opportunities emerged as the third theme. Only organization 2 conducted career planning and promoted production workers to management ranks, resulting in a common criticism among interviewees about the lack of promotion opportunities for production workers. Some interviewees commented, ‘Production workers will never move up to management ranks’, ‘If we gain more skills, we get more money, but not promotion’, ‘Today, only university graduates are hired into management levels’ and ‘Training and development programs for career progression are designed only for higher level engineering and management staff’. Interviewees stated, ‘in multinational enterprises, employees who are of the same cultural background as the home country of the organization were given priority in promotion’. Ethnic employees felt there was inadequate recognition of overseas skills and experience, and this has resulted in gross underutilization of migrant skills. One worker who had over 18 years of formal education overseas, including an advanced degree, felt that his strong eastern European accent resulted in his failure to be promoted. No organization in our sample had developed formal support systems, such as ‘buddy systems’ (where support is provided by a senior co-worker) or mentoring programs, which were regarded to be of tremendous help by ethnic employees, especially during their initial years in the organization. The diversity training and development practices are summarized in Table 4.

**Performance management**

The type of performance criteria emphasized in performance appraisals was the first theme that emerged from our analysis of the data. Performance appraisals focused mainly on production targets and did not really emphasize diversity issues such as the ability to deal with diversity. The sample organizations conducted strict performance appraisals with a focus on individual and team production targets, which were measured on a daily basis mainly by immediate managers. The strictness was best reflected in a common quote from focus groups, stating, ‘If you are not performing on daily basis, you are fired’. In addition to production targets, attendance and safety were also key appraisal criteria. The ability to deal with diversity was not included as part of the performance criteria. Only organization 6 had performance appraisal panels and used ethnically diverse teams to assist in assessing production target achievements. Moreover, only organization 2 provided feedback to
employees. Performance appraisals were perceived to be equal to all employees, as reflected in a common statement, ‘Performance assessment is purely production target oriented, not about who you are’.

Perceived inequity in expected performance levels was the second theme. Most ethnic interviewees indicated that they were under pressure to work harder and better than mainstream Australians to retain their jobs or get the same rewards. A number of interviewees commented, ‘Otherwise, the company will provide jobs to local Australians, if we are not better than them’. It is interesting that this view was shared by most White Australian workers as well. The role of the senior management in enhancing diversity in performance appraisal emerged as the third theme. There was no direct intervention by senior management to ensure that diversity goals were met in the area of performance appraisal in any of the nine organizations in our study. The diversity performance management practices are summarized in Table 5.

**Reward and compensation**

Production workers in our sample were generally paid over AU $80,000 a year, which was perceived by interviewees as being higher than the market rate. Equity in pay level was the first theme. In all the companies in our study, wages for different production jobs were determined by Enterprise Bargaining Agreements, which were regarded to be unrelated to one’s background. None of the organizations adopted individual performance-based pay.

<table>
<thead>
<tr>
<th>Diversity management practices</th>
<th>New South Wales</th>
<th>Victoria</th>
<th>South Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Org 1</td>
<td>Org 2</td>
<td>Org 3</td>
</tr>
<tr>
<td>Induction program includes diversity related issues</td>
<td>×</td>
<td>√</td>
<td>×</td>
</tr>
<tr>
<td>English courses for migrants</td>
<td>×</td>
<td>√</td>
<td>x</td>
</tr>
<tr>
<td>Developing individual training and development plans</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Training and development opportunities for ethnic employees</td>
<td>x</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>No discrimination in selection of employees for training and development programs</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Developing skills to work in a multicultural workforce</td>
<td>x</td>
<td>√</td>
<td>x</td>
</tr>
<tr>
<td>Career management programs for multicultural employees</td>
<td>x</td>
<td>√</td>
<td>x</td>
</tr>
<tr>
<td>Mentoring programs for multicultural employees</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
</tbody>
</table>

Notes: Org, organization; √, yes; ×, no.
Table 5. Diversity performance management practices.

<table>
<thead>
<tr>
<th>Diversity management practices</th>
<th>New South Wales</th>
<th>Victoria</th>
<th>South Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Org 1</td>
<td>Org 2</td>
<td>Org 3</td>
</tr>
<tr>
<td>Objective and fair practices for everyone</td>
<td>×</td>
<td>✓</td>
<td>×</td>
</tr>
<tr>
<td>Ability to deal with diversity is a performance criterion</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Multicultural employees do not have to be higher performers</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Appraisal ratings focus on performance, not personality</td>
<td>×</td>
<td>✓</td>
<td>×</td>
</tr>
<tr>
<td>Effective feedback and ongoing support are provided for ethnic employees</td>
<td>×</td>
<td>✓</td>
<td>×</td>
</tr>
<tr>
<td>Appraiser's cultural background does not influence ratings</td>
<td>×</td>
<td>✓</td>
<td>×</td>
</tr>
<tr>
<td>Multicultural employees are part of appraisal panels</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Several multicultural employees in senior positions</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Direct intervention by senior management to ensure diversity goals are met</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
</tbody>
</table>

Notes: Org, organization; ✓, yes; ×, no.

Interviewees believed their reward systems encouraged cooperation and team work, but did not recognize outstanding individual performance. In all the organizations, ethnic employees felt that they had the same level of job security as mainstream Australian employees. However, absence of genuine acceptance of diversity was the second theme. Although employees perceived ‘a certain level of interpersonal interaction irrespective of nationality’, interviewees in seven out of the nine companies in our study indicated that genuine social interaction and acceptance of non-mainstream Australian cultures did not exist. This was reflected in interviewees’ statements such as, ‘We have a large number of migrants here, but we are not integrated into the mainstream’. As a result of company policies emphasizing ‘zero tolerance of conflict’, there appeared little or no conflict at work. There was a consensus among interviewees that there was no obvious discrimination in pay, as indicated by comments such as, ‘You are not paid more or less because you are not a white Australian’. Remuneration criteria emerged as the third theme. Since most organizations did not include diversity management as a key performance indicator in the performance appraisal process, financial rewards were not linked to good diversity management. The diversity reward and compensation practices are summarized in Table 6.
Table 6. Diversity reward and compensation management practices.

<table>
<thead>
<tr>
<th>Diversity management practices</th>
<th>New South Wales</th>
<th>Victoria</th>
<th>South Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Org 1</td>
<td>Org 2</td>
<td>Org 3</td>
</tr>
<tr>
<td>Internal equity in remuneration</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>External equity in remuneration</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Equity in benefits</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Reward systems encourage cooperation</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Outstanding individual performance is rewarded</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Good social interaction</td>
<td>x</td>
<td>√</td>
<td>x</td>
</tr>
<tr>
<td>Equity in status/recognition</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Equitable workload assignment</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Advancement opportunities for ethnic employees</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Equal job security</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
</tbody>
</table>

Notes: Org. organization; √, yes; x, no.

Discussion

Existing literature on HR diversity management is scarce, and past studies have explored diversity management practices mainly from the employer’s perspective. We investigated employee perceptions of the benefits and challenges of workforce diversity and assessed HR diversity management practices in the Australian manufacturing sector. We believe that the findings of our research contribute to the HRM and diversity management literature. In this section, we revisit our research questions.

Our first research question examined employee perceptions of benefits and challenges that diversity created for businesses. This study has confirmed the findings of past research regarding benefits and challenges of workforce diversity (D’Netto and Sohal 1999). A range of challenges were identified, including a lack of recognition and capitalization of overseas skills and qualifications, over emphasis on fluency in English during the selection process, increased training costs, and a lack of racial integration and mutual acceptance at work. These challenges resulted in the underutilization of knowledge and skills of ethnic employees, as many skilled migrants were forced to accept unskilled jobs.

The findings of this study indicate that organizations in Australia do not seem to fully recognize the benefits created by workforce diversity. Organizations can capitalize on the increased creativity, innovation and strong work ethic of migrant employees. Diversity management, through the use of effective practices and policies in HR functions, can create and maintain sustainable competitive advantage for organizations.

Organizations need to provide English language classes to help migrant employees from non-English speaking backgrounds improve their language skills. In addition, there are wider social issues such as social inclusion/exclusion and integration, which needs to be handled at a societal level. Government policies need to be designed for better integration of people from non-traditional backgrounds into mainstream community.
There is a need to recognize the benefits of diversity will not be gained just by having a diverse workplace. Rather, it is more likely to damage morale, increase turnover and cause significant communication problems and conflicts if not managed effectively (Zenger and Lawrence 1989; Jackson et al. 1991; Tsui, Egan and O’Rielly 1992; Jehn, Neale and Northcraft 1999; Roberson and Kulik 2007). Benefits come by effective management of diversity through designing appropriate strategies and policies directed at making full use of diversity (Hansen 2003).

Our second research question explored perceived diversity recruitment and selection practices. The findings of our study indicate that organizations still see diversity as a legal requirement and a cost. In terms of HR diversity practices, a number of researchers and surveys have indicated that although Australian employers are likely to face a shortage of skilled labor in future, there will be an increase in the number of migrants in the workforce (Council for EEO 1990; Castles and Miller 1993). Recruitment is an important factor within the HR field since it is considered to be the ‘main gate’ for employees’ entry into organizations. Thus, in order to gain growth, efficiency and effectiveness of HR activities, a change in the approach to cultural diversity is strongly needed. To attract a larger pool of applicants, jobs could be advertised in ethnic newspapers or through community groups. The quality of recruits could be enhanced by involving personnel from diverse ethnic backgrounds in the recruitment process, thus enabling increased understanding about different cultures. Organizations could win over new customers and gain access to untapped markets through the knowledge and understanding of a diverse workforce (Perlman 1992; Cox 1994; Thomas and Ely 1996; Robinson and Dechant 1997; Roberson and Kulik 2007). However, to achieve these goals organizations must embrace diversity as an advantage and not a legal obligation. Additional government programs that prepare new migrants to enter the Australian workforce are required. To improve migrant skill utilization, government-supported employment agencies should provide a much stronger link to suitable jobs in organizations. Increased representation of diverse members on selection panels and top management support for the recruitment process are essential to attract and retain the best talent.

Our third research question examined the extent to which effective diversity management practices were used in training and development. In spite of the growing importance of training (Loveman and Gabarro 1991; Jackson, LaFasto, Schultz and Kelly 1992), the findings of our study indicate that training practices for all production workers, including diverse employees, are limited to technical training necessary to perform their tasks. There is a lack of career planning and progression policies for ethnically diverse employees, who are mainly employed in production work. This absence of career advancement opportunities also applies to White Australian production workers. Our data indicate that organizations in Australia are not managing their diverse workforce in a way that effectiveness, efficiency and competitiveness could be created and maintained. This reflects the importance and need of effective diversity management practices in training and development. With respect to the non-technical aspect of training, more interventions are required to create a cross-culturally sensitive and conducive work environment where the ‘different’ and ‘unconventional’ employees feel comfortable. It is the responsibility of the organizations to create an inclusive environment for their employees. Organizations need to include practices that contribute toward social integration and make employees feel more included and valued. Organizations need to consider providing diversity training to both diverse and majority employees, as this enhances the effective functioning of a diverse workplace.

Our fourth research question examined diversity management practices in performance appraisal. A number of studies in the past revealed that for diversity
practices to be effective, organizations should aim to build diversity in all aspects of the performance appraisal process (Loden and Rosener 1991; Morrison 1992). Our findings indicated that diversity practices in performance appraisal are minimal. Performance appraisals focus mainly on production targets. Achievement of diversity goals is not part of the performance criteria. The results indicated that companies need to improve their performance in this area to create more participation and achieve higher satisfaction for each employee. Even though migrants have been employed on a large scale in the manufacturing sector for several decades, migrants continue to feel that they have to perform better than mainstream employees in order to achieve the same rewards. Organizations need to examine this perceived inequity as it can result in negative feelings and employee discontent. Senior management must take an active role in enhancing diversity in performance appraisal. Senior managers and diverse employees need to be on performance appraisal panels to improve perceptions of fairness in the whole process. Integration of diversity policies in performance appraisal could result in better organizational performance.

Our final research question examined diversity management practices in reward and compensation. Employees perceived remuneration practices to be fair, objective and equitable. There were no perceived differences even for non-financial rewards such as equity in status and workload assignment. Earlier research has attributed this perceived equity to a ‘union effect’ (Dagher et al. 1998). The results of our study support this view. We also found that diversity management goals were not linked with remuneration. This finding is in consonance with prior research that found that only a small percentage of companies tie rewards and compensation to the achievement of diversity goals (Allen et al. 2004). Our data indicated that there was perceived lack of opportunities for career development and promotion. Lack of career planning and organizational discrimination in promotion opportunities results in mistrust, low morale and a de-motivated workforce (Loveman and Gabarro 1991; Morrison 1992; Schreiber, Price and Morrison 1993). This problem needs to be addressed to ensure better utilization of the workforce.

Overall, overt discrimination did not exist and HRM policies and practices were generally regarded to be fair. However, ethnic migrant workers were disadvantaged in the four major HRM areas in Australian manufacturing firms due to their English language ability. Moreover, the Australian manufacturing sector did not effectively capitalize on the benefits of diversity workforce. They tended to adopt a ‘compliance with the law approach’ to diversity management and consider diversity more as a legal obligation, instead of ‘valuing diversity’. Diversity in Australia has been identified as a key ‘success factor’ in society and in business only since the mid-1980s (Council for EEO 1990; The Industry Task Force 1995). This research shows that integrating such a contemporary concept into everyday business activities still requires more time.

Practical implications

This research has significant implications for managers in enterprises employing a diverse workforce. Globalization gives rise to workforce diversity, the significance of skill shortage and competition for skilled workers. Organizations can win over new customers and gain access to untapped markets through the better utilization of the knowledge and skills of its diverse workforce (Perlman 1992; Cox 1994; Thomas and Ely 1996; Robinson and Dechant 1997; Roberson and Kulik 2007). Effective HR diversity management practices and policies should be adopted in order to attain the full benefits of diversity (Hansen 2003). To attract a larger pool of applicants, jobs will have to be advertised in
ethnic newspapers or through community groups. The quality of recruits can be enhanced by involving employees from diverse ethnic backgrounds on selection panels. Diverse selection panels can facilitate a better understanding of cultural differences of applicants. Recognition of overseas skills and experience of migrant workers helps utilize the cultural skills of multicultural employees. Employers will benefit from focusing on the technical skills of applicants rather than their English language skills. English language training can be provided after the recruitment process is completed. Diversity can be encouraged if diversity management is considered as a goal in performance appraisal. Moreover, while the ‘zero tolerance of discrimination’ policies are important, organizations will have to focus a lot more on cultural sensitivity and social inclusion programs. Cultural sensitivity training, social clubs and activities such as ‘family days’ can help to break down these cultural barriers and enhance social interaction among workers. As these issues of social inclusion/exclusion also exist in the Australian society, broader government policies need to be designed for better integration of people from non-traditional backgrounds into the mainstream community. In summary, although it is important to adopt EEO practices in business management, it is equally, if not more important, to capitalize on diversity, which, if managed effectively, can be an important source of organizational competitive advantage.

Limitations and implications for future research

There are some limitations of this study. First, managing workforce diversity is a fairly new topic in Australia. Hence, empirical research that deals with the issue of diversity in Australia is scarce. In addition, none of the studies focus on employee perceptions of the challenges and implications that workforce diversity creates on all business areas, particularly on HRM. Hence, more research on HR diversity management practices from the perspective of both the employers and employees is needed. Second, our study included only production workers in large organizations in the manufacturing sector in Australia. Future research can replicate this study in other industry sectors using a larger sample. Third, the focus of this study was on the ‘multicultural’ aspect of workforce diversity in Australia. Other dimensions of diversity, such as age and gender, were not included in this study. Future research can include these dimensions. Fourth, our research included migrants from English and non-English speaking backgrounds who volunteered to participate in our study. Our aim was to assess the general application of diversity practices within organizations, irrespective of employees’ origins and race. These two groups may be structurally different from each other. This study did not test the group differences. There could also be an element of self-selection bias. Further studies can be designed to address these limitations. Finally, future research can assess the use of diversity management practices in other areas such as leadership, teamwork and collective bargaining.

Conclusion

Australia is a typical multicultural society. Its HR diversity management may mirror how diversity is managed in other Western economies. We believe that the implications of the findings of this research transcend the Australian national context. Presently, organizations do not appear to be implementing effective HR diversity management policies or strategies to benefit from workforce diversity. Based on the findings of this research, more effective HR diversity management is urgently required in the Australian manufacturing sector, to enhance the utilization of its multicultural workforce.
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