Developing and retaining human capital in a project-based organisation: An historical example, and personal reflections[1]

Alan Stretton

INTRODUCTION

This article has been partly prompted by a contribution in this journal by Hugo Minney, entitled "*Wellbeing in project teams: Boosting productivity and profitability through human-centric approaches"* (Minney 2025). Minney focuses on the importance of the human element in project success and provides abundant evidence of the substantial cost of neglecting the wellbeing of the people working on projects, and of the considerable benefits of specifically providing for their improved wellbeing – together with some facilitation guidelines.

This kind of focus on the importance of the people in the project team is all too often neglected in the project management literature. In contrasting mode, Minney's concluding section is entitled, "*The project manager as a steward of human capital*", which seems to me to neatly encapsulate his emphasis on the key importance of the project team members. My own interpretation is a comparative one – instead of tacitly viewing its people as costs to the project, it is much more realistic and beneficial for project management to view them as capital investments in project success.

This perspective is also particularly appropriate for leaders and managers of project-based organisations which provide project management services to external customers. However, such human wellbeing approaches were only rarely practiced in the context of the Australian building and construction industries in my experience in the last half of the 20th century. Indeed, I believe they are still relatively rarely adopted.

I happened to spend over a quarter of a century with an organisation which very conspicuously went against that prevailing ethos. That organisation, Civil & Civic (C&C), and its parent company, Lend Lease Corporation (LLC), were very much concerned with the wellbeing of all their employees, both short-term, and particularly longer-term. The first two direct employee-related initiatives described below were developed before I joined C&C, and I draw heavily on the book by Clark 2002 *"Finding a common interest: The story of Dick Dusseldorp and Lend Lease",* in discussing their initiation. However, I was heavily involved in the third key initiative undertaken by LLC/C&C and will draw on my on my personal notes and recollections in discussing this very important initiative.

The context of this article is historical, relating to the building and construction industry in Australia in the late 1950s through the 1980s. I will endeavour to outline the overall

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industrial relations scene at the time, and then describe some of the initiatives undertaken by C&C/LLC to provide levels of security and longer-term incentives for all its people – initiatives which were far in advance of industry practices at the time.

SOME BACKGROUND

First, I will try to describe the highly adversarial nature of post-war industrial relations in the construction industry in Australia, and particularly in the building sector. We start with a quotation relevant to its background from Clark 2002:52

> Poor working conditions [in the Australian building industry], escalating injury rates, and the intermittent nature of employment in the industry gave workers good grounds for complaint, while the postwar boom in construction and an acute shortage of skilled labour gave them industrial muscle to flex. With the dominant trade unions in the industry committed to militant strategy to press its members' claims, and the main employers' organisation equally determined to fight them, the scene was set for some major stoushes.

Another quotation from Clark 2002:53 directly likens this situation to trench warfare.

> …. even then [1950] industrial relations in the construction industry displayed all the characteristics of trench warfare (and this was before things *really* deteriorated!)

I can endorse the sentiment of this quotation from my own experience, and that of some of my peers. At a personal level, working on a direct labour project for the Snowy Mountains Authority in the early 1950s, I was admonished by one of its (thankfully temporary) industrial relations (IR) staff members for discussing a slightly IR-related issue with "the enemy" – the latter being a wages employee of the Snowy, who was also a union delegate. This "enemy" descriptor was also used by more than one wages employee in another organisation to describe its senior management.

Some of the consequences of this highly adversarial environment were described by Clark 2002:52 as follows.

> Indeed, the number, severity, and bitterness of industrial disputes had risen steadily over the past few years, and as they did, cost and time over-runs on building projects became the norm, while productivity levels plumbed new depths. 'Get tough' tactics on both sides of the industrial fence, lamented the *Sydney Morning Herald* [10 Dec. 1957], were landing an industry already 'grievously sick with industrial trouble' in an even more 'doleful plight'.

Hopefully the above will provide readers with sufficient background to appreciate the uniqueness of the following employee-related initiatives put in place by LLC/C&C from the late 1950s.

As a prelude to discussing the first of these initiatives, it is noted that, in this era, "bosses" and union officials rarely, if ever, engaged with one another directly. Disputes and the like were typically handled via third parties, such as arbitration bodies, and often involved substantial legal expenses.

With his background of direct discussion with unions in the Netherlands, the CEO of Civil & Civic, G.J. Dusseldorp, introduced practices which were totally different to the prevailing Australian practices at the time.

The most conspicuous of early direct interactions between the wages employees' union delegates and C&C management, and mutual benefits resulting there-from, was on Sydney's Caltex House in 1956-7. This early high-rise building was completed three months ahead of schedule, and the circumstances of these cooperative interactions which contributed to this are discussed in some detail in Clark 2002:52-62. The benefits for Civil & Civic and the building's owners were obvious. But Clark also includes a quote from a builders labourers union delegate, in part as follows.

> Strange as it may seem, it gives the men a feeling of pleasure that they have been able to play their part in bringing to completion such a fine example of modern construction as Caltex House, and for once in the history of the Building Unions in this State [NSW], they have the knowledge that their value has been recognised.

This development of employees' pride in their work and contributions, and recognition of these by management and others, became one of the very important ongoing outcomes of ensuing employee-based initiatives.

The type of direct interactions between the wages employees' union delegates and C&C management developed on Caltex House became the norm on C&C projects, and also in broader contexts. As Clark 2002:65 records,

> After many months of discussion and negotiation, In October 1958 Civil & Civic and the nine unions forming the Building Trades Group of the New South Wales Labour Council signed a remarkable document.

This document was described as a Productivity Agreement, as now discussed in more detail.

THE 1958 PRODUCTIVITY AGREEMENT

The aim of the Productivity Agreement was two-fold – to increase productivity on the company's projects, and to provide better conditions of employment for wages employees. Some of its key provisions were as follows.

Company's Responsibilities – Employee security

With regards to the company's responsibilities for employee security issues, there were several strands.

Improved employee tenure

One strand was that the company would endeavour to maintain steady employment for its employees in the longer term. In the shorter term, all employees were put on a weekly hire basis (instead of the prevailing hourly hire basis) after the first two weeks.

Free sickness and accident insurance scheme

Another strand was the company's initiation and maintenance of a free sickness and accident insurance scheme, to provide round the clock benefits for employees for accidents and sickness not covered by Workers Compensation. An extension of this was that, in Workers Compensation cases, insurance was arranged to cover the difference between the basic award wage and Workers Compensation payment. (There were certain age and causation restrictions to these provisions).

Unions' responsibilities

On their side of the agreement, the Unions' responsibilities included improved work methods, standards and output; reduction of absenteeism, late-coming, extended work breaks and early stopping; good discipline and order; safe working practices; freedom from industrial disputes; and open communication with the company.

Other provisions

Additionally, the agreement contained procedures for handling disputes, and for dismissal for inefficiency, neglect of duty, or misconduct.

It is noted here that this C&C initiative was the first instance in the Australian building industry of a separate agreement between an individual company and its employees' unions. Writing in 2002, Clark noted that "Even today, more than four decades later, the agreement still looks revolutionary" (p.66). A further two and a half decades later, I understand that this type of arrangement may still be quite rare.

In practice, the company paid each employee a flat rate productivity allowance on top of their normal wage, which amounted to about 15% of a builders labourer's basic wage at the time. Needless to say, this increase in pay was welcomed by the workers. At a broader level, some of the consequences arising from this Agreement on the union side are summarised in the following recollection by Stan Sharkey of the BWIU, (Building Workers' Industrial Union), as recorded in Clark 2002:69.

> They set out to avoid unnecessary industrial action, and they did. They solved any problems by negotiation, and by recognition – that was the big difference between them and the mainstream builders and developers – there was a r*ecognition* that labour provided a most important ingredient in profit-making. And a recognition that workers have a pride in their productive labour and in the skills they carry forward.

With regard to the latter recognition, by the time I joined C&C in late 1961, you only had to go onto a C&C building site to sense, and see, the positive attitudes the site workers were bringing to their jobs, and their immediate interest in further developing their skills. This was particularly apparent in the way they worked with the R&D people from my department in helping develop new and improved ways of going about their work.

On Dusseldorp's side, Clark 2002:67 reports him as saying

> Our expectations from the Agreement are of a long-term nature. We want to develop our company on a sound, lasting basis rather than an opportunity business of the 'hit and run' type. This can only be done by recognition of staff and workers as human beings rather than production tools.

The reactions of building and developer competitors to the Agreement were universally negative. They evidently retained a kind of baked-on trench warfare perspective – and certainly showed no signs of sharing Dusseldorp's recognition and treatment of workers as human beings, rather than as mere production tools.

The focus on employee security was further advanced just a few years later as follows.

ADDING A WAGES SUPERANNUATION SCHEME – 1962/63

> *In 1963, more than twenty years before the rest of the industry, superannuation was introduced for the company's on-site workforce: ….* *(Clark 2002:69)*

As a matter of record, my personal notes from that period indicate that this scheme was introduced on 1 July 1962 (although I had no personal involvement with it). This was a non-contributory superannuation scheme for wages employees throughout the Lend Lease group of companies, including Civil & Civic (which had become a Lend Lease subsidiary in 1961). This scheme provided for an endowment policy to be taken out for each eligible employee, with the premiums paid by the company. Eligibility for admission was originally five years service (not necessarily continuous), but this was reduced to three years in 1971

An option for employees to contribute up to 5% of weekly wages was introduced a few years later, and many took advantage of this option. Conditions covering payment in the event of withdrawal from service before retirement were originally at the discretion of the trustees of the scheme. But a formal vesting procedure was introduced later, originally comprising 10% per annum over five years completed service.

FURTHER MANAGEMENT REVIEWS – 1971-72

Clark 2002:74-75 summarises some aspects of the above to the end of the 1960s as follows.

> By the end of the 1960s, …. Civil & Civic had introduced a range of employee programs and improved pay and conditions to a level previously unheard of in the Australian construction industry, …. 'Naturally our costs [had] increased,' says Dusseldorp, 'but despite predictions [by others] to the contrary, so [had] our profits.' This phenomenon, he reflected, 'revealed the notion that "caring – *of itself desirable* – also pays"'.

However, by the late 1960s, Dusseldorp came to ask himself if 'caring' was enough. Clark 2002:75 records his personal reflections on this issue, which arose from an unexpected question he was asked about corporate profit per employee for the previous year, and the average employee income for that year – which led him to ask

> Should we be sharing more equitably in addition to caring? ….

As Clark 2002:76 then records,

> 'From that time', Dusseldorp says, 'dates the concept of benefits sharing in our group in addition to the caring practised since inception'.

In practice, Dusseldorp first called for broad and intensive reviews of employee-related matters in all Lend Lease group companies. Four areas for particular attention were initially considered – social security, over-award payments, profit sharing, and job satisfaction. However, initial progress in the various group companies was very mixed, both qualitatively and quantitatively.

Ultimately (from memory around April 1972), Dusseldorp decided to personally direct these reviews for the whole organisation. He became a very active leader of this major review project – including establishing the broad project plan, and personally undertaking high level discussions with top union officials, and other key contributors to this effort. I became project manager for most of the detailed operational aspects. (This was effectively an extension of my longer-term function as secretary of the LL Group Development Committee – our top corporate strategic planning group.)

A key concern was to try and maximise employee involvement in this review, along with their union leaders and representatives. After substantial discussions, and considerations of alternative approaches, we engaged an external organisation to do a survey of the attitudes of our employees towards the company, their jobs, working conditions, and the like. The adopted approach involved open-ended discussions with groups of employees in their workplace. The findings of the survey covered a very wide range of topics, which are difficult to summarise. There were no major surprises. The majority of employee concerns were with further enhancement of our existing security-related benefits such as sickness, accident, and retirement. But there were also significant numbers of employee-involvement-related issues, such as better communications, and greater participation in decisions that affected employees..

The proposals which we developed from these reviews culminated in a "Memorandum of Understanding" document, as discussed in more detail below. The primary components of this document were substantial upgrading of all the main security-related ("caring") issues on the one hand, and new provisions for employees to share in the profits of the organisation ("sharing"), on the other.

Our draft proposals were first discussed with leaders of the building trades unions in NSW, following the pattern with the earlier Productivity Agreement and the Wages Superannuation Scheme. They welcomed the proposals, but suggested that they be discussed directly with the ACTU (Australia Council of Trade Unions) to facilitate nation-wide (rather than a single state) applicability.

This was done, and on 30th October 1972 a Memorandum of Understanding between the company and unions was signed by Dusseldorp and the ACTU President, Bob Hawke. Some of the details of this memorandum are now discussed, under the main headings used in that document.

MEMORANDUM OF UNDERSTANDING BETWEEN COMPANY AND UNIONS

UNDERSTANDING

This introductory section confirmed the company's ongoing commitment to provide better social security for its members; and also its continuing commitment to the joint agreement with the unions to improve productivity in general, and to adhere to agreed dispute procedures

BENEFITS

1. Sickness and accident
Essentially, the provisions of the sickness and accident insurance scheme in the 1958 Productivity Agreement (which this Memorandum would supersede) were enhanced in various ways, including reducing the qualifying period to two days, further upgrading of the payment amounts, and removing all restrictions on causes of accident or sickness

2. Retirement
The 1962/3 Wages Superannuation Scheme was converted to a self administered cumulation scheme, identical to the salaried staff scheme. Further upgrades from the former included a reduction in the qualifying period to one year's service, increased company contributions, and upgraded provisions for payments on leaving due to various causes.

3. Death
This was a completely new "caring" provision, which introduced payments to dependents in the event of death from any cause, or total and permanent disablement. These payments supplemented amounts already standing to the employee's credit in the superannuation scheme, and were linked with years of service in the company.

PROFIT SHARING

This completely new provision relates directly to earlier discussions about Dusseldorp's "benefits sharing". It had the following primary components.

- 2 1/2% of the before-tax profits, before sharing, of the company to be divided between the Superannuation Schemes [salaried staff and wages employees) in proportion to their membership.
- These profit shares to be credited on an equal per head basis to full members every six months.
- Payments to be made on retrenchment, resignation or retirement in full

In some personal notes I made at the end of 1979, I recorded the following developments from January 1973, which was when the benefits in the Memorandum came into effect.

- Profit share to superannuation schemes was increased three times – first to 3% from July 1973, then to 3.5% from January 1974, and to 5% from July 1979.
- Issues of Lend Lease shares were made in this period to full members of the Superannuation Schemes. I recorded a first issue of 100 shares to each member in August 1973, followed by another 100 shares in June 1974. However, I believe that there may have been more, since Clark 2002:76 noted that, "…. by 1978 employees collectively became the corporation's largest single shareholder"

I have no further data on the profit share and share issue situations beyond the end of 1979. I will now go on to discuss some of my reflections on all of the above discussions.

SOME REFLECTIONS ON THE ABOVE

I entitled this article "*Developing and retaining human capital in a project-based organisation: An historical example, and personal reflections".* As noted in the Introduction, *t*his article was partly prompted by a contribution in this journal by Hugo Minney, entitled "*Wellbeing in project teams: Boosting productivity and profitability through human-centric approaches"*

This article has gone beyond projects per se, to discuss human-centric approaches to the management of project-based organisations which provide project management services to external customers. In particular, it has discussed a specific example of such approaches in Civil & Civic (C&C) and Lend Lease (LLC), which were put in place over half a century ago – but which evidently are still not widely practiced.

We have outlined how C&C/LLC initiated and progressively upgraded a variety of employee "caring" initiatives, and went on to add "sharing" initiatives in the form of profit sharing and issues of Lend Lease shares.

Further, these caring and sharing initiatives were undertaken in two decades in an industrial environment that one journalist described as follows.

> 'Industrial relations in the Australian construction industry had traditionally been rough, but in the early 1970s they descended into guerrilla warfare'. (Clark 2002:77)

In particular, the relevant employers' representative body, the Master Builders' Association, vehemently opposed the Memorandum. Nor did it find favour with competing organisations in the development and construction industries. In one sense this was understandable, as they evidently regarded the Memorandum benefits as simply additional costs. However, these organisations missed a key point. Lend Lease and Civil & Civic had long been the clear leaders in the country on most criteria, including profitability. As Dusseldorp expressed it (in Clark 2002:76).

> 'Employees … *responded* in a million ways that [were] reflected in the bottom line'.

As already mentioned, my personal observation is that you only had to walk onto a Civil & Civic construction site to see motivated workers who took pride in their work and performance. They had zero tolerance for co-workers who did not pull their weight. They were demonstrably critical of any failures in the procurement chain which did not deliver them the materials and/or equipment they needed when they needed it. They actively looked for better ways to do things, and took pride in achieving ambitious goals which they themselves had helped establish. Overall, most of our longer-term employees actively identified with the company, and their contributions to its achievements.

The potential and actual contribution of motivated employees to corporate profits continued to be ignored by our competitors, even though it was so obviously (at least to us) a major contributor to our increasingly robust profitability. In their case, it would appear that a generation or more of their version of trench warfare was too ingrained to be readily cast aside.

I approach the conclusion of this article by quoting again from Clark's excellent book, this time expressing the very holistic perspective which Dusseldorp brought to the place of employees in the context of the distribution of returns which organisations should aim for.

> 'It was Duss's fundamental belief that a healthy organisation had a balance between shareholder return, employee return, and customer return'.

In my own words, the above differences between viewpoints of the role of employees could be expressed, at least in part, as a difference between essentially seeing employees as current costs, versus regarding them first as people who want to contribute, and thence focussing on their ongoing wellbeing (caring and sharing) as a form of capital investment in their, and the company's, futures. .

REFERENCES

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About the Author

Alan Stretton, PhD

Life Fellow, AIPM (Australia)

Auckland, New Zealand

Alan Stretton is one of the pioneers of modern project management. In 2006 he retired from a position as Adjunct Professor of Project Management in the Faculty of Design, Architecture and Building at the University of Technology, Sydney (UTS), Australia, which he joined in 1988 to develop and deliver a Master of Project Management program. Prior to joining UTS, Mr. Stretton worked in the building and construction industries in Australia, New Zealand and the USA for some 38 years, which included the project management of construction, R&D, introduction of information and control systems, internal management education programs and organizational change projects. He has degrees in Civil Engineering (BE, Tasmania) and Mathematics (MA, Oxford), and an honorary PhD in strategy, programme and project management (ESC, Lille, France). Alan was Chairman of the Standards (PMBOK) Committee of the Project Management Institute (PMI®) from late 1989 to early 1992. He held a similar position with the Australian Institute of Project Management (AIPM), and was elected a Life Fellow of AIPM in 1996. He was a member of the Core Working Group in the development of the Australian National Competency Standards for Project Management. He has published over 280 professional articles and papers. Alan can be contacted at alanailene@bigpond.com

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