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HUMAN RESOURCES DEVELOPMENT WORKING GROUP (HRD-WG)
NETWORK FOR ECONOMIC DEVELOPMENT MANAGEMENT (NEDM)

SUCCESSFUL PRACTICES IN HUMAN RESOURCES
DEVELOPMENT IN THE WORKPLACE:
CONTRIBUTIONS FROM LABOUR,
MANAGEMENT AND GOVERNMENT

AN APEC-HRD-WG-NEDM PROJECT

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PREFACE

This report is in answer to a directive of the Asia Pacific Economic Cooperation Human Resource Development (APEC HRD) Ministers that the HRD Working Group develop a project in which representatives of labour, management and government could exchange views on best practices in human resources development related issues in the workplace. Culminating in an International Colloquium where “Successful Practices” case studies were presented and discussed, the project sought to stimulate, share and document research among member economies. The Colloquium brought together forty-five participants from the public and private sectors, representing nine APEC member economies. Through keynote presentations, plenary sessions, and topical workshops, participants were able to learn from each other’s experiences and help identify specific actions that might be taken by individual member economies. A summary of the findings and a compendium of the case studies are presented here.

Author’s Acknowledgement

The project coordinator wishes to acknowledge the many contributors to the project: partner institutions and participants of the Colloquium (listed in Appendix A); case writers (noted at the beginning of each case study); case contacts; the staff at Human Resources Development Canada, most notably Gay Stinson, Director and Carol Evoy, Project Manager; Mr. Stewart Goodings, Special Policy Advisor of Foreign Affairs and International Trade Canada for his advice and support; Chair and members of the NEDM network for ongoing support; Isabel Lloyd and Art Wright for their thoughtful and articulate contributions; and last, but far from least, my associates at the Centre for Asia-Pacific Initiatives: Stella Chan, Drew Duncan and Bill Neilson. The conclusions, and any errors or omissions, remain my responsibility.

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INTRODUCTION

The APEC Project: “Successful Practices in Human Resources Development in the Workplace: Contributions from Labour, Management and Government.”

The question of collaborative human resources development policy in the workplace has taken on an urgent dimension in the wake of the repercussions from the serious regional financial crisis in Asia. Further to the economic and financial volatility, the need for collaboration is also driven by the pace of technological change, electronic commerce and capital mobility, huge internal and regional migration of workers, the demise of single employer jobs, and increasing evidence of an unsustainable natural resource base. The impact of the regional economic crisis on human resources, broadly defined, has been quantified as the “social deficit.” In human terms, restructuring, retooling, and reinventing the workplace have personal, family, social, and economic consequences.

In November 1997, the Asia-Pacific Economic Cooperation (APEC) Leaders and Ministers noted the importance of people-to-people linkages in terms of APEC’s engagement with broader sectors of society that are affected by the impact of economic growth and liberalization. The Ministers agreed that economic adjustment and growth is most effectively addressed when government and concerned sectors of society work together in harmony. In their September meeting, the Human Resource Development (HRD) Ministers recognized the roles and contributions of labour and management in attaining APEC’s objectives of promoting sustainable economic growth and the overall well-being of people in the Asia-Pacific Region, and directed the HRD Working Group to develop a project involving representatives of labour, management and government.

The project was initiated by Canada and funded both by APEC and the Government of Canada, and was approved at the June 1998 meeting of the APEC HRD Working Group in Chinese Taipei. Having proposed the project, Canada assumed responsibility for its implementation, which was managed by the Labour Program of Human Resources Development Canada (HRDC). The long-term objective is to assist all APEC member economies to learn from each other’s experiences and thereby facilitate effective responses in labour force strategy and policy.

Three main elements comprise the project:

- The development of case studies illustrating successful collaborative tripartite practices to deal with human resources development issues;
- The organization of a colloquium bringing together representatives from labour, management and government of member economies to present and discuss these practices;
- The publication of a compendium including case studies and colloquium findings.

COLLOQUIUM

Overview

Forty-five participants from nine APEC member economies attended the Colloquium, held in Victoria, June, 1999. Canada, Indonesia, Japan, Korea, Republic of the Philippines, Singapore, Chinese Taipei, Thailand, and the United States were represented. Through keynote presentations, plenary discussions and topical workshops, the participants focused on collaborative practices and examined eleven case studies demonstrating a broad variety of programs and projects undertaken in response to specific workplace issues. Formal sessions were augmented by exhibits and video presentations highlighting initiatives and innovative practices.

Introductory presentations stressed the need for collaborative human resources policy-making in the wake of recent economic and financial volatility, rapid technological change, electronic commerce, and capital and labour mobility. The Director of the Centre for Asia-Pacific Initiatives, Bill Neilson, stated that these changes create a “deficit of social capital,” and threaten economic equilibrium and social cohesion. There is a need to translate language about “restructuring, re-engineering and re-tooling” into human terms and innovative approaches to meet the needs of people in the workplace. In her opening remarks, Dr. Endang Sulistyarningsih of the APEC-HRD NEDM Group, Indonesia, emphasized the need for social development policies that encourage the emergence of a well-educated, skilled and adaptable labour force capable of responding to rapid change as a base for sustainable development. In his keynote address, Dr. Young-bum Park of Korea, in the context of changing employment relations, provided convincing arguments for treating people in the workplace as basic economic assets, and long-term investments rather than costs of production. He underlined that the competitive advantage of low-labour costs was short term and challenged participants to examine how economies could promote economic growth and respect for workers rights simultaneously. He indicated that the concept of “employment security” was evolving toward the need to ensure “long-term worker employability,” particularly for young workers.

A broadly-based panel asked participants to approach the specific workshop sessions with full awareness of the substantial changes that have taken place in labour-management relations globally as well as in face to face collective bargaining. Globalization, increased competition, the reduction of trade barriers, de-regulation, and more effective articulation of workers’ rights, interests and priorities, underline the need for leaders to acknowledge and communicate the shared interests of labour, management and government. There is broad recognition that the evolution of policy concerning such issues as the establishment of workplace conditions, terms of employment, and health and safety standards, is a shared responsibility, and requires strategic alliances and constructive dialogue among labour, management and government if priorities are to be addressed effectively.

■ *There is a need to translate language about “restructuring, re-engineering and re-tooling” into human terms and innovative approaches to meet the needs of people in the workplace.*

■ *There is broad recognition that...the establishment of workplace conditions, terms of employment, and health and safety standards, is a shared responsibility, and requires strategic alliances and constructive dialogue among labour, management and government.*

Each of the three workshops met three times in the course of the Colloquium. The workshops were facilitated to stimulate candid and interactive discussion of procedures and practices that would be helpful to them in dealing with labour-management-government relations when they returned to their respective jobs. Participants were asked to use the cases to identify innovative approaches and successful practices which foster a collaborative approach, to discuss difficulties encountered and the manner in which they are addressed, to determine the implications of the approaches used, and to specify short-term and long-term benefits of collaboration as identified in the cases. The following sections provide a detailed account of the Colloquium activities.

SYNOPSIS OF KEYNOTE ADDRESS BY
DR. YOUNG-BUM PARK,
PROFESSOR OF ECONOMICS,
HANSUNG UNIVERSITY, SEOUL, KOREA

From his extensive experience in Labour Economics, Public Enterprise Economics and Industrial Economics, Dr. Young-bum Park assessed human resources development practices, identified current trends, analyzed impediments to sharing successful practices, and underlined the need for more explicit tripartite cooperation.

Asian Practices and Emerging Patterns

Economic globalization, the rapid spread of technology, and increased competition for markets have produced two major approaches to workplace productivity and competitiveness. Many western economies have focused primarily on cutting costs, simplifying organizational structures, decreasing employee numbers, and streamlining production. Successful Asian economies have concentrated on retraining employees and providing new job skills to enhance long-term employability rather than life-time employment. Recently, however, there has been considerable variation and a mix of cost-control strategies and those primarily oriented toward investment in human resources development.

Increased economic and financial volatility has prompted successful eastern and western economies and enterprises to re-examine labour policies and practices and to ask whether human resources are a cost to be minimized and controlled or an asset to be developed, retrained and re-skilled in order to increase value-added productivity and competitiveness. Individual enterprises may realize short-term benefits by down-sizing and retaining low wages, but in the long run, less value-added production leads to lower profitability. Investment in workers' skills, in their problem-solving abilities and in creating a culture of continuous learning has long-term benefits of higher productivity, worker satisfaction and competitiveness. But since the short term costs are high and difficult to finance during slow growth or market contractions, the choices are difficult. The contribution of governments, management structures and labour forces varies according to the particular context of each situation.

The relative success of the Asian "tigers" is attributable partly to forward-looking public sector educational policies and a higher long-term rate of return from concentrating public investment in primary rather than in higher education. Except for Hong Kong, the state has played a strong role in setting out a vision of the desired future economy, and in promoting educational and training initiatives for industrial up-grading which, in turn, has stimulated demand for new skills. While the Hong Kong government was not pro-active in planning long-term human resources development, it responded effectively in developing an educational and training framework to meet needs identified by the private sector. The "tigers" have used some cost-cutting measures, but have emphasized retraining and skills development. Public infrastructure for education has been strengthened. Incentives

■ *Investment in workers' skills, in their problem-solving abilities and in creating a culture of continuous learning has long-term benefits of higher productivity, worker satisfaction and competitiveness.*

■ *Employment security, the “iron rice bowl,” is no longer the norm, although individuals benefit from training and skill-upgrading programs to enhance their “long-term employability.”*

■ *“In developing economies that generally have an authoritarian political regime at the initial stage of growth, the states often hesitate to introduce mutual gains employment practices.”*

for firm-level training, and productivity-driven wage policies have been implemented. Private sector attitudes “in some innovative firms” have moved toward more performance-based pay, and more worker involvement in the production process. Yet the overall impact has been limited.

Some correlation may exist between economic growth rates and repression of democratic institutions. Workers’ demands for a greater voice in identifying needs and formulating policy are often disregarded. Labour may be excluded from policy making and may be subservient to management. Workers frequently lack independent institutions to promote their interests at enterprise and national levels. Rarely do government, business and labour voluntarily share responsibility for managing industrial relations, although globalization highlights the need for innovation and provides opportunities for new approaches. While there is no uniformity in approach, human resources investment seems better suited to long-term economic and social equilibrium than do cost control strategies. Dr. Young-bum Park notes: “Overcoming the authoritarian features of their managerial cultures is the major difficulty Asian firms have in introducing more flexible and participatory work organization.” He asks: “Are there ways that can promote economic growth, while simultaneously respecting workers’ rights to an independent voice in the determination of employment conditions”

Some emerging patterns have been identified. With increased focus on the enterprise, senior executives and line managers are primary instigators of change in workplace policies and practices, with responsibility for improving employment relations and collective bargaining. Workplaces are more flexible with better information sharing among executives, supervisors, middle management, and front-line workers. There is greater willingness to decentralize and to delegate decision-making to the level where problems occur. There is encouragement of team work, problem identification, and resolution and coordination across functional boundaries. While such innovations are uneven, many economies and firms are increasing their investment in analytical and behavioral skills needed for effective use of new technologies, and in training to improve productivity and quality. Specialization and diverse skill levels create greater wage differentials so there is additional pressure to provide opportunities for upward mobility. Subsidies from general government revenue or business taxes are often required for transition training.

Where government and business opposition to unionization has been most pronounced, the initiative for innovation remains largely with government and the private sector. Unions have had little success in calling for abolition of management rights to terminate employment as a result of re-structuring and their membership has declined in the 1990s. Employment security, the “iron rice bowl,” is no longer the norm, although individuals benefit from training and skill-upgrading programs to enhance their “long-term employability.” Women are particularly vulnerable although some have been re-absorbed into informal industries and agriculture. Migrant labourers, in many cases, are being repatriated. Greater use is being made of temporary and part-time workers. The Asian financial crisis, and subsequent recovery measures have created greater duality and

■ *By working together with business and labour, government can take initiatives that are “employer centered” and “market enhancing” within a particular industrial sector.*

■ *Globalization and increased competition require all economies and enterprises to adapt their labour forces. Lifetime jobs will be the exception rather than the rule.*

polarization with a small and shrinking number of well-paid and secure employees and a growing number of lower-paid, less secure, less loyal and less-educated employees.

Dissemination of Successful Practices and Obstacles to Further Diffusion

Progress in implementing labour practices that benefit labour, management and government has been mixed. Innovations remain fragile and face obstacles to further diffusion. Current governance structures and short term managerial perspectives often inhibit adoption of what are essentially long-term strategies. Low economic growth rates at the economy level, and increased competition and lower profits at the enterprise level re-enforce pressure to downsize organizations in order to produce short term savings. Small and medium sized enterprises particularly lack information on successful practices and find it difficult to provide resources for expensive training and skills development especially when they risk losing better qualified employees to larger firms. They also find it more difficult to raise capital and they usually operate on thinner margins. Furthermore, some member economies lack organizational resources and the managerial time to make such investments.

Some economies continue to suffer from highly adversarial labour-management relations, or a decline in union membership. Both cases reduce the potential effectiveness of a supportive institutional framework for labour-management cooperation and innovation. Authoritarian regimes, where they exist, often block innovations or the introduction of new forms of organizational or managerial structure. They may view enterprise deregulation, worker independence and more individual and collective opportunities for a voice in decision-making as threats to political and social stability. As Dr. Young-bum Park notes: “In developing economies that generally have an authoritarian political regime at the initial stage of growth, the states often hesitate to introduce mutual gains employment practices.”

Tripartite Cooperation in Human Resources Development

To facilitate domestic peace and cohesion, cost-effective production, competitiveness, and long-term employability, it is essential to have an environment of continuous learning and innovation through investment in training and human resources development. Effective and complementary cooperation among labour organizations, private sector firms and industries, and government authorities is required in order to achieve these shared objectives. The public interest is best served if there is a reliable supply of educated and skilled workers who can adapt to changes in competitive conditions.

Where the market does not provide the necessary environment, governments may create a labour relations framework for the future by providing incentives, resources, and encouragement for private investment in human resources development. However, experience to date indicates that public sector instruments are often costly and sometimes tend to focus managerial attention and resources on issues of process, accountability, and compliance with rules and regulations rather than on promoting needed substantive change. By working together with business and labour, government can take initiatives that are “employer centered” and “market enhancing” within a particular industrial sector. Development of occupational standards and support only for training that meets

such standards is often a very useful foundation. Programs to ease “school-to-work” transitions are helpful. Publicly provided training for displaced workers can provide a measure of social security.

In most developing countries labour organizations are not strong. Where they have been adversarial and resistant to change they are increasingly marginalized, or, at best, junior partners in managing human resources. However, by focusing on improving workers’ conditions in a way that also contributes to higher productivity they can help revitalize their role as the effective collective voice of employees. By working closely with management in defining training programs that are relevant and flexible they can both improve their own capacity to respond to changes in the labour market and also improve the competitiveness of the firms that employ them.

Conclusions

Globalization and increased competition require all economies and enterprises to adapt their labour forces. Lifetime jobs will be the exception rather than the rule. As conditions change with increasing rapidity, the need for continuous learning, acquisition of new skills, and changes in the organization of work will increase. Those needs would be met most effectively if the roles of labour, management, and government are complementary and evolve through mutual agreement and cooperation. While the specific path chosen must be appropriate to the particular circumstances of each economy, Dr. Young-bum Park concludes that: “The human resources investment approach is the only path to mutual gains among legitimate stakeholders as long as the long-term welfare of the citizens is the purpose of the economy.”

SUMMARY OF CONCLUSIONS OF COLLOQUIUM WORKSHOPS

Each workshop focused on one of three themes of tripartite collaboration:

- adapting to change in the global workplace;
- collaborative approaches to legislation and policy; and
- sectoral approaches to human resources development

To stimulate discussion, participants were asked to address the following questions:

- What practices were most successful and what practices were least successful in fostering tripartite collaborative approaches, and why?
- What difficulties were encountered, and how were they addressed?
- What lessons were learned, and what were the implications for human resources development in the workplace?
- What are the short-term and long-term benefits of tripartite collaboration in the workplace?

With three workshops meeting concurrently, a total of 12 hours was devoted to small group discussions. Presentations based on 11 case studies prepared in advance of the Colloquium provided concrete examples of collaborative approaches in different contexts. Conclusions reached in each workshop were summarized in plenary sessions at the end of each day and incorporated in the synthesis of themes and issues presented by the rapporteur at the conclusion of the Colloquium. (See also the Report to APEC HRD Ministers in *References*).

Workshop participants focused mainly on practices that were successful in their highly diverse circumstances. While financial constraints, uncertainty and organizational rigidities were identified as generic obstacles to change, less attention was devoted to specific examination of unsuccessful practices or analysis of explicit short-term or long-term benefits of tripartite collaboration. However, there was remarkable consensus that tripartite collaboration significantly enhances prospects for successful change in the workplace in terms of cost savings, increased productivity and earnings, more highly skilled and adaptable workers, better working conditions, and more positive labour relations.

Participants agreed that both the scope and speed of current changes are unprecedented. The major impetus for change in human resources development stems from the dramatic growth of global markets, stronger competition, increased consumer demand, greater capital mobility, and technological changes in production methodology and communications. Neither individual economies, enterprises, nor labour organizations can isolate themselves from these changes. In addressing them, governments, management and labour must manage the short-term impacts of rapid change while simultaneously preparing longer term strategies to cope with further inevitable change.

The diversity of participants' experiences demonstrates that the international and domestic

■ *However, there was remarkable consensus that tripartite collaboration significantly enhances prospects for successful change in the workplace in terms of cost savings, increased productivity and earnings, more highly skilled and adaptable workers, better working conditions, and more positive labour relations.*

■ *The beliefs and values of each society also influence what roles are considered desirable and feasible for government, management, and labour.*

■ *Broad-ranging benefits can be achieved where tripartite cooperation ensures that all stakeholders help identify both shared and diverse interests.*

contexts in which issues arise, as well as the nature of the issues themselves, are equally important in determining what response is feasible and appropriate. The respective roles of governments, management and labour can only be decided within those contexts. There are no universally applicable models of workplace innovation.

- International and national interests and pressures tend to spur *governments* to establish a legislative and regulatory environment conducive to new investment and sound human resources development. Such a framework should provide a sense of direction within appropriate policies and set educational and training standards as well as criteria for certification. Governments may take the lead by arranging consultations on proposed changes or provide financial or institutional support for councils or fora which promote dialogue between management and labour within an industrial sector; disseminate information on successful practices and offer mediation and conciliation services. They may also use incentives and social investment programs to facilitate structural changes. However, participants noted that some government initiatives are criticized for slowing the speed of desired structural change in industries that are becoming less competitive.
- Pressure for change on issues that affect a particular enterprise or industrial sector, such as increased competition and productivity, and the need for specific training and skill development programs, frequently comes from the *private sector*.
- Informal or formal *workers' organizations* often provide the catalyst for change on issues such as workers' rights, working conditions, the content of retraining and skill development programs, equity, and employment security.

The beliefs and values of each society also influence what roles are considered desirable and feasible for government, management, and labour. Domestic political, social and cultural factors affect the way in which innovative approaches evolve. Conceptual and cultural choices may be reflected in an apparent Asian preference for retaining and retraining employees for life rather than compensating individuals after loss of employment. Asian institutions also seem more likely to take collective responsibility for promoting change, whereas unilateral initiatives are more common in western economies.

The cases studied demonstrate that, in practice, tripartite cooperation (where government, management and labour contribute as fully equal partners in determining priorities, taking strategic decisions, designing programs and procedures, and sharing responsibility for implementation) is only infrequently the norm. More commonly, a major lead role is likely to be played by one of the three in initiating a process, with others taking a more subordinate or supportive role at least in the initial stages.

Whether human resources development needs are addressed within public sector institutions, private sector firms, labour, or other interest groups depends on many variables. The size and organizational structure, internal culture, and other behavioral dimensions all affect how much flexibility, creativity and innovation may be desirable, the method of its introduction and the pace at which change is possible. The key question, in terms of impact in the short, medium and long-term, is: "Who benefits?"

■ *Commitment and continuous participation of management and labour leaders is essential.*

■ *The development of tripartite collaboration, a sense of partnership, and a decision-making process by consensus, require many changes in organizational cultures.*

Broad-ranging benefits can be achieved where tripartite cooperation ensures that all stakeholders help identify both shared and diverse interests, develop policy initiatives, help to draft legislation and set standards, share responsibility for managing change, facilitate the settlement of disputes, accelerate collective bargaining, implement workplace restructuring, improve health and safety of employees, increase the skills, knowledge and employment prospects of workers, and improve productivity and competitiveness.

The case studies demonstrate that pressure for change in the workplace originates from many sources. Changes may be made in response to increased international competition, the mobility of investment capital and the establishment of regional common markets or free trade agreements. Comparative advantage may be lost by shortages of raw materials, declining (plant level) productivity, or by obsolete infrastructure. The introduction of new technology and production processes may require new skills, different workplace organization, and behavioral changes of both management and labour. While a crisis is often a catalyst, change may also be stimulated by new opportunities brought about by new ownership, regulatory changes, or the opening of new markets. Most changes stem from shifting economic factors. However, changes in political systems or leadership, in demographic and other social conditions, or environmental pressures, may also be instrumental.

Successful change in the workplace is influenced by a number of factors:

- Consistent legislation which sets out national goals and guidelines on human resources development facilitates change at the sectoral or enterprise level. Ministerial and bureaucratic commitment is needed from initial consultation through implementation. Not all issues need to be dealt with simultaneously. Action can be taken on issues where there is agreement; more contentious issues may be dealt with at a later stage.
- Commitment and continuous participation of management and labour leaders is essential. They must be able to articulate a vision which encourages employees to play a direct role in designing and implementing changes that benefit both the company and the workforce.
- Full access to, and sharing of, information and encouragement of top-down, bottom-up, horizontal and diagonal communication encourages full participation and “buy in” of all stakeholders. All participants have knowledge to contribute but may not be equally comfortable in presenting ideas and opinions.
- Effective communication depends largely on creating an atmosphere of openness, willingness to listen, respect, trust, candour, integrity and sincerity. Tripartite sectoral or industry-wide councils or consultative mechanisms may help to identify broad common interests, to resolve conflicts and to broker agreements. Such instruments may work on behalf of the particular industry or interest group to promote and retain jobs through education and training programs and the development of industry-specific standards.

- Collaborative approaches to define roles and responsibilities, to adjust workplace practices, to design training programs, to develop diverse skills, and to encourage behavioral change, benefit from involving all stakeholders whose economic and social interests are affected. Extensive changes may require re-training, the acquisition of new skills and peer mentoring or counseling not only for employees but also for managers and senior executives.

Innovation often results not only in planned and desirable change but often in unanticipated impacts. Flexibility and realism in terms of setting goals, creating expectations, defining the pace of change, and accepting the possible need for mid-course corrections are usually significant factors in successful implementation. At various stages the participation of outside consultants, mediators or facilitators, who do not have interests in the outcome of the changes proposed, may be useful in overcoming obstacles. However, ownership of the process of change and shared responsibility for taking decisions and implementing changes remains with those directly affected within the enterprise or organization.

The workshop participants concluded that the development of tripartite collaboration, a sense of partnership, and a decision-making process by consensus, require many changes in organizational cultures which are context specific. It is a continuing process rather than an activity with a discrete beginning, middle and end. It is neither linear nor predictable but rather evolutionary and often includes initiatives which may need to be abandoned later, with lessons learned then being applied to new approaches. The pace of change is likely to fluctuate considerably. Sufficient time as well as adequate human and financial resources must be available. It takes time for individuals and institutional units to take on new roles and feel comfortable with doing things in a new manner. There are often up-front costs while benefits may not be apparent until much later. Sustained progress may be difficult; however, the benefits for all participants can make the considerable effort required very worthwhile.

RAPPORTEUR'S REPORT BY ISABEL A. KELLY, RAPPORTEUR

Preamble

The role of a rapporteur is variously described as to report, to replace, to ramble or to summarize, in respect to the deliberations of a meeting. The quality of the presentations in this case requires no replacement, there is not sufficient time or space in which to ramble, so I intend to report and summarize. I also intend to highlight the challenges yet to be met, and the next steps needed which arise implicitly and explicitly from the discussions, and which may not be recorded through the formal presentations.

Setting the Scene

The rich personal experience and broad knowledge of labour relations policy and practice among participants was a key to success in the colloquium. Diversity of political, economic, social, cultural and traditional context in which participants work requires innovative approaches in particular situations. The environment and context of the colloquium provided a unique opportunity for sharing information, experience, and ideas.

In his opening remarks, Professor W. A. W (Bill) Neilson, Director of the Centre for Asia-Pacific Initiatives, pointed out that the use of the word 'colloquium' had both an academic and a practical meaning in defining the meeting. Several definitions can be found, which characterise a colloquium variously as an academic meeting of specialists, mutual discourse, belonging or proper to ordinary or familiar conversation, and informal or group discussion. This meeting fulfilled all of these definitions and was, as the title suggests, APEC Workplace Practices Colloquium, a practical exchange and dialogue.

Professor Neilson stressed the urgent need for collaborative development of human resources policy in the workplace in the wake of the regional financial crisis, the ever-quickenning pace of technological change, electronic commerce and capital mobility, and migration of workers. He talked about the "social deficit," "people deficit" or human cost deficit which has resulted, and the need to translate the language of our time—restructuring, re-tooling, re-inventing self sufficiency, etc.—into human terms, and about the implications for people in the workplace.

These comments set the tone and pace for the Colloquium

Dr Endang Sulistyarningsih, Ministry of Manpower, Republic of Indonesia, emphasized social development and the need for a well-educated and skilled labour force as a base for sustainable economic development.

In his Keynote address, Dr. Young-bum Park, Professor of Economics, Hansung University, Seoul, Korea, talked about changing employment relations and raised the issue of whether human resources should be considered as assets or costs, and provided convincing arguments supporting the view that human resources are assets and long term

investments. He went on to discuss the correlation between the rate of economic development and the repression of democratic institutions, and to point out that the cost advantage of low labour costs was short term. He challenged the group to consider whether economies could promote economic growth and at the same time respect workers rights. He urged us to consider whether employment security within a firm has to change to be replaced by a broader societal notion of security, and to consider the special issues related to youth.

Mr. Don Brazier, Director, Labour Relations, St. Lawrence & Hudson Railway Co., Montreal, Canada, struck a chord when he described the scenario of 1970 versus the present day. He described the evolution from the stereotyped, positional, adversarial, and confrontational characteristics of employee relations and collective bargaining to the more strategic dialogue of the present, using trained negotiators and dispute resolution techniques to reach agreement.

In describing 'what works' Don Brazier brought out important themes and points that recurred again and again throughout the colloquium. These included:

- Long-term commitment and continuous involvement by labour, management and government leaders
- High profile strategies for change and shared visions among parties
- Resources, human and financial, adequate to the task
- Open communication (information flow and face to face communication)
- Partnerships among all stakeholders in all processes
- Sharing of responsibility and success
- Integrity, trust, mutual respect, and recognition of all parties by all parties
- 'Buy-in', especially at the 'shop floor' and in senior management, based on well thought out strategy rather than compulsion
- Relationships with and treatment of human resources are key factors in success
- Re-training, skills development and peer counseling needs occur among workers, managers and regulators

Notable Points

The following were encouraging features of the colloquium:

- The inclusion of representatives of labour, which brought a sense of balance and a practical approach to the discussion
- The impetus for the colloquium was not a crisis, therefore there was no requirement for immediate action of a particular nature
- Case studies were diverse in terms of complexity of issues, the issues themselves, the subject matter or sectors of focus. The scope ranged from global to national to local to company levels. There was a similarity of goals—competitiveness (jobs and profits) and survival. Approaches were strategic, focusing on joint ventures, shared management and entry into the next millennium

- Discussion of the existence of and need for attitudinal changes and innovations on the part of both unions/labour and management

The need to identify common areas of interest was seen as important, but adversarial views were not seen as necessarily negative, as some diversity can spark a process in which shared areas of interest can be identified. Differences of opinion are a reality in the workplace; the issue is learning to use this for the common good.

The scale of an issue and political and societal structures are a key factor and dictate the strategy or approach needed to problem solve, but it is always possible to attack an issue by identifying a part which can be addressed. Recognition of these points is particularly important in the APEC economies where there exists vast political and national diversity.

Challenges To Be Met

There was some reluctance to identify 'gaps' and debate over terminology on this issue among organizers of the colloquium. Nevertheless, reporting on the colloquium would be incomplete without some discussion of the challenges that were identified, and of the issues that were not explored as much as might have been expected but which are important, even critical to economic development.

The consensus of the colloquium was that the 'value added' was the insight gained into the particular circumstances, constraints and opportunities facing APEC economies. Specific areas requiring further attention which were identified during the discussions throughout the colloquium and confirmed by comments and questions raised in the final plenary session can be summed up thus:

- Job sharing and time sharing issues among the available workforce need to be addressed to resolve conflicts around part-time work, hourly versus salaried workers, over-time dependency and balancing work and family responsibilities
- Training for employability, competency based approaches to job profiling and training plans, re-skilling, and sectoral responsibility
- Informal sector issues, particularly in developing countries
- Youth and workforce attachment, school to work transition, the role of work experience as opposed to training
- Migrant workers, particularly women, is a growing issue lacking sufficient attention
- Occupational health and safety issues
- The role of governments: political will and commitment; regulatory environment; respect for workers rights; the enlightenment of responsible public servants on such matters as labour relations and workplace issues. Government should facilitate collaboration with labour and industry to provide an environment conducive to economic development
- Public/civil society input into labour/management/government issues to protect the public interest

Next Steps

It was agreed that the colloquium in and of itself could not initiate or effect change. The task is not easy and it requires long-term effort and commitment. Business, labour and government leaders within APEC countries should be encouraged to address the issues outlined in the colloquium. Inasmuch as colloquium participants have been re-energised and inspired to work cooperatively in the public interest, they can be instrumental in bringing about positive and beneficial change in APEC member economies.

There was consensus that the project should be followed up through further activities and that outcomes and lessons learned should be included in the report to APEC HRD Ministers.

To enable APEC to continue to play a relevant, constructive and instrumental role, APEC Ministers, the APEC HRD Working Group and appropriate authorities in member economies were urged to consider the form and nature of measures to address challenges of globalisation of the world economy in the coming decade.

OVERVIEW OF CASE STUDIES

This compendium includes Case Studies, which were written by seven APEC member economies. Each Case Study documents successful human resource development approaches in the workplace, focusing on tripartite collaboration between labour, management and government. The cases demonstrate a broad variety of programs and projects undertaken in response to specific workplace issues.

No single Case is the best. There is no template, blue-print or solution that can be applied universally. Each Case Study offers a specific way of addressing issues and concerns employing collaborative practices, unique to a specific situation. The Cases are diverse in terms of

- scope: addressing global, national, local and plant-level issues;
- subject matter: including government policy, practices and responses, manufacturing and processing of motorcycles, textiles, garments and seafood, provision of electricity, and maintenance of health care; and
- complexity: programs to preserve employment, to maintain competitiveness, to increase productivity, to maintain or increase market share, to establish dialogue between agricultural workers and owners, and to establish sector and industry-wide partnerships and consultative councils.

They are, however, similar in that in each Case the desired successful outcome depends, to varying degrees, on the effectiveness of tripartite cooperation, on attitudinal change, on adopting a strategic long-term view of shared interests, on innovation in the manner in which the parties related to each other, communicated with each other, and were prepared to share responsibility for achieving agreed objectives. However, it must be remembered that political, social, cultural and traditional factors create unique environments, which require innovations appropriate to specific contexts.

Each of the APEC economies is a product of a unique history in which the respective roles of governments, the business community and workers reflect not only the current political system, and economic and social structures, but also the way in which diverse and complex cultural values and patterns of individual and group relationships have evolved.

The Case Studies illustrate that there are significant differences in the way these relationships develop. Within some member economies, such as Canada, the United States, Australia and New Zealand, governments may take a pro-active role in establishing a detailed and comprehensive legislative and regulatory framework defining the roles of the public and private sectors and the rights of workers as well as their organizational structures. They may assign specific roles exclusively to formal labour organizations and may require collective bargaining. However, such frameworks may differ, even within a national context, from one province or state to another where “right to work” laws have been enacted or where compulsory unionization is the norm. In others member economies, the role of government will vary from highly directive to simply providing general

directions within which the private sector and workers may function. Government initiatives may be largely responsive to private sector actions or a sense of shared responsibility to preserve employment as in Japan, Korea and Chinese Taipei. The role of workers organizations, and the way in which they participate in the resolution of public issues may not always be through formal unionization, and may reflect cultural influences, nuances and traditional practices as in the Philippines, Thailand, Malaysia and Indonesia. Throughout APEC, interaction among government, business and workers has many variations, but there is substantial agreement that, whatever means of involvement are chosen, successful adaptation to a rapidly changing world economy requires the collaborative involvement and active participation of government, business and labour.

A diversity and richness of experience and approach is demonstrated repeatedly in the individual Case Studies.

- One Canadian example focuses on the need for, and benefits of, collaborative approaches to legislative change, recognizing that task forces require sufficient time to build productive communication among all participants. The importance of strong communication is also illuminated in a second Canadian case study which examines the role of an autonomous advisory council that assists the Quebec Provincial Government on matters relating to labour or workforce issues. At the sectoral level, a third Canadian case study emphasizes the need for consultative and collaborative practices not only to address current issues, but to help plan for the future.
- Indonesia's current economic recession underlines the complexity of managing the short-term crises in production and income losses while responding appropriately to the longer term needs of economic restructuring, restoring growth and improving education, training and job creation.
- The Japanese study relates how public policy is influenced by social values. In a period of economic reversals, when life-time employment could no longer be maintained as the norm, government, business and labour agreed that subsidies should be used to promote economic recovery as well as social stability by improving the job skills and long-term employability of the workforce. Government established a basic plan for human resources development and then co-operated with business and labor to implement it.
- The Philippines study focuses on three cases demonstrating the effectiveness of a Labour Management Cooperation Program. Labour and management use the *Pulungan* (consultation) system to develop mutual trust and respect, to facilitate communication in a non-adversarial way, and to find common ground on which to build a more broadly-based tripartite relationship.
- The Chinese Taipei case, in which government played a supportive role, illustrates how a rapidly expanding joint venture uses a performance management and development program to involve employees and management in a shared quest for improvements in productivity and performance review.

- In the Thai study, two cases are used to demonstrate that the productivity of specific firms can be increased when business takes an initiative to which government responds in a supportive role. The cases also illustrate the belief that, as long as there is effective communication, workers concerns can be addressed and their conditions improved within a company-sponsored workers' committee rather than through a separate or formal organization of the workforce.
- Three American studies examine tripartite cooperation in the garment industry, motorcycle manufacturing and the management of a not-for-profit health maintenance organization. There is striking unanimity in these cases:
 1. government should play an enabling rather than a controlling role in human resource development;
 2. the knowledge of workers at all levels is a valuable resource and should be tapped by directly involving them in important workplace decisions;
 3. open communication based on trust and respect and consensus-based decision-making are essential building blocks; and
 4. continuous commitment to improvement by management as well as workers is essential if organizations are to maintain their capacity for adaptation and adjustment to change. Within the American context, a strong role for progressive unions or organized labor is seen as a key element of successful workplace innovation.

The aim of this publication is in a spirit of sharing, to offer the Case Studies with the hopes that each member economy may be able to apply ideas to their own situations.

CASE STUDIES

CANADA

Area	9,221,000 km ²
Population:	30,290,000 (1997)
GDP per capita:	20,389 (\$US, 1997)

Economic growth in Canada strengthened in 1997, owing in large measure to the sustained decline in interest rates and improved confidence made possible by the government's success in deficit reduction and in keeping inflation low. With unemployment at its lowest level in 8 years, the financial balance continues to run a surplus and domestic demand has remained firm. The surge in job growth in 1997 translated into 372,000 jobs being created.

CASE STUDY OF A COLLABORATIVE APPROACH TO LEGISLATIVE CHANGE: AMENDING THE *CANADA LABOUR CODE*

Mark Mueller

Background

The aim of this paper is to elaborate the process of consultation and collaboration between labour, management and government in achieving legislative change to the *Canada Labour Code* (Part I). The policy problem was to modernize the legislative framework governing free collective bargaining and the constructive settlement of disputes between labour and management in the federal jurisdiction (*see below*). The federal government recognized the importance of cooperative labour-management relationships as contributing to the policy goals of economic growth and employment. These goals were policy preoccupations in 1994.

However, changing the framework legislation under which labour unions and employers conduct their industrial relations is a sensitive undertaking that requires a great deal of consultation to achieve the desired result. Moreover, no comprehensive legislative reforms of the federal private sector labour relations framework had been undertaken since the early 1970's. After all, unions and employers affected by legislative reforms must live with the consequences and make it work. At the same time, the reforms should also satisfy the larger public interest that goes beyond the more narrow concerns of the parties directly affected.

Maintaining this delicate balance is the challenge that is at the heart of policy-making generally and in the industrial relations field.

Setting and Context

The *Canada Labour Code* is the labour legislation in the federal jurisdiction that applies to industries and undertakings which are national, international and inter-provincial in nature. The statute spells out rights and obligations in three important areas. Part I, Industrial Relations, outlines the legislative framework for industrial relations, which recognizes as fundamental the freedom of association and free collective bargaining and the constructive settlement of disputes. Part II deals with all aspects of occupational safety and health at the workplace while Part III spells out important minimum labour standards, such as hours, wages, employment termination and dismissal, policies around sexual harassment, and benefits (vacations, holidays, maternity and paternal leave).

The legislation covers employees in vital industries (as defined above), such as transportation (road, railway, air, ferry or pipeline, shipping and navigation), broadcasting and telecommunications, the postal service and chartered banks. The federal statute also covers industries which Parliament has declared to be 'for the

■ *The Canada Labour Code is the labour legislation in the federal jurisdiction that applies to industries and undertakings which are national, international and inter-provincial in nature.*

■ *The challenge for the federal government and, more particularly for the Minister of Labour who has responsibility for the Canada Labour Code, was to devise a consultation process to solicit and reflect the diversity of views in order to design legislation that would apply to such diverse work places.*

■ *The first stage was to deal with three immediate reform issues.*

■ *The second stage was to include a broader-based review of the labour code.*

general advantage of Canada or of two or more provinces', such as flour and feed mills, grain elevators, and uranium mining and processing. It also embraces federal crown corporations ranging from the Canadian Broadcasting Corporation to the National Arts Centre.

The *Canada Labour Code* covers some 700,000 employees, which represents about 6 per cent of total employment in Canada. Even though small in absolute and relative terms, the industries and undertakings represented in the federal jurisdiction are essential to the functioning of a modern economy. About two-thirds of the employees in the federal jurisdiction are found in the transportation and communication industries while an additional quarter are employed in the federally chartered banks. For the federal jurisdiction as a whole about one half of employees are covered by collective agreements. The level of unionization is highest in the transportation and communication sectors, while unionization is insignificant in the chartered banks.

The federal jurisdiction is diverse in sectoral composition and size structure. Large enterprises such as the postal service, railway companies or national airlines coexist with small companies that may be local radio stations, trucking or bus transportation. The employers' interests in pursuing legislative changes of the industrial relations system reflect this diversity and a common position might be difficult to obtain. Similarly, 50 per cent of employees are unionized, and a host of labour unions represents them in about 1,800 bargaining units. The diversity of views concerning legislative reforms might also exist between large national or international unions and smaller unions that are the bargaining agents of their members.

The challenge for the federal government and, more particularly for the Minister of Labour who has responsibility for the *Canada Labour Code*, was to devise a consultation process to solicit and reflect the diversity of views in order to design legislation that would apply to such diverse work places.

The Initial Strategy

In September 1994, the Minister of Human Resources Development, who had responsibility for the labour code, initiated discussions with labour and management concerning the scope of a legislative review of Part I, Industrial Relations, of the *Canada Labour Code*. The most senior official with responsibilities for labour relations in the department was asked to consult widely on the nature of the review process. Over several months, this official met and consulted with a host of national and provincial federations of labour, a number of individual unions, labour relations boards across the country and selected academics at centres for industrial relations. Similarly, he conferred with employers' associations in the federal jurisdiction, national and provincial business associations and individual companies.

At that time, the initial thought was to undertake the review in two stages. The first stage was to deal with three immediate reform issues. First the Canada Labour Relations Board was to be restructured into a representative board. Concerns had been expressed that the Board was not sufficiently responsive to the labour relations community and its caseload was not handled expeditiously. Second the conciliation process encountered significant delays and was to be streamlined and thirdly, consideration was also being given to the possible adoption of restrictions on the use of replacement workers during legal work stoppages. The second stage was to include a broader-based review of the labour code. That issue was whether the legislative framework created obstacles to more cooperative labour-management relations and what kinds of reforms might be considered to produce more positive results.

The first stage of the process indicated that there was broad support to proceed with a representative Canada Labour Relations Board to be more responsive to the community the Board serves, and to move to a streamlined conciliation process by abolishing the second stage of conciliation. However, the proposed replacement worker legislation was controversial. The consulta-

■ *The Task Force was asked to hold consultations with labour and management organizations whose members are subject to the Code.*

tions suggested such a controversial issue might best be included in a broader-based review and should not be considered in isolation.

The Final Strategy: Creation of an Independent Task Force

In February 1995, the government appointed a new Minister of Labour. She considered the report by the senior departmental official on the consultations and the options for proceeding with the legislative review. At the end of June 1995, the Minister announced the appointment of an independent Task Force, consisting of three members, charged to conduct a comprehensive review of Part 1 of the *Canada Labour Code*. The Task Force was to submit a final report to the Minister by December 1995.

The mandate of the Task Force was comprehensive. It was to identify options and make recommendations for legislative changes around the following issues:

- to improve collective bargaining and to reduce conflict;
- to ensure effective and efficient administration of the Code;
- to facilitate labour-management cooperation; and
- to address the changing workplace and employment relationship.

The Task Force was asked to hold consultations with labour and management organizations whose members are subject to the Code.

At this stage it may be opportune to reflect on the significance of the ministerial decision to appoint a Task Force. In contrast to a Commission of Inquiry, informality and flexibility characterize a Task Force. The length of the mandate, a short six months, illustrates that the time element is important. It is imperative to generate new ideas in the shortest time period possible. It should also be pointed out that the Minister made a deliberate decision to appoint a small, independent Task Force. A membership of three ensures greater manageability and informality to the internal proceedings, but it imposes some constraints in the consultation process, which can encounter

logistical problems. The stakeholders to be consulted are dispersed across the country. The Minister also decided on a 'neutral' membership rather than a 'tripartite' composition representing labour, management and government. She chose three "wise persons" with a profile in the industrial relations community who would use the public forum to air proposals and various points of view. The quality of the appointments and their credibility in the eyes of labour and management become critical issues. There are certain risks in proceeding with independent appointments without informal consultations of key stakeholders. In the end, the appointments were considered to be credible, consisting of practising labour relations experts with wide-ranging experience and representing key regions across the country, Western Canada, Central Canada and Quebec.

While the credibility of the appointments is vital, so is the quality of the staff resources made available to a Task Force. The senior official in charge of the earlier consultations headed up the staff resources made available to the Task Force. He and his small staff provided an important link to the department, the stakeholders, expertise and logistical support. Without adequate and expert staff resources a small independent Task Force is at a considerable disadvantage.

The Task Force's Approach to Consultation and Collaboration

The newly appointed Task Force members had to build a rapport with the main stakeholders affected by the legislative review, namely, the employers and labour organizations in the federal jurisdiction. Through informal contacts the Task Force signaled its desire to pursue a balanced approach to the task. It was also conscious that it had to rely on the expertise and cooperation of those directly affected. The Chairperson recognized that there was no need to start with a clean slate. Labour relations practitioners were a source of knowledge that the Task Force wanted to tap. Its role was to synthesize those ideas and experience.

■ *The strategy implemented reflected the general concern for inclusiveness in its efforts to hear the diverse views across the country.*

■ *Building ownership and commitment would produce greater success in implementation and living with a reformed legislative framework.*

Pursuing thorough and informal consultations further reinforced the goal of a balanced approach also involving those directly affected. The consultations were to be structured in such a way as to elicit a frank exchange, guiding the debate toward the future, rather than dwelling on the past. Consultations across the country were essential. To quote the Chairperson "...wisdom does not only reside in Ottawa, we must be seen to have heard the nuances across the country."

The Task Force also let it be known that it preferred the key stakeholders to work together and reach consensus on suitable reforms. The consensus reached would be favourably considered in the Task Force deliberations. It did not signal that it would abandon its own judgement, or that it succumb to bipartisan interests. Clearly, it had a responsibility to consider the public interest in its report to the Minister. Any reform proposals had to be balanced in the eyes of the community as a whole.

The overall approach by the Task Force is best exemplified by the following quote from its final report:

Our approach has been to seek a balance: between labour and management; between social and economic values; between the various instruments of labour policy; between rights and responsibilities; between individual and democratic group rights; and between the public interest and free collective bargaining. We seek a stable structure within which free collective bargaining will work. We want legislation that is sound, enactable and lasting. We see the too frequent swinging of the political pendulum as being counter productive to sound labour relations. We look for reforms that would allow labour and management to adjust and thrive in the increasingly global workplace. (*Seeking a Balance*, Task Force Report, page ix; see Reference at end of paper.)

The Elements for Consultation and Collaboration

The strategy implemented reflected the general concern for inclusiveness in its efforts to hear the diverse views across the country. It was in essence an open communication policy with timely information bulletins, buttressed by public hearings and submissions with and by interested parties. It included informal meetings with

practitioners in labour relations, regional sessions with academic experts in the fields of industrial relations and labour law. Lastly, it pursued the creation of a labour-management Consensus Group, a more innovative and experimental approach to collaboration.

Two elements of this strategy, the information bulletins and the labour-management Consensus Group, are further elaborated below.

Information Bulletins

This simple but effective communication tool was utilized to convey the Task Force's mandate, the issues to be considered and details about public consultations and submissions. It was distributed widely across the country to labour and management groups directly and indirectly affected by the legislative review. The first bulletin issued in September 1995 also invited employers and unions in the federal jurisdiction to work together and toward a consensus on reforms considered suitable to shape their future bargaining relationship. A subsequent bulletin issued later in September outlined a series of issues and questions the Task Force judged to be significant in the review process. Aside from providing substantive and logistical details these bulletins were a simple means of communication with the public at large.

Labour-Management Consensus Group

As labour relations practitioners, the Task Force members recognized that the parties in the collective bargaining process had a contribution to make which if successful would produce acceptable and sound legislation. It signaled its intention "...that any consensus reached on specific issues or any general directions would weigh heavily in our deliberations, since the three of us believe that any areas of agreement between labour and management offer a sound basis for enduring and stabilizing legislative reform." Building ownership and commitment would produce greater success in implementation and living with a reformed legislative framework.

The participants in the Consensus Group,

■ *A mature and long-standing relationship existed between labour and management that set the tone for a cordial and respectful atmosphere.*

■ *The facilitator played a pivotal role as chairperson of the meetings. He maintained his neutrality throughout while moving the issues along.*

■ *The Task Force had made good on its undertaking to reflect the consensus achieved by the Group in its recommendations.*

on the labour side, consisted of the Canadian Labour Congress, the Confederation of National Trade Unions and the Canadian Federation of Labour. A senior elected officer of the Canadian Labour Congress coordinated the input from unions and she was the spokesperson on their behalf at the Group meetings. The employer organizations included the Federally Regulated Employers—Transportation and Communication (FETCO), the Western Grain Elevator Association and the Canadian Bankers Association. A senior member from the FETCO group of employers was appointed spokesperson and he coordinated the position of the employer group as a whole. The Task Force staff acted as facilitators of the process and recorded the evolving positions and eventual consensus. Four such Consensus meetings were held during the period October 17 to December 14, 1995.

While other labour and employer organizations were at the Consensus Group table, the two most significant players were the Canadian Labour Congress (CLC) and FETCO. The CLC is the largest labour organization in Canada and its affiliates also represent the majority of unionized employees in the federal jurisdiction. It was not surprising that it assumed the leadership role with the support of its constituents. FETCO is an organization representing major employers in the federal jurisdiction. FETCO members employ some two-thirds of the unionized workforce in the federal jurisdiction. These major companies cover key sectors, such as airlines, railways, communications, shipping, trucking, long-shoring and broadcasting. FETCO was formed in 1983 in response to another review of the *Canada Labour Code* at that time. As major employers in the federal private sector, FETCO's concerns differed from other employer organizations.

Factors contributing to the Success of the Consensus Group

As part of this case study, interviews were conducted with the key players involved in this innovative approach to consensus building. The purpose was to hear their

views on the dynamics of the meetings and to determine what factors contributed to reaching consensus. Several common themes emerged from these interviews.

In the first place, a mature and long-standing relationship existed between labour and management that set the tone for a cordial and respectful atmosphere. Employer groups and unions had been engaged in collective bargaining over many years and were interested in improving the legislative framework. No party presented an extreme agenda for change, putting each other on the defensive. Change was to be pursued in incremental steps rather than wholesale reforms with uncertain consequences. In commenting on the first meeting the CLC representative recalled that "... after the initial response to the issues on the agenda, statements were made for the record and controversial matters were put aside and not dwelled upon." All parties recognized the value of seeking agreement on the possible and not pursuing the impossible. Both parties realized they had a common problem that required a common solution. This solution should meet the concerns of both parties. The FETCO member indicated that "...each meeting produced progressive clarification of the issues toward agreement."

Another common theme that surfaced in the interviews was the trust and sincerity the participants displayed in the meetings. All of them were labour relations specialists who knew their business and were engaged in a problem-solving exercise, a task not unfamiliar to such professionals. They singled out the important role the facilitator played in contributing to the success of the Consensus Group.

Both labour and management representatives noted that "...the facilitator played a pivotal role as chairperson of the meetings. He maintained his neutrality throughout while moving the issues along." This facilitator, it will be recalled, was the senior official of the department who conducted the initial round of consultations in late 1994. He was an experienced labour relations policy expert who also knew his business. He tested what the parties could live with and served as a conduit for reaction and rapport.

■ *The balance between the interests of the parties directly affected and the larger public interest...can only be achieved when the government engages the public in consultations, adequate participation and, in this instance, in collaboration.*

Moving Toward a Task Force Report

While the Labour-Management Consensus Group was deliberating, the Task Force members were engaged in seeking the views of as many interested parties as possible across the country. These public consultation sessions began in October 19, 1995 and concluded on December 17, 1995 and were held in the cities of Halifax, Montreal, Ottawa, Toronto, Winnipeg, Edmonton and Vancouver. About 90 written submissions were received and some 50 groups and individuals made presentations at these sessions. In addition, members engaged in a series of informal meetings with interested parties, particularly industrial relations experts and academics, in order to hear the different perspectives and nuances.

As the deadline for the report, set by the Minister of Labour, approached it became apparent that this timeline could not be met. Another complicating factor was that the Minister of Labour released the report by the West Coast Ports Inquiry Commission. The Minister established this inquiry in response to a difficult industrial relations environment at West Coast ports. Since this report contained recommendations for legislative change, the Minister asked the Task Force to consider these proposals in the context of its mandate. As a result, the Minister of Labour gave the Task Force an extension of 45 days to complete its work and submit a final report by January 31, 1996. The final information bulletin dated December 18, 1995 outlined the salient facts and once again the Task Force solicited the input from interested parties on those recommendations of the Commission of Inquiry which involved legislative changes of general application. The Task Force also met with the key players of the Labour-Management Consensus Group, which presented its consensus report on legislative reforms.

On January 25, 1996 a new Minister of Labour assumed responsibility for the labour portfolio and received the Task Force report "Seeking a Balance" which was released to the public in February 1996. The participants in the Labour-Management Consensus Group indicated in the inter-

views that they were pleased with the Task Force report and recognized their contributions in the recommendations. There were no surprises, they were not caught off guard and there was a sense of ownership in what was being presented. In other words, the Task Force had made good on its undertaking to reflect the consensus achieved by the Group in its recommendations. Clearly, not all recommendations were embraced wholeheartedly but on the significant issues support emerged. They were ready to make their case to the Minister and pursue their vision of suitable reforms when the Bill was to be introduced in the House of Commons and in subsequent parliamentary committee hearings.

Consultations by the Minister of Labour and Bill C-66

The Task Force recommendations were now in the public domain and the new Minister of Labour wanted to assure himself which recommendations had wide spread support and which were politically sensitive. To accomplish this, the Minister held meetings across the country during April 1996 to discuss the report's recommendations with employer, union and business representatives. These ministerial consultations confirmed that labour and management in the federal jurisdiction supported the well-balanced approach and the overall recommendations of the Task Force.

On November 4, 1996 the Minister of Labour introduced Bill C-66 in the House of Commons outlining the legislative amendments for Part I of the *Canada Labour Code*. He noted that on several key issues, the Bill reflected the consensus reached by a working group of labour and management representatives during the consultative process. Through words and action, the government had acknowledged the collaborative efforts by the Consensus Group and included them in the Bill.

Before second reading the Bill was referred to the House of Commons Standing Committee for review and stakeholder consultations. The Committee reported back to the House of Commons on December 10, 1996, proposing some

■ *No party presented an unreasonable agenda and controversial issues were recognized as such and put aside.*

■ *A collaborative approach was created that empowered the parties to find solutions.*

amendments for consideration by the House. On April 9, 1997 Bill C-66 was passed by the House of Commons and was transmitted to the Senate for passage. While the Bill was awaiting third reading in the Senate, Parliament was dissolved because of an election call and the Bill died on the Order Paper. A new Minister of Labour reintroduced the measures as Bill C-19 in the House of Commons for first reading on November 6, 1997. The House passed the Bill on May 25, 1998 and Royal Assent was received on June 11, 1998. The timing for promulgation was again subject to consultation between the Minister and labour and management groups in the federal jurisdiction. The provisions of Bill C-19 were proclaimed in force on January 1, 1999.

Lessons Learned and Conclusions

It appears from this case study that policy-making and subsequent passage of legislation is an arduous and time-consuming undertaking. The policy review was first initiated in the fall of 1994 and some four years later the legislative changes were finally proclaimed in force. If the election had not intervened the time elapsed would have been shortened considerably. This delay is part of the democratic system. However, the purpose of the case study was not to investigate the efficiency of the legislative process but to illustrate the nature of cooperation and collaboration between government, labour and management in policy-making.

At the beginning of this paper it was noted that policy-making and the resulting legislative changes must strike a delicate balance between the interests of the parties directly affected and the larger public interest. This delicate balance can only be achieved when the government engages the public in consultations, adequate participation and, in this instance, in collaboration.

The purpose of consultation is to listen and to gather information from the public on the policy problem. Clearly, the Task Force, created by the government, engaged in consultation through its public hearings and its invitation for written submissions. However, the process went well beyond receiving information and listening. The

Task Force sought a partnership and collaboration with those directly affected. It informed labour and management in the federal jurisdiction that any consensus achieved on reform issues would “weigh heavily in its deliberations.” In essence, it went beyond collaboration and offered empowerment if the two parties accepted the challenge of working together to come up with solutions. The Task Force staff acted as enablers and facilitators of the Labour-Management Consensus Group.

It should be noted that the Task Force could not give any assurances that either the Minister of Labour or the government would accept any such consensus recommendations. However, the Task Force signalled early on in its mandate that it was seeking a balanced approach to reforms, balancing the needs of the parties directly affected and the wider public interest. All parties acted in good faith that in the final analysis was reciprocated by the Minister of Labour and the government by reflecting the key issues worked out by consensus in the legislative amendments. The credibility and acceptability of the Task Force’s balanced recommendations was reconfirmed by the ministerial consultations following release of the report.

The success of the Consensus Group may be attributed to a number of factors. In the first instance, respect and trust engendered a positive atmosphere for the deliberations. No party presented an unreasonable agenda and controversial issues were recognized as such and put aside. The key players were empowered by their respective constituents to speak on their behalf. The participants were all seasoned labour relations practitioners who knew their business and viewed the task as a problem-solving exercise. They respected the facilitator who in his neutral role enabled the parties to move forward. It cannot be discounted that the personalities involved were a significant contributor to the success of the Consensus Group.

To the participants in the Consensus Group, this initiative provided an opportunity to shape the recommendations and the subsequent legislative amendments that employers and unions have to work with in

their daily interactions. They credited the vision of the Task Force for engaging in a consensual approach, recognizing that the parties themselves have to buy into the changes rather than having change imposed on them. The Minister of Labour acknowledged the significance of the process and introduced legislation embodying the key issues resolved through consensus. The two parties also noted that the 'neutrality' of the Task Force members enhanced the credibility of the process. On the whole, professional rather than political considerations were critical in resolving the issues. In short, a small professional Task Force with a tight timeframe relied on the consensual approach using labour relations practitioners from unions and employers to

achieve results. By engaging key stakeholders it ensured commitment in the outcome.

This case study illustrates how successful policy-making can incorporate or benefit from a successful participation process. Consultation is only one aspect in the process, which generally involves information gathering and listening to interested parties and the public. It was shown that in this case, the process went well beyond this basic approach to participation. Through the establishment of the Consensus Group a collaborative approach was created that empowered the parties to find solutions. This partnership created a shared responsibility in the process and built an ownership in the resulting legislative changes.

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■ *Developing and implementing successful human resources strategies requires the cooperation of all stakeholders.*

■ *The process encourages an understanding of all points of view, helps clarify agreed upon problems and key concerns, builds consensus, and most importantly, results in concrete actions.*

CANADA

Area	9,221,000 km ²
Population:	30,290,000 (1997)
GDP per capita:	20,389 (\$US, 1997)

Economic growth in Canada strengthened in 1997, owing in large measure to the sustained decline in interest rates and improved confidence made possible by the government's success in deficit reduction and in keeping inflation low. With unemployment at its lowest level in 8 years, the financial balance continues to run a surplus and domestic demand has remained firm. The surge in job growth in 1997 translated into 372,000 jobs being created.

THE SECTORAL APPROACH: THE SECTORAL PARTNERSHIPS INITIATIVE

Zeinab Farah

Preface

The following case study provides an overview of the Sectoral Approach featuring Sector Councils, a major Canadian innovation in forging partnerships between labour, business, governments, educational institutions, and other professional and interested groups.

Since 1993, the Sectoral Partnerships Initiative has been delivered through the Human Resources Partnerships Directorate of Human Resources Development Canada.

To demonstrate how the Sectoral Approach works in practice, Sector Councils in three industries will be illustrated; namely, textiles, seafood processing and steel.

PART I—SECTORAL PARTNERSHIPS INITIATIVE OVERVIEW

SPI Background

The Canadian economy is constantly changing. Increased global competition, rapid and continuing advances in technology, shifting labour force demographics, and changing public policies are just a few of the forces behind the evolution of how industries must now do business. As this environment increases in complexity, it becomes imperative that industries optimize the potential of their human resources. Developing and implementing successful human resources strategies requires the cooperation of all stakeholders. The sectoral approach brings stakeholders

together, providing them with a forum to analyze their human resources challenges, and encourages them to develop and implement the human resources strategies they need to remain competitive.

In 1989, the federal government announced the new Labour Force Development Strategy, recognizing the need to create a training culture within Canadian industry, evolve true partnerships with the private sector and increase private sector ownership and investment in training including the development of occupational standards. Building on this Strategy, in 1992 the Sectoral Partnerships Initiative (SPI) was launched to create partnerships with the private sector to deal with human resources issues on a national, sectoral basis.

The Initiative builds on the federal government's long history of working with sectors through the Industrial Adjustment Service (IAS) program, which has been in place since 1963. The IAS program was designed to help employers and workers address downside adjustment issues such as factory closures and layoffs. Through a consultative process, employers, workers and government identified and agreed on issues and problems their particular workplace or industry was facing. This, in turn, enabled them to arrive at possible solutions. The program, however, did not provide a reasonable foundation for continuum where actions would be followed up upon.

■ *A Sector Study is a human resources diagnostic study which identifies issues, problems, and challenges faced by an industry.*

■ *The federal government (HRDC) assists Sector Councils by providing information, expertise, and start-up funding for their operation.*

The SPI offers a more comprehensive approach in addressing human resources issues, from developing occupational standards to determining national strategies to attract new entrants into the industry. The Initiative provides a process whereby all players and stakeholders work collaboratively to change their behaviour in the area of human resources development and practices. The process encourages an understanding of all points of view, helps clarify agreed upon problems and key concerns, builds consensus, and most importantly, results in concrete actions and implementation activities to solve these agreed upon problems.

The SPI strives to achieve five key objectives: improve human resources development; enhance the role of industry in resolving human resources issues; encourage the development of workplace relevant education and training systems; promote inter-provincial mobility; and, facilitate informed career and educational choices and successful school to work transitions.

To arrive at these objectives, the Initiative operates within several guiding principles:

- All activities are driven and owned by the industry. The industry is the expert and in the best position to determine its needs and appropriate solutions. The industry's involvement and commitment is crucial for success.
- The government acts as a catalyst and facilitates the process by: providing a forum for creating alliances between stakeholders; providing expertise and advice on a range of topics such as labour market and career; and, promoting and co-funding specific activities with sector groups.
- Solutions are determined by consensus and collaboration between the various stakeholders.
- Each industry may be different, and unique intervention will result in unique solutions.
- All activities are national in scope.

The Initiative is not a rigid model but rather a roadmap. It is flexible in application and can adapt to the varying needs of

industry and yet adhere to its core fundamental principles and objectives. The SPI process (illustrated in Appendix A), although made up of various phases, primarily builds on three critical phases: the formation of partnerships, the completion of a human resources sector study and the formation of a Sector Council.

SPI Process

Phase 1—Formation of partnerships

In order to ensure issues faced by an industry are examined in a comprehensive manner, all key stakeholders must be involved. Representatives from labour, business, governments, educational institutions and other professional and interested groups are brought together and this exercise frequently results in building on already well-established partnerships. If representatives are ready to proceed with a Human Resources Sector Study, phase two can take place. If not, preparatory work is undertaken. This can include for example, some initial data development and collection, further consensus-building regarding the need to proceed with a Sector Study, or clarification of outstanding issues affecting consensus.

Phase 2—Sector Study

Once consensus is reached to proceed with a Sector Study, a Steering Committee is established. Its composition could be the same as in Phase 1 but it is more formal and can be altered to ensure all appropriate stakeholders are represented. Under the direction of the Steering Committee, a Sector Study is completed as a first step towards identifying those actions a sector needs to take to improve its human resources. A Sector Study is a human resources diagnostic study which identifies issues, problems, and challenges faced by an industry. More specifically, it examines current and future employment and occupational patterns, technological changes, skills and training requirements, training and recruitment practices, industry image, employer and employee relations and workforce demographics (for Sector Study process refer to Appendix B). These

■ *The textile industry is a capital-intensive industry with world class technology and production capability offering solid, long-term career opportunities.*

findings are compiled into a final report which includes industry-developed recommendations stating what strategies and developments need to be undertaken.

A sector study can lead in many directions. It can provide information for individual employers or unions to put to use at the corporation, union or workplace level, or it can help address specific issues. The key importance of a Sector Study is its focus on forward-looking analysis. It provides an industry with a clear picture of where it is heading and what concrete actions it needs to undertake to prevent future human resources problems and to determine solutions to deal with the current challenges. In many instances, one of the Sector Study's recommendations is the establishment of a Sector Council. Depending however on industry's needs and preferences, informal working groups can be formed to address specific or ad-hoc issues without pursuing a Sector Council formation.

Phase 3—Formation of a Sector Council

A major Canadian innovation and a key feature of the SPI is a Sector Council. A Sector Council is a permanent national organization, legally incorporated, which brings together representatives from business, labour, government, education and other professional groups. The Council provides a neutral forum to collaboratively and comprehensively analyze and address sector-wide human resources issues determined through consensus with all key stakeholders.

A Sector Council provides an infrastructure necessary for long-term sectoral human resources planning. It builds on the partnerships and consensus on recommended solutions forged through the sector study process, implements them and carries them to a higher level. To date, 25 sector councils are in operation in Canada (refer to Appendix C).

The councils are extremely diverse. They extend from well-established industries, while some mark the increasing professionalism in occupational groups and others focus on skill needs that extend beyond

the Canadian economy. Although most Councils are industry-based, some are cross-sectoral dealing with specific groups or occupations that spread across number of industries. As an example, Women in Trades and Technology is a Council that is dedicated to promoting and helping recruit, train and retain women in trades, technology, operations and blue-collar work. Further, all councils have a strongly national basis. Some councils may tend to have a more regional focus due to the geographical concentration of their industry, but they are still national. Every Council is different because every sector has its own needs and organizational realities.

While Sector Councils share the common goal of developing and improving human resources in their sectors, they vary in organizational structure (for general structure refer to Appendix D) and activities according to the particular needs and characteristics of their sector. Sector Councils' agendas and activities are not imposed by the government or by a dominant stakeholder, but rather are determined through the gaining of consensus among all key stakeholders; this results in forging strong links between participants. The federal government (HRDC) assists Sector Councils by providing information, expertise, and start-up funding for their operation.

Generally, Sector Councils pass through two phases, a developmental and an operational phase (see Appendix E). Upon completion of the operational phase, Sector Councils are expected to become financially self-sufficient with respect to their administrative costs.

Although all Sector Councils have labour-management representation, the actual mix of business, unions, national and trade associations, educational institutions and worker representatives varies across sectors. It is critical to have a representation and a strong buy-in of stakeholders and employers who represent large segments of the labour force. This is instrumental to a Sector Council's survival as an organization, as well as in ensuring maximum capability to identify and address human resources issues.

Sector Councils can engage in the following concrete human resources activities under the following SPI components and implementation activities: national occupational analyses and standards; skills enabling; career and occupational information; essential skills; prior learning assessment and recognition; and youth initiatives (see Appendix F for a description of these activities). Which activities Sector Councils decide to undertake depends on their industries' needs. As was mentioned earlier, SPI is not a linear model and by referring to Appendix A, it is clear that an industry or a group of stakeholders do not necessarily need to pass through the three phases just described. In cases where industry stakeholders have a strong commitment and are fairly well organized nationally, they can directly become involved in SPI components and implementation activities at any time during the process. As well, further actions can be discontinued at any time a sector deems necessary.

To demonstrate how the SPI is applied in practice, the following section will highlight examples of three industries where the sectoral approach was used and Sector Councils were established, namely textiles, seafood processing and steel. These examples will show how each industry, although diverse in terms of factors such as technology, market competition, economics and human resources issues, passed through all three phases just described. At the end, it is interesting to see how each sector developed unique solutions to meet their specific needs.

PART II—INDUSTRY EXAMPLES

Textile Industry

Background

The textile industry includes companies producing textiles which are used by about 150 Canadian industries ranging from apparel and home furnishings to transportation, health care and environmental protection. It is a capital-intensive industry with world class technology and production capability offering solid, long-term career opportunities. A substantial

portion of the industry is unionized and currently employs approximately 56,000 people (46% are women) in some 1,100 establishments. One job in the textile industry creates 1.65 jobs in other industries. The industry is concentrated in Quebec and Ontario.

The industry has gone through a major restructuring in the past decade. Following the North American Free Trade Agreement (NAFTA) and the Canada and United States Free Trade Agreement, the industry has invested heavily and is exporting at unprecedented levels. Driven by new materials and process technologies, increasing demands for quality, globalization of trade and opportunities for export have had impacts on human resources as well as market operations. To maintain viability, Canadian textile producers have had to adopt aggressive strategies. They have aimed at achieving productivity gains through modernization by incorporating leading technologies at all levels of textile production. Today's textile industry is one of the leaders in introducing world class innovations, using state of the art robotics and computerized equipment.

However, currently, one third of skilled textile workers are close to retirement age, and it is expected that over 200 supervisors and managers will retire each year over the next decade. Until recently, there was only one college in Canada that offered textile training, as a three-year French-language program at a CÉGEP in St. Hyacinthe, Quebec. Canadians from other provinces in Canada had two choices, go to Quebec or the United States of America (U.S.A.). This resulted in limited sectoral opportunities for training new entrants for the highly skilled jobs within the industry or for upgrading the skills of existing workers. Consequently, some firms were forced to recruit overseas or in the U.S.A. from polytechnic universities and technical schools.

Partnerships Formed

After extensive consultations throughout the industry, employer and employee representatives recommended creating a permanent labour-management body to help the

■ *The Textiles Human Resources Council (THRC) is jointly led by employers and employees, and brings together producers, suppliers, unions, government and educational institutions.*

■ *Four educational institutions, including one from the United States, have come together in partnership with the Council and government to design and deliver the program.*

industry achieve its human resources goals. The Textiles Human Resources Council (THRC) was created in 1994. The Council is jointly led by employers and employees, and brings together producers, suppliers, unions, government and educational institutions.

The Council builds on a long history and strong relationships between labour and management. After the NAFTA and Free Trade agreements, and with new markets and rapid technological change, the relationship between labour and management has remained a cooperative one where each side works together in a partnership in developing human resources strategies.

The Council is dedicated to upgrading skills, providing technical training, developing a training culture within the industry and promoting better understanding of the textile industry.

Strategies Undertaken

In 1996, a sector study was completed. The following major human resources issues were identified:

- redefine occupational skill needs;
- improve recruitment by improving the sector image in the eye of Canadians;
- promote and develop a learning culture; and
- facilitate training across the industry.

In response to these needs, the Council is bringing forward creative and practical initiatives to improve skill levels in the textile industry. Under various multi-partite partnerships, several training programs are being sponsored by the Council, such as: the Textile Workplace Competencies project to produce national occupational profiles which will serve as a basis for curricula development and will result in standardized training programs such as technical training for Textile Machine Specialists.

Adrian Spoerry, President and C.E.O. of Hafner Inc. and Co-Chair of the Council, described the importance of the role played by the Council as follows: “Partnerships with government, leverage for funding, an employee-management perspective, a collective effort to improve the image of the industry and innovative responses to our

industry needs—these are all advantages that the Council has brought to the scene.”

Roger Normandin, President, Fashion Sector, Consoltex Inc., summarized the work of the Council and the impact it has made on the industry as following: “...One tiny sectoral council galvanized its growing membership into quite an amazing set of innovative, industry-responsive training and education programs... the Canadian textile industry itself has become an industrial phoenix, adapting itself to meet global competition head-on, thanks to the dedication, hard work and flexibility of its workforce, and the confidence and vision of owners and managers.”

To help illustrate how some of the human resources issues identified in the sector study were resolved, the following section will briefly describe three of some of the innovative programs and activities, the Textile Management Internship Program, the National Textiles Week and Essential Skills Project. All these were agreed upon through a consensus building process.

Textile Management Internship Program

To resolve the pressing need to have textile specific training and to address the future growing demand for managers and other professionals, the Textile Management Internship Program (TMIP) was developed. Four educational institutions, including one from the United States, have come together in partnership with the Council and government to design and deliver the program.

Each partner had a valuable contribution to make based on their expertise. The Council, with the assistance of HRDC, developed and set the parameters of the program. The industry had influenced the curricula content by stating what it expected of graduates. Because of its excellent training program, the College of Textiles of North Carolina State University (U.S.), with industry’s participation, guided the development process of the textile curriculum, and initially made some of its professors available for course delivery. The McMaster University School of Business delivers the management part of the program. The Mohawk College Faculty of Engineering

■ *All important program decisions, including those related to curriculum, instructors and students, are being made with the full participation of textile industry representatives.*

Technology with participation of the CÉGEP of St. Hyacinthe, delivers the textile part of the program.

The program began its first classes in May 1998 and it is the first and the only English-language textile manufacturing and technology education program in Canada. This is a major milestone for the Canadian textile industry and it marks an important step towards meeting a particular need of the industry. This intensive one year program is designed to prepare science, engineering or technology graduates for managerial and professional positions within the textile industry.

Critical to the success of this program is the continued involvement of industry partners. Industry is providing considerable financial and in-kind support and is paying the students during their on-the-job training sessions. All important program decisions, including those related to curriculum, instructors and students, are being made with the full participation of textile industry representatives.

Bill Muzak, Factory Manager, Firestone Textiles Company, had this to say: "The program provides a very convenient way to find technically well-educated people with an interest and some training in the textile industry."

Jim Warnock Jr., Chief Operating Officer, Tiger Brand Knitting Co. Ltd. commented on the TMIP student's performance during their work placement term, that: "We are extremely encouraged by the high level of enthusiasm and ability of the students... they have taken a hands-on approach and made themselves feel part of the team."

National Textiles Week

In order to improve recruitment and the textile industry's image, the annual National Textiles Week was conceptualized in 1996. It is an innovative community-based activity, highly supported and sponsored by industry and unions, and involving the general public. The Council develops promotional material, and about 40 companies, unions and organizations in the textile communities across Canada sponsor activities and special events. For

example, companies conduct plant tours or give employee awards, display their products in shopping malls, give presentations in schools, conduct essay contests and sponsor particular activities and events at the national human resources conference which launches the special Week each year.

This event also attempts to resolve some of the issues raised by John Alleruzzo, Canadian Director, Union of Needletrades, Industrial and Textile Employees, in the following statement he made: "There is a good deal of confusion about our industry among people who don't understand textiles—about the industry's future, its new technology, and employment prospects. We have a responsibility to give them the global picture of Canadian textiles as a major economic contributor."

The National Textiles Week has proven to be a cost-effective method of promoting a positive image of the textile industry nationally and within local textile communities. Further, greater visibility is generated for the Council and young people are attracted to the career opportunities in the industry.

Essential Skills Project

The Essential Skills project is based on the sector study recommendation that a significant segment of the textile workforce needs more training in essential skills, such as literacy, numeracy, computer skills, problem solving and communication. Since 1996, the Council has undertaken several projects to assess existing essential skill levels and training of workers within the industry. As well, these projects were intended to create an awareness of the importance of essential skills to bottom line success.

The Council is working with three of industry's largest unions to develop, promote and coordinate programs which address the need for essential skills. Large trade associations, school boards and suppliers are partners in Essential Skills, as well.

The expanded partnership has helped cultivate and support the essential skills concept which tends to be often misunderstood. As a result, the industry is increasingly recognizing the importance of a solid essential skills foundation as a key

■ *The National Textiles Week has proven to be a cost-effective method of promoting a positive image of the textile industry nationally and within local textile communities.*

■ *During the developmental and implementation phases of various initiatives, it was evident how significant the partnership approach is.*

to the acquisition and use of new technology and as the basis for other training. The industry has made it the number one priority.

Several initial training sessions have been tailored to industry needs and at present, there are five companies participating in the pilot project involving 332 volunteers, out of which 198 are being trained.

Through this project, for example, a committee at Coats Patons' company in Toronto, investigated the educational needs of its employees and developed a strategy and plan for involving employees. With the Council's support, the Committee is now developing appropriate training programs.

Lessons learned

There were no serious barriers or conflicts to overcome during the activities described above. Only when the Council tried to explain to industry senior management that they had essential skills problems, was it not well received initially and partnerships were not easily created. The Council, however, recognized the importance of "speaking the industry language" when promoting an initiative such as this which tends to be easily misunderstood, as well as in other instances when industry buy-in is being sought.

In the case of the Essential Skills project, the process of forming partnerships was lengthy and in some cases required effort to bring all partners on side. Through one-on-one meetings with Chief Executive Officers (CEOs) and industry events such as the Conference and the National Textiles Week, the Council and the Board members who acted as champions managed to foster a buy-in. The lesson was that it takes time and resources to build partnerships and to allow segments of industry to come to a realization that a problem needs to be addressed.

Another lesson learned which is shared among all Councils in other industries has been stated by Roger Normandin, President, Fashion Sector, Consoltex Inc., as: "Our Council's strength is that by working cooperatively, we can do what no individual company or union, and no single level of government, could do alone."

During the developmental and implementation phases of various initiatives, it was evident how critical it is to have senior representation as "champions" and how significant the partnership approach is.

Outcomes

Joint efforts and cooperation of multi-partite partnerships which are industry led, have clearly rendered themselves fruitful. The Textile Management Internship Program is the only textile education program of its kind in English Canada. It is helping generate potential future managers possessing skills required for today's competitive market and meeting specific demands by the textile industry. The National Textiles Week and the Essential Skills Project are further evidence of how the collaborative and sectoral approach can be pragmatic and instrumental in dealing with key human resources issues within the industry.

These and future activities coordinated through the Council will ensure all key human resources issues are dealt with in a systemic and strategic manner, placing industry's needs first.

Seafood Processing Industry

Background

The seafood processing industry involves converting fish into consumer products. There are over 1,000 fish plants in Canada, employing approximately 35,000 people, of which more than 50% are women. It is a highly export-driven industry, exporting more than 80% of its products. A well-trained workforce is therefore essential to remain competitive in a global market. Further, it is a seasonal industry and mainly concentrated on the east and west coasts of Canada. Companies operate under a regulatory environment and employees are required to handle a wide range of species. These diverse characteristics pose a challenging demand in the management and development of human resources.

During the 1980's, Canada enjoyed the distinction of being the world's largest exporter of fish products. By the 1990's, there was a sharp decline in the groundfish industry in Atlantic Canada, then in salmon

■ *Employers tended to perceive skills in the fish processing as easily-acquired, therefore not requiring much formal training.*

■ *Training programs must be compatible with characteristics of the industry, and should be designed around particular skill sets.*

■ *Issues identified in the study were translated into concrete initiatives such as the development of occupational standards, skill sets, curriculum, essential skills and training programs.*

stocks on the west coast and finally in the availability of supply of other fish species. Then, the United States (U.S.) and the European Union introduced a mandatory Hazard Analysis Critical Control Point (HACCP)¹ protocol for all domestic producers and importers of seafood. These events have challenged the industry and have created an urgent need to respond to human resources adjustment issues.

In addition, little training was in place, partly because of the industry's seasonal nature, but also because of time, cost and access issues regarding the development and delivery of training. Much of the training has been informal and on the job. Employers tended to perceive skills in the fish processing as easily-acquired, therefore not requiring much formal training. The industry has, however, undergone a period of significant change in production-related skills and gaps in existing knowledge and skills have been identified.

Partnerships Formed

As a response to the challenges described above, the National Seafood Sector Council (NSSC) was established in 1995. It is a unique partnership, bringing together employers, employees, unions, associations, government, regulatory agencies and training centres to work toward one common goal: a strong, prosperous seafood processing industry created by a well-trained and productive workforce.

The Council has benefitted from a strong relationship between labour and management. Since it is a highly unionized industry, the decision making is undertaken through voting and consensus building. This combination usually works well, but where consensus cannot be reached, proposed actions are dismissed or set aside for reconsideration at a later time.

Strategies Undertaken

In 1995, the Council undertook a major sectoral human resources study in order to obtain an analysis of its industry's training

needs. A number of significant human resources issues facing the industry were identified, including the need to:

- increase overall training in the industry;
- develop industry specific national standards and curricula for skill sets in a variety of occupational areas;
- respond to technological change;
- develop literacy and numeracy training; and,
- develop industry specific safety and occupational training and education.

The study also noted that training programs must be compatible with characteristics of the industry, and should be designed around particular skill sets, rather than occupations, and be modular in nature, to provide a high degree of flexibility in design and delivery. This, in turn, would address employers' concerns regarding time and cost of training. This forward looking analysis provided the industry with confirmation of a real need to act upon these issues and needs, and provided the much needed direction on training.

Next, under the continued multi-partite partnership, industry's priorities were determined and became part of a strategic framework. Based on these priorities, issues identified in the study were translated into concrete initiatives such as the development of occupational standards, skill sets, curriculum, essential skills and training programs. The following section will describe two of the several innovative and successful programs, the Quality Management Program (QMP) and the Youth and Science Technology Internship Program.

Quality Management Program Revised (QMPR)

In 1992, prior to the establishment of the NSSC, the Canadian government and the fish processing industry developed and implemented the Quality Management Program (QMP). The program's purpose was to ensure industry's standards of practice were properly implemented in fish

¹ Hazard Analysis Critical Control Point—guiding principles which set operational standards for processing and production procedures.

■ *“We need to arm ourselves with the skills and knowledge necessary to maintain and improve our reputation with international buyers and in order to compete successfully.”*

■ *Employers are starting to realize the benefits of a well-trained workforce.*

■ *Some of the lessons that labour and management representatives have learned were how critical it is to focus on common issues and yet respect regional differences.*

processing plants. Its introduction represented the first time that five of the seven principles of the Hazard Analysis Critical Control Point (HACCP) inspection system were incorporated in a mandatory food inspection system. This was a critical step for the industry to remain competitive in a global market. Indeed, this program has served the industry well and has kept Canada in a leadership role.

However, in spite of Canada's long standing international leadership role in processing controls and fish inspection, with the introduction of the U.S. and the European Union inspections' new protocol, Canada had to develop up-to-date training which would address all seven HACCP principles. With the Council's leadership, new partnerships were created to develop standards and curriculum for the revised QMP. The program's modified new name became a Quality Management Program Revised (QMPR). The new partnerships involved educational institutions, the federal government, regulatory agencies and the Sector Council which includes representatives and experts from within the industry.

The QMPR builds on the original program and encompasses the new legislative requirements. A series of courses were developed. They are short programs (one to two weeks) and participants receive certificates for successful completion. As a result, employers and employees across the industry receive training to become familiar with the QMPR, they learn the seven HACCP principles and how to implement the new system in their plants. More than 2,000 industry members have participated in the QMPR training to date.

The following statement on the HACCP training by Kathleen Barber appeared in the Seafood Trainer, A Publication of the National Seafood Sector Council: “We need to arm ourselves with the skills and knowledge necessary to maintain and improve our reputation with international buyers and in order to compete successfully.”

An employee from the Canadian Department of Fisheries stated that: “The QMP will continue to be the Canadian fish products passport to the international marketplace.”

Sally Cave of B.C. Packers reflected that: “I sincerely believe companies can only profit in the long run by sending employees to some, if not all, of the courses that NSSC program will have. ...Workers who are well-informed in sanitation and hygiene take more pride in themselves and, in turn, would soon reflect it in their workplace.”

The following workplace example illustrates a specific, positive outcome in connection with HACCP implementation.

Workplace Example: A Small Company in New Brunswick.

A small company in New Brunswick redesigned its entire plant to meet the standards set by the HACCP. During this process, the employer had to look at the plant's overall operation and how it could become more efficient. As a result, the plant's final re-engineered design not only met the new operating standards, but also extended the company's operation beyond its usual season. This was unexpected and thereby generated more business and revenue. Employees took various training courses offered under the QMPR and became more knowledgeable and efficient in their new working environment. Employees saw this as a positive step on their employer's part and they felt valued. The other benefit realized by employees was that this training allowed them to transfer their skills to other companies, regions, as well as, other industries during seasons other than those typically associated with seafood processing.

Youth & Science Technology Internship Program

The purpose of this program is to stimulate employment for young Canadians in the seafood processing industry. A major component is to provide an opportunity for young and under-employed graduates under age 30, in the fields of science and technology, to obtain short-term or long-term employment experience in their field of study.

The program is considered quite successful, although many were initially skeptical. The main concern was in getting employers to come forward and offer positions in their companies to young students for the purpose of training. In 1997, the first year that the program was launched, 22 students were hired. Although, the number seems relatively low, it is quite significant and considered a milestone in an industry where

there has been little support for training in the past. This program illustrates how industry employers are slowly starting to realize the benefits of a well-trained workforce, and in this instance the value of these young students who bring the knowledge of the latest technology and expertise to the job.

Karen Yeung, Intern at Fjord Pacific Marine Industries, Richmond, British Columbia, stated that: "...The National Youth Science and Technology Internship program has not only allowed me to set foot into the food industry, it has allowed me to specify my interest in seafood products. As seafood is a live and controversial product that is rapidly changing, I must adapt myself to the products and procedures at hand. This has been the most rewarding part of the job."

Greg Hardy, Manager of Quality Assurance, Fishery Products International Limited, St. John's, Newfoundland, stated the following about an intern: "...in large part to our intern, Janice King's direction and dedicated hard work, we are in the final stages of most of our HACCP/QMPR plans...Janice is becoming more comfortable and more independent in this position every day and is proving to be a real asset to our corporate Quality Assurance department."

Lessons learned

Some of the challenges that the Council experienced were in initial partnerships with educational institutions. It was a new way to conduct business for the educational institutions and they were somewhat hesitant in their response to industry's needs. Their long and credible history in designing and setting curricula has caused them to have a tendency to be the "driver." They were not used to working in an environment with other players, where each partner contributes toward a common goal. It became a "push and pull" process, and it took time and effort to coordinate the process and build consensus. In spite of this, the Council successfully demonstrated to these institutions how such a multi-partite process would benefit all parties in the end, and how, by drawing on every partner's expertise, their common goal would be

realized. As the working process progressed, the working relationships became more efficient, and each partner understood its role. In the end, all stakeholders were satisfied, excellent courses were developed, colleges ended up with unexpected revenues and industry received appropriate and timely training.

When one of the courses was successfully piloted, the partnership's dynamics were enhanced as colleges saw how classes rapidly filled with students. The "what's in it for me" phenomenon was realized.

Some of the lessons that labour and management representatives have learned were how critical it is to focus on common issues and yet respect regional differences. Another lesson learned was that timing of course delivery is a particularly important factor in the seafood processing industry because of its seasonal nature.

Outcomes

The collaborative work of various stakeholders during the developmental and implementation phases of QMPR, HACCP and other courses, and with the Youth and Science Technology Internship Program, has resulted in concrete and successful outcomes. These initiatives were innovative, timely and specific to industry's requirements. Some of these innovative initiatives have directly contributed to the industry's ability to maintain its world class leadership role. Expanded partnerships have minimized the time and resources required to develop such programs. Finally, under multi-partite partnerships, human resources development practices in the seafood processing industry are being standardized, and key issues and problems are dealt with systemically.

Steel Industry

Background

The steel sector includes all steel making and manufacturing companies with melting capacity in Canada. It is a highly unionized industry (almost 80% of the workforce), employing approximately 70,000 workers.

The steel industry provides a very important market to many industries ranging from

■ *Due to increased competition in the industry, restructuring and retraining of the labour force has become the major issue.*

■ *All of the Canadian Steel Trade and Employment Congress's programs and services have been delivered through joint labour-management committees.*

■ *Peer counselling helps laid-off workers to accept their situation, give them focus, and deal with their situation in a proactive manner.*

packaging and appliances to auto parts, transportation and residential construction. It is interesting to note that one job in the steel industry contributes to roughly four jobs in the supplier, consumer and support industries; quite a major impact. It is because of Canada's strong steel industry that automotive companies and auto parts manufacturers are located in this country. It is also a highly export-oriented industry, exporting 40% of its production.

Due to increased competition in the industry, restructuring and retraining of the labour force has become the major issue. In the 1980's, the steel industry experienced a traumatic downsizing of its workforce. Approximately 30% of its direct steel employment was lost and 15,000 workers were permanently laid-off.

At the same time, technological change has been accelerating and plants have started to use new steel making technology, computerized control systems and statistical quality monitoring. These factors had a significant impact on the occupational and skills mix in the steel industry.

Partnerships Formed

In response to these pressures, the Canadian Steel Trade and Employment Congress (CSTEC) was established in 1986 as a joint venture between the United Steelworkers of America and Canada's steel producing companies. Its mandate was to promote joint research, lobbying and education efforts on steel trade issues. A year later, the mandate was expanded to provide adjustment services to permanently laid-off workers. In 1992, the mandate was once again expanded to include training for the current workforce.

Prior to the establishment of CSTEC, the relationship between labour and management was restricted to collective bargaining. There was little cooperation or collaboration between labour and management on other issues such as training and adjustment. Further, there was no industry working group or organization devoted to human resources issues in a strategic or permanent manner. The creation of CSTEC provided a good and opportune basis for

the labour-management relationship to transform into new areas.

Strategies Undertaken

Training and retraining were recognized as a central strategy for dealing with the consequences of technological and global economic changes.

All of CSTEC's programs and services have been delivered through joint labour-management committees that are co-chaired. At the national level, CSTEC activities are directed by its Board of Directors and two committees. The Training and Adjustment Committee is responsible for setting and updating overall policies and guidelines for the Worker Adjustment and Skill Training Programs, while the Trade Committee looks after trade issues. At the local level, the Congress operates Local Adjustment Committees and Local Training Committees. They are responsible for tailoring the programs to meet local needs and for administering them locally. Essentially, these committees are the Congress' "sounding board" and the "innovative hand."

The decision making process used was less of a consensus building one and more of a "give and take" process. Generally, all innovations benefited all parties even though it may have not been evident at the onset of initial decisions. With the contributions of multi-stakeholder partnerships, the following two major programs, the Worker Adjustment Program and the Skill Training Program, have been extremely successful and generated some impressive results. The following section describes them:

1. Worker Adjustment Program

In 1988, the Congress initiated, with the assistance of the federal government (HRDC), its unique and innovative sector-based Worker Adjustment Program. Its primary goal was to improve the skills, adaptability, confidence and employability of permanently laid-off workers in the steel industry. The program has proven effective, cost-efficient and continues to operate today. Whenever a plant shuts down or workers are laid off, a Local Worker Committee is established at the affected plant. To date, 82

■ *“The most striking difference in training as a result of the Skill Training Program has been the way decisions are made. The inclusion of workers’ perspectives improved the quality and effectiveness of training.”*

such committees have been created. The advantages of on-the-location committees are evident: both employers and workers are able to deal directly and more effectively with issues specific to their situation; and, solutions are closely tied to their immediate needs. These committees report back to the National Training and Adjustment Committee on which mechanisms and interventions worked best and which were not so favourable. This enables future committees to learn from best practices.

Under the Worker Adjustment Program a number of innovative services have been developed such as peer counselling, seminars on re-employment, training referrals and job placement using the National Job Bank. A range of one to three-day foundation and technical courses, has also been developed. Because of their transferable nature, many of these courses are now being delivered in other industries and countries, generating revenues for the Congress.

Peer counselling has proven to be very successful and a critical innovation. It is a one-on-one counselling tailored to meet the specific needs of affected individuals, to help them determine options for their career and training plans. Since people deal with the trauma of losing a job in different ways, peer counselling is also very effective in dealing with the emotional state of laid off workers. On one hand, some can fall into a deep depression and give up on their future. On the other hand others may just require simple assistance in finding a job. Peer counselling helps laid-off workers to accept their situation, give them focus, and deal with their situation in a proactive manner.

In the past, 60 to 65% of individuals used to get involved in long-term training, whereas now this number has dramatically dropped to 20%. This has been achieved through an effort of a National Job Bank and the creation of increased modularization of courses which allows greater flexibility and efficiency in terms of time and costs. Now, workers have more options and experience has shown they prefer to engage in short-term training.

The following testimonials highlight the

positive impacts the Worker Adjustment Program has had:

“During the last three years we have utilized CSTEC’s Worker Adjustment Program as a model for the Dofasco Transition Assistance Program....With the assistance of CSTEC and the efforts of our Dofasco Team Members we have achieved a 97% client re-employment rate.” Glenda Groswenor & Mark Djukic, Dofasco Transition Assistance Program.

“The closure of Sidlec Dosco (Ispart) Inc. in 1995 was a very difficult thing to accept. CSTEC made this time easier, ...provided not only myself, but the entire staff of Sidbec with individualism.... It was very hard to find a sound job by myself and with your help, I found it.” Mario Jose Camara, Etobicoke Works Adjustment Committee.

The National Job Bank has included the development of a National Database of laid-off workers, employers and job vacancies. To date, the database consists of close to 7,000 on-going employer contacts. This helped to generate impressive re-employment results. Out of 15,000 laid-off workers, 89% have been re-employed.

These innovations can be largely attributed to Local Worker Adjustment Committees and they are successful because they are created directly in response to “real” needs. Between 1988 and 1999, it provided services to over 87% of laid-off workers, enabled 90% of participants to complete their training, and helped 89% of laid-off workers find new jobs, in most cases with comparable wages.

2. Skill Training Program

After seven years of positive experience with the Worker Adjustment Program, there was a need for the industry to look at ways to improve the skills of the current workforce. Employers were concerned about productivity and unions worried about the quality of workers and the recognition of more employable skills. To resolve these concerns, in 1992, the Congress began working with 20 colleges and CÉGEPs in steel-making communities across Canada to develop a very unique and innovative Steel Industry Training

■ *The sectoral approach effectively facilitates the forging of partnerships between key stakeholders, and labour-management relations tend to improve under such multi-partite partnerships.*

■ *Sector Councils can be regarded as a permanent response to human resources issues.*

Program. It was a cost-shared program between the steel industry and federal and provincial governments.

Because of its competitive nature, it was difficult for some of the partners in the steel industry to recognize common training needs. Further, forming partnerships was initially difficult and challenging because of a lack of trust. Nevertheless, partnerships were very important if success was to be realized. The inclusion of colleges was important not only because of their academic knowledge, but to achieve efficiency in developing the courses. This provided an opportune milieu for industry to get educational institutions to recognize that training needs are primarily generated by industry. Finally, colleges did not and would not have had the expertise and resources to develop such courses on their own.

This expanded partnership has benefitted all parties. One-third to half of the cost that otherwise would have been spent, has been saved. Colleges generated additional revenues and the steel industry received relevant and in-time training tailored to its needs. These courses also receive college level credits, which can be used in further skill upgrading and can be transferred for credit to other colleges. To date, 40 modularized and short-term courses have been developed.

Here is what was stated in a project evaluation by Ekos Research and Associates: "For many plants, the most striking difference in training as a result of the Skill Training Program has been the way decisions are made. Both labour and management participants ...agreed that the inclusion of workers' perspectives improved the quality and effectiveness of training."

As a result of these innovations, overall training has doubled.

Lessons learned

One of the lessons learned during these activities was that initiatives must be driven by a "real" need. Even though many ideas can be generated, only those truly needed by industry are valuable. As well, it has been recognized that nothing can be forced on anybody and initiatives must be agreed upon through understanding and consensus

building. It is essential to broker and innovate to satisfy all partners' needs.

There are four effective strategies the Congress has recognized and deemed to be critical: determine common goals; ensure all partners' needs are met; pool all resources, experiences and expertise; and, accomplish results for all parties.

Other lessons learned are that objectives set out at the beginning of each activity must be results oriented. Initiatives must be national in scope but must also respond to local needs. It is vital to have commitment from all stakeholders to arrive at successful solutions.

Forging partnerships with educational institutions proved to be a lengthy process. The new partnership was created in an environment which presented a change in culture and in approach to developing curricula. Several lessons were learned such as the importance of knowing who the right contacts and potential champions are. It takes time to build new relationships and to gain trust. Some mistakes were encountered such as not sharing with and seeking information from other Councils. In the end, this has all turned into positive outcomes. The colleges also learned important lessons and realized that working in partnerships allows greater innovation and cultivates a comprehensive mixture of expertise "at one table." The initial lengthy (8 months) process to develop a course has been greatly reduced by 80% (4 to 6 weeks), and in addition, the relationship has transformed into a dynamic and efficient working arrangement.

In overcoming barriers, the Congress has learned that dividing a large group into small working groups is very effective. Each group can either deal with particular issues, or brainstorm and arrive at various options and innovations.

Outcomes

The innovations generated as a result of multi-partite partnerships have proved truly successful. Without them, such a remarkable reemployment rate of laid-off workers would not have occurred. The sectoral customization of these innovative programs and services provided each

affected worker with a full range of services. Further, these innovations have allowed the steel industry to maximize quality; improve cost-efficiency by reducing duplication, by recognizing the need for on-going training and by getting economies of scale benefits in the delivery of training; increase access to training; and increase the adaptability and employability of workers in the industry.

The end result is a more highly skilled workforce that can adapt to changing economic conditions and promote new innovations in the industry.

PART III—CONCLUSION

The sectoral approach to human resources development practices has proved effective in Canada. As was shown in the three industry illustrations, the process promotes strategic planning and concrete actions to collaboratively resolve problems and issues identified by all stakeholders.

The textile industry, for example, was able to resolve its future anticipated shortage of managers and the lack of educational training availability, while the seafood industry has developed timely and relevant training in response to a sharp decline in its groundfish supply and in response to the introduction of higher food inspection standards. In the steel industry, employers, workers and key industry representatives have come together to help a large number of laid-off workers to deal with their situation in a proactive manner.

Further, the sectoral approach effectively facilitates the forging of partnerships between key stakeholders, and labour-management relations tend to improve under such multi-partite partnerships. It is evident that human resources issues are best dealt with through a systemic approach. Most of all, the sectoral approach promotes ownership of human resources issues and solutions by the sector, not by government. This is a significant point. As a result, government's role is best served as a catalyst, facilitator and provider of a process to help industries find and institute solutions suitable to their specific needs. Each stakeholder has a role to play and

becomes an active contributor towards common goals which result in benefitting all sides.

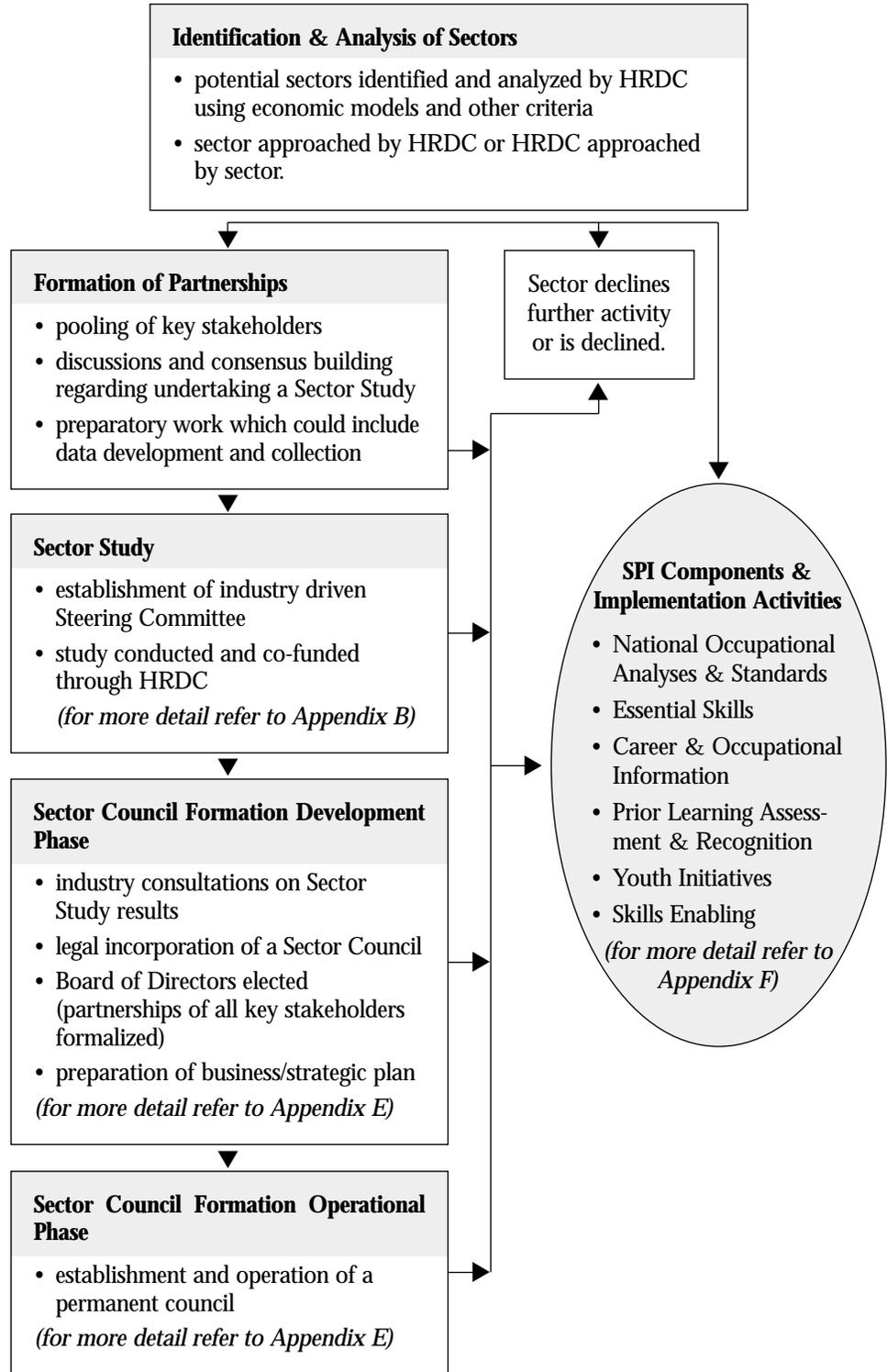
The Sector Study phase is an important information-gathering mechanism, laying the foundation for informed decision-making, strategic planning and follow-up actions to address human resources challenges. As was shown in the case study, a sector study becomes an important part of Sector Councils' activities. The Sector Study's strength lies in the ability to provide the industry with forward-looking diagnosis of its human resources and labour market information in terms of training, curricula development, occupational standards, skill sets, workforce demographics, industry image, to name a few.

Sector Councils play a critical part in addressing and monitoring industry's human resources actions and needs. They have a visionary role and are the industry's "sounding board." Sector Councils can be regarded as a permanent response to human resources issues. Regardless of their organizational structure, industry's characteristics or human resources issues, it is critical for stakeholders to focus on common issues, to have a commitment to and ownership of human resources issues, problems and solutions. It is evident that innovative solutions are best generated in a milieu of multi-partite partnerships.

It is also clear from the case study that partnerships are an effective means of bringing various stakeholders together to address and resolve human resources issues. Forming partnerships successfully is not a given, and as we have learned it is important for all stakeholders to focus on common goals in a strategic manner, gain trust in one another, and have the right people representing their constituents. While developing effective partnerships takes time and effort, the rewards are large in terms of commitment over the long term. In Canada, the Sectoral Approach and the creation of Sector Councils is proving to be a comprehensive, systemic, pragmatic and effective way in helping build and maintain a strong and prosperous workforce.

APPENDIX A

The Sectoral Partnerships Initiative Process



APPENDIX B

Sector Study Process

START-UP PHASE

- Literature review and gap analysis
 - * The federal government conducts pre-study research, including interviews with industry representatives, to help define the terms of reference for the study.
- Steering committee established
 - * Guides and oversees the process, composed of business, labour, educational institutions, provincial and federal government, associations, agencies and experts.



RESEARCH PHASE

- Data collection and consultations
 - * Review of existing literature and data; interviews with industry experts; consultations with educational and training representatives; focus groups with employers, employees, students; in-depth case studies; workshops; and surveys.
- Analysis and synthesis of information
 - * Research results are analyzed and integrated into a final report.



RECOMMENDATIONS and COMMUNICATIONS PHASE

- Develop recommendations and publish report
 - * The research findings and conclusions enable the steering committee to generate a set of recommendations aimed at what industry can do to help itself. These are included in the final report which is a public document. The study provides the basis for a human resources development strategy and action plan for the sector.
- Release of report and communication of findings
 - * The final report is distributed broadly throughout the industry and often serves as a platform for on-going communication and consultation around human resources issues.
- Determine follow-up actions
 - * Stakeholder representatives decide what actions are appropriate for their industry to undertake.

APPENDIX C

List of Sector Councils in Canada

1. Canadian Aviation Maintenance Council
2. Canadian Automotive Repair and Service Council/Knowledge Network
3. Canadian Steel Trade and Employment Congress
4. Sectoral Skills Council of the Canadian Electrical/Electronic Manufacturing Industry
5. Forum for International Trade Training
6. Canadian Professional Logistics Institute
7. Canadian Trucking Human Resources Council
8. Software Human Resource Council
9. Canadian Council for Human Resources in the Environment Industry
10. Canadian Tourism Human Resource Council
11. Textiles Human Resources Council
12. Horticultural Human Resources Council
13. Women in Trades and Technology
14. Cultural Human Resources Council
15. Electronic and Appliance Service Industry
16. Canadian Council of Professional Fish Harvesters
17. National Seafood Sector Council
18. Canadian Aquaculture Industry Alliance Sector Council
19. Mining Industry Training and Adjustment Council
20. Canadian Motor Carrier Passenger Industry Human Resources Council
21. Canadian Grocery Producers Council
22. Biotechnology Human Resource Council
23. Apparel Human Resources Council
24. Aboriginal Human Resources Development Council
25. Alliance for Canadian Design

APPENDIX D

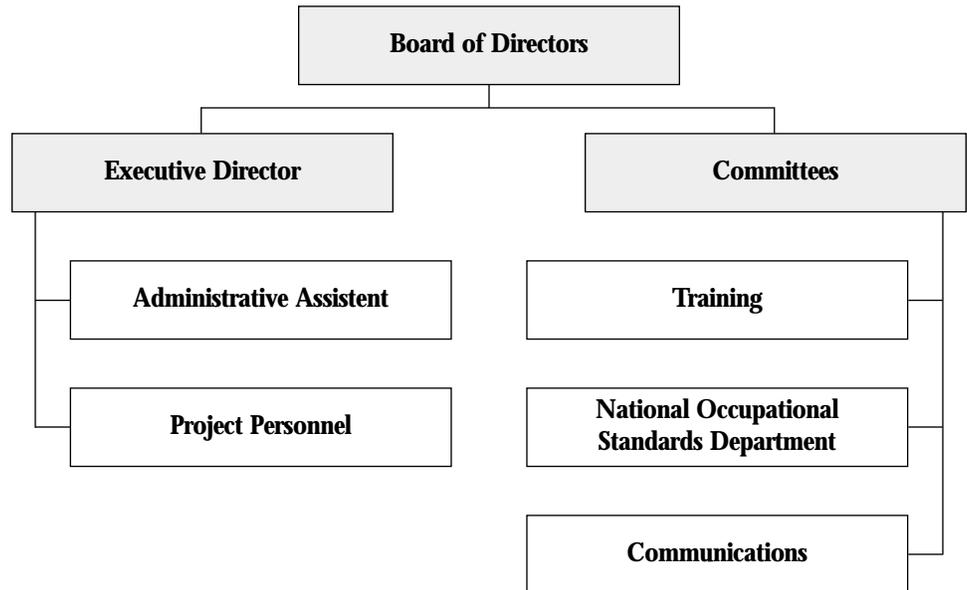
Sector Council's Structure

The structure of a sector council reflects the needs and composition of the sector itself (geographic distribution, sub-sectors, communication and decision-making needs), and responds to actions required by the strategic plan. All major stakeholders should play a role to ensure commitment to the process.

Generally, a sector council is made up of a Board of Directors and a Secretariat. Permanent or ad-hoc committees can also be established as part of the council.

The Board of Directors is accountable to its industry and should have an equal representation of employers and workers within an industry. The secretariat is needed to carry out the day to day work of the business plan. Secretariats are usually very small (one to three people) and include an executive director or an equivalent chief officer position who is accountable to the board. Other staff members (e.g., administrative support, program officers) or consultants may be needed for short or long term basis, depending on the nature of the business plan. Councils have to decide the types of decisions that each level makes. The primary role of committees is to deal with issues surrounding the development and implementation of specific programs or activities (e.g.: occupational standards, career awareness, industry's image).

The organizational chart below illustrates an example of a council's structure:



APPENDIX E

Developmental and Operational Phase of Sector Councils

The following section outlines some of the major activities undertaken by stakeholders ready to establish a Sector Council.

A. PRE-DEVELOPMENTAL ACTIVITY

At the conclusion of a sector study, a sectoral group may require to be involved in a number of tasks, before moving into a developmental phase of a Sector Council. They may include:

- Continuing to learn to work collaboratively;
- Communicating and obtaining industry buy-in for the sector study results—through such mechanisms as industry round tables, conferences, etc.;
- Getting agreement in the sector to proceed with the creation of a sector council, or to use an alternative structure (it is not always necessary to create a council)—agreement should come from the major industrial associations or companies, and the major employee associations;
- Preparing a media event to announce to formation of the council;

B. DEVELOPMENTAL PHASE

The Developmental Phase comprises the following activities:

- **Develop the 5 year strategic plan** (including a communications and equity plan)—involving all the major interest groups in the developmental process, usually through the steering committee or interim board.
- **Develop the structure** (including the board and the secretariat):
 - attract the right people to the board (those who can speak on behalf of sub-sectors, associations, unions, geographic areas, etc., and who can commit funds on behalf of their constituency);
 - structure the board according to its functions (e.g., standards development committee, self-sufficiency committee, equity committee, communications committee) and ensure representation from all the major interest groups;
 - develop job descriptions and hire staff, and develop the decision making structure and procedures of the council.
- **Incorporation of board governance procedures**
- **Develop a plan for council's self-sufficiency**—this should include all potential income generating sources and a feasibility assessment of the plan.
- **Get industry buy-in for the business plan and organizational structure**—this could require more stakeholder consultations or a conference, or an indication of support from all the major players (in the form of a vote or letter of support).

C. OPERATIONAL PHASE

Activities during the operational phase normally include the following:

- implementing the strategic plan activities;
- doing a periodic update of human resources issues within the sector; and
- doing an annual revision of strategic plan.

Operationalizing the strategic plan may involve, but is not limited to the following activities: development of occupational standards;

- development of curriculum;
- liaising with federal and provincial government departments on various issues;
- working with educational institutions to ensure that training is responsive to industry needs;
- research to update sector studies;
- implementation of plan to avoid duplication of activities within the sector;
- improving the image of the industry;
- retention of skilled workers;
- addressing equity issues;
- development of databases;
- working with other sector councils to share information; and
- developing career information products, etc..

APPENDIX F

Description of SPI Components and Implementation Activities

National Occupational Analyses and Standards

National occupational analyses and standards help Canadians identify the skills they need to succeed in a particular occupation in the labour market. By describing these skills and the knowledge required to perform competently in the workplace, occupational analyses and standards help companies and individuals plan their skills development and maintain competencies. This process also helps provinces to modernize standards in occupations that they license or regulate.

- Occupational analyses and standards can help industries:
- assess the current capabilities of their work force;
- determine educational, training and recruitment needs and priorities;
- communicate these needs to educators, trainers who design and use curricula, and individuals considering entering the sector.

National occupational standards increase the competitiveness of Canadian industries by facilitating:

- the recruitment, development and maintenance of skilled work force;
- improvement in effectiveness and efficiency of human resources development strategies; and,
- labour mobility within Canada.

National occupational analyses and standards can help Canadians make and implement better human resources development decisions.

Skills Enabling

To enable the private sector to deal with changing work force knowledge and skills requirement, this initiative helps industries build the capacity to solve current skills adjustment problems and plan for future needs. As jobs become more demanding, more workers are at risk of layoff because they have not had the chance to improve skills or to build essential skills. The Skills Enabling Initiative helps sectors build the structures and tools they require to adjust the characteristics of their labour force to match their needs. This is particularly important in sectors facing significant technological change. By promoting and supporting life long learning, sectors and individual workers are encouraged to solve current challenges and anticipate future knowledge and skill gaps. In doing so, they protect jobs.

Career and Occupational Information

Canada is making important strides to improve labour market information. Occupational information describes and organizes the world of work. It is the basis for understanding labour market information. In a milieu of partnership of major stakeholders occupational information material is developed that provides information about occupational content, industrial sectors, the labour market in general, job search strategies and career opportunities.

Essential Skills Profiles

These profiles describe the core communications, thinking, numeracy, computer and other skills needed for particular occupations and how those skills are likely to change. Sectors can use them as they develop complete standards for those occupations and for higher level occupations that rely on the same essential skills.

Prior Learning Assessment and Recognition (PLAR)

Prior Learning Assessment and Recognition involves the identification, documentation, assessment and recognition of competencies (skills, knowledge and abilities) that have been acquired through many means of formal or informal learning modes, such as work experience, training, independent study, volunteer activity, travel or hobbies. The premise behind PLAR is that what a person knows and can do is more important than when, where or how a person acquired her or his learning. PLAR makes training cheaper and faster by cutting duplication of learning.

HRDC does not conduct prior learning assessments or give recognition for learning but rather advocates its use by organizations and institutions that deliver training, and promotes it as a means to increase the efficiency of skills upgrading and retraining.

Youth Initiatives

This initiative is based on a collaboration with business, industry, not for profit organizations, communities and various levels of government to help young people get the experience, knowledge, skills, and information they need to prepare for, and participate in, the world of work. This initiative supports the creation of structured school to work transition models based on real employer needs. Through Sectoral Partnerships Initiative, this approach is preventive, concentrating on building stronger linkages between industry, educators and trainers to smooth the transition into the labour market, especially in emerging and growth areas of the economy such as the scientific and technology sectors. Demonstration projects contribute to the mobility of the Canadian labour force by providing youth with transferable knowledge and skills based on national occupational standards.

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CANADA

Area	9,221,000 km ²
Population:	30,290,000 (1997)
GDP per capita:	20,389 (\$US, 1997)

Economic growth in Canada strengthened in 1997, owing in large measure to the sustained decline in interest rates and improved confidence made possible by the government's success in deficit reduction and in keeping inflation low. With unemployment at its lowest level in 8 years, the financial balance continues to run a surplus and domestic demand has remained firm. The surge in job growth in 1997 translated into 372,000 jobs being created.

WORK TIME REDUCTION AND DISTRIBUTION IN THE PROVINCE OF QUEBEC

Luc Desmarais

Introduction

The purpose of this paper is to present the Conseil consultatif du travail et de la main-d'œuvre [labour and workforce advisory council], the CCTM. The CCTM is a study and advisory body whose mandate is to provide advice to the Minister of Labour on any matter the Minister submits to it. It may also be called on to advise other ministers on any labour or workforce-related issues that fall under its jurisdiction.

The presentation will include a brief history of the CCTM, its mandate, its composition and how it functions. Then, we will examine how this body conducts its activities using the example of recent consultations on a subject that has long been a key demand of workers around the world, namely work time reduction. Finally, we will endeavour to draw certain lessons from this case and from the consultation process in general for the development of legislation and public policies in the labour field.

The Conseil consultatif du travail et de la main-d'œuvre (CCTM)

The CCTM was established by legislation in 1968. It replaced the Superior Labour Council, which had been in existence since 1940 but was in need of major changes primarily for three reasons: its lack of autonomy, the problems associated with its composition and the lack of a permanent executive.

Degree of autonomy

The Superior Labour Council had little autonomy. Its study program had to be approved by the Minister of Labour. The parties, however, wanted to have greater freedom in choosing the issues to study and in organizing their work without having to obtain the approval of the Minister or the Department of Labour.

The Conseil consultatif du travail et de la main-d'œuvre is not bound by these restrictions. It can study any labour or workforce-related issue and can conduct whatever research it considers useful or necessary in the pursuit of its mandate.

The CCTM also performs other tasks entrusted to it by sources other than its enabling legislation. One of the most important is the consultations provided for in the concerning the annual list of persons who agree to act as arbitrators.

Finally, the CCTM provides advice on international labour standards and some of the Department of Labour's research activities.

Composition

The Superior Labour Council was composed of 24 members drawn equally from representatives of management and labour, as well as representatives of other professions who did not necessarily have a labour or management background but who also had voting rights. However, these members were quickly categorized as either

■ *The CCTM can study any labour or workforce-related issue it considers useful or necessary in the pursuit of its mandate.*

■ *The Deputy Minister of Labour or his/her delegate is also an ex officio member of the Conseil but has no voting rights.*

■ *Since the early 1990s, the reduction and distribution of hours worked has often been suggested as a way of reducing unemployment.*

■ *The first convention adopted by the International Labour Organization dealt with hours of work.*

labour or management sympathizers, thus complicating the appointment of these members, which was intended to maintain a balance between the other two groups.

When the CCTM was established, the representation of management and labour was reduced from eight members to five members each, with no representatives from non-labour-related backgrounds. However, this does not prevent the CCTM from soliciting the opinions or suggestions of outside parties when needed. Thus, until 1997, the Conseil consultatif du travail et de la main-d'œuvre was composed of eleven members, namely a president, five members chosen from a list recommended by the most representative workers' associations, and five members chosen from a list recommended by the most representative employers' associations. In 1997, the number of members from management and labour associations was increased from five to six.

The Deputy Minister of Labour or his/her delegate is also an ex officio member of the Conseil but has no voting rights.

The Fédération des travailleurs et travailleuses du Québec (FTQ) [Quebec Federation of Labour] and the Confédération des syndicats nationaux (CSN) [Confederation of National Trade Unions] each recommend two members; the Centrale de l'enseignement du Québec (CEQ) [Quebec Teachers' Corporation] recommends one member; and since 1997, the Centrale des syndicats démocratiques (CSD) [congress of democratic unions] has been recommending the sixth member of the labour group. The Conseil du patronat du Québec (CPQ) [Quebec Employers' Council] had recommended the five members of the management group until 1997; it continues to recommend five, with the Alliance des manufacturiers et des exportateurs du Québec (AMEQ) [Quebec Alliance of Manufacturers and Exporters] now recommending the sixth member.

Lack of a permanent executive

The president and the two vice-presidents of the Superior Labour Council performed their duties on a part-time basis. The

CCTM is headed by a person who performs his/her duties on a full-time basis and who is assisted by a permanent secretary.

An Example of Consultation and the Contribution of the CCTM

The issues

Since the early 1990s, the reduction and distribution of hours worked has often been suggested as a way of reducing unemployment.

The recessions of 1982 and 1991, the increase in the unemployment rate, the rise in the number of long-term unemployed and the labour force integration problems experienced by young people are all factors that have helped to give the issue of the redistribution of the available hours of work a more prominent place on the agenda than ever before.

The debate in Quebec on this issue has been so intense that hardly a week goes by without it being brought to the attention of the public.

During the May Day (international workers' day) celebrations on May 1, 1995, the three largest central labour bodies—the Fédération des travailleurs du Québec (FTQ), the Confédération des syndicats nationaux (CSN) and the Centrale des enseignants du Québec (CEQ)—raised the issue of work time reduction as a tool of job creation. The representatives of these three labour organizations issued a joint statement urging all the socio-economic partners to assume their responsibilities for reducing unemployment. In this statement, the unions called on the Quebec government to demonstrate leadership in this area as employer, legislator and proponent of a far-reaching social debate.

It must be pointed out that, except for public and parapublic bargaining, it is quite unusual for the central labour bodies to unite in this way to publicly call not only on the government, but also on employers to agree on a joint action plan to combat unemployment.

Without wishing to give a history lecture, one may recall that International Workers' Day commemorates the famous events that

■ *If the economy cannot create enough jobs, is it possible and appropriate to redistribute the hours of work available among a larger number of people?*

took place in Chicago in May 1886. This day honours the memory of striking workers who died during a demonstration. At the time, the workers were demanding reduced working hours (the eight-hour day) as well as limitations on work by women and children in mines. It will be recalled that women and their children were paid very little for their labour, on the pretext that they were not considered the breadwinner of the family. This was the period of the industrial revolution during the last century, which unleashed sweeping changes in society, without any social dialogue, with the results that history records. Needless to say, at that time, the words partnership and consultation did not even exist. But things changed, and indeed the first convention adopted by the International Labour Organization dealt with hours of work.

As we can see, this debate is not new. However, the choice of May 1 to make this statement was intended to highlight the importance that the unions attached to their action. A century later, we are in the midst of another revolution, one characterized by economic globalization and information technologies, a revolution whose forces are difficult to control and which is leading to a dangerous social and economic polarization, both at home and abroad, a polarization marked by the marginalization of large segments of the population.

This polarization, it must be pointed out, is taking place on several fronts: there is, obviously, the basic polarization between those who have a job and those who do not, but there is also a polarization between those who work many hours and those who work only a few hours a week or a year. To complete the picture, factors such as gender, family situation, ethnic group and age only further aggravate this marginalization in terms of jobs and income.

Times change. While in the last century workers were fighting to reduce the length of the work day to a reasonable level, today the debate centres more on issues of redistributive justice to compensate for an economy in which jobs are becoming increasingly scarce. The persistence of high unemployment is

undoubtedly the main factor behind the pressure being brought to bear on governments to take action on the issue of working hours. The question of work sharing can therefore be formulated as follows:

If the economy, even in a period of growth, cannot create enough jobs, is it possible and appropriate to redistribute the hours of work available among a larger number of people?

What can governments do? They can do two things. Obviously, they can refuse to deal with the issue, but as the saying goes: "Those who ignore history are condemned to repeat it." It was therefore necessary to take action, especially when community groups, youth associations and the major labour organizations have made this a major issue and a key social demand. The government therefore agreed to study whether the various solutions proposed are capable of creating jobs, or at the very least, preserving them. Two months later, the Department of Labour put forward about a dozen proposals for comment and discussion as a basis for possible government legislative and budgetary initiatives aimed at improving the employment situation.

Without listing all of the proposals, the most important was certainly reducing the legal duration of the standard work week from 44 to 40 hours. We should also mention setting a maximum ceiling of 48 or 56 hours of work a week, or an annual overtime limit of 100 or 200 hours, with the choice of these options to be discussed between the social partners. Reducing the period of continuous service required to receive three weeks of paid annual leave instead of two, increasing the length of parental leave from 34 to 52 weeks and various legislative amendments to facilitate early retirement and phased retirement were some of the other measures considered.

Consultation mechanisms

The government then conducted consultations at two levels:

- first, with the CCTM, whose composition was expanded to include a larger number of leaders from union and management associations so that they

■ *Close cooperation had developed between the CCTM and the Department of Labour on other major labour relations issues.*

■ *The participants were often confronted with the difficulty of demonstrating that any of the proposed measures actually create jobs.*

could actively participate in these discussions;

- secondly, with other government departments and agencies, with the goal of examining certain more complex issues in greater detail and ensuring that any actions taken by the Quebec government would be better coordinated.

It was agreed that the two groups would work in close cooperation with each other. The members of the CCTM were informed at the outset of the establishment of an interdepartmental committee and that they would have access to the results of its work.

The Quebec government's actions were thus guided by a spirit of openness and by the goal of devising solutions that take the legitimate concerns of both employers and workers into consideration.

It must be acknowledged that the CCTM had already shown an interest in the issue of work time reduction and distribution, having established a working group on this subject the previous year. The Department of Labour was already working with the CCTM on this issue. The CCTM had also established an ad hoc technical committee on the specific issue of phased retirement, once again with the cooperation of the Department.

We should also mention that close cooperation had developed between the CCTM and the Department of Labour on other major labour relations issues. The quality of the work and the results obtained demonstrated the effectiveness of this approach toward consultation and interaction with the community with the aim of advising the government on the development of labour policies that are acceptable to the groups concerned. From this perspective, the expanded committee model developed by the CCTM offered a better guarantee that the opinions of all the main groups concerned would be taken into consideration.

That being said, once the government had decided on the consultation method, it had to limit the debate to the genuine issues, that is, to weigh the arguments put forward by each side and to try to bring the parties,

whose positions at the time were diametrically opposed, closer together.

The unions took the view that it was necessary to adopt a series of measures, including reducing the length of the standard work week, in order to promote job creation. While admitting that these measures alone could not eliminate unemployment, it was important that the legislator send a clear signal in order to encourage the social partners to promote better distribution of jobs. The employers felt that work time reduction and limiting overtime are not genuine job-creation measures. In some instances, the hours freed will be offset by greater use of machines, more efficient reassignment of the work or a decrease in the services provided. Moreover, a reduction in the hours of work results in lost income for workers. In other circumstances, it would result in increased labour costs and reduced competitiveness of companies.

We will briefly examine the main points in dispute.

Job creation potential

This issue was at the heart of the debate. It might seem obvious but, in fact, the participants were often confronted with the difficulty of demonstrating that any of the proposed measures actually create jobs, as opposed to simply improving working conditions. Obviously, the two are not necessarily mutually exclusive and an improvement in working conditions can very well promote job creation if it affects the hours of work or the number of workers in a company. One thinks, for example, of the reduction in the standard length of the work week and the increase in the length of paid annual leave or parental leave. The job creation potential of the different measures varies considerably and the impact analyses in terms of the number of jobs created or maintained were the determining factor.

Labour costs

A second criterion for deciding whether to adopt a measure is that measure's cost to business. While a given measure may theoretically have a high job creation potential, it may also drive up labour costs

■ *Wages have always been a fundamental issue in labour relations and wage determination depends on a number of factors.*

and encourage businesses to adopt new labour-saving technologies more rapidly in order to maintain or improve their competitiveness. Simply stated, this means even fewer jobs available to share.

Scope of the measures

The actual scope of the initial recommendations set out in the Department of Labour's report depends largely on the method of payment of the hours worked. Only half of all workers receive base pay calculated according to an hourly rate. Furthermore, the legislation contains exceptions for workers who often work long hours: executives, farmers and forestry workers for example. We must also exclude unionized workers who already enjoy pay conditions more advantageous than those proposed and workers covered by the Canada Labour Code, to name only a few cases.

The paradox of this situation is that while all these exclusions limit the potential costs of the proposed changes, at the same time they also limit their job creation potential.

Impact on productivity

It is generally acknowledged that the hours of work made available by reducing the working hours of employed workers are not replaced by an equivalent number of hours worked by newly hired workers. According to some experts, only half of the hours freed up can be worked by new employees, in order to maintain the level of production. In fact, a reduction in work hours is usually accompanied by a decrease in unproductive hours and an intensification of the pace of work. We estimated the productivity gains for a work week reduced by four hours to be one hour per worker.

However, productivity gains can be much higher, in the order of 75%, when employers have the option of granting an additional week of leave or replacing overtime over a longer period of time. Granting paid leave to their employees during less busy periods makes it much easier for employers to do without their services without having to replace them.

Compensation for lost wages

The issue of compensation for lost wages associated with work time distribution and reduction was also raised. However, unlike some other countries, such as France, where this topic has inspired heated debate, it was quickly agreed that the government should not interfere in the pay structure by forcing employers to maintain wages in whole or in part or to dip into the consolidated revenue fund to make up the lost wages only of those workers who have agreed to reduce their work time. This is a matter of basic fairness toward those who involuntarily work part-time.

Wages have always been a fundamental issue in labour relations and wage determination depends on a number of factors, such as the company's profitability and growth potential, the availability of skilled and qualified labour, and the effect of taxes on net income, to name only a few. The relative importance of these factors can vary tremendously from one company to another, and the employer and its employees are in the best position to take into consideration the environment in which they operate. They are therefore capable of deciding together on the amount and method of work time reduction that is acceptable to them as well as on the monetary compensation or other benefits that could be offered in exchange. We will see a little later how the partners have taken this reality into account.

Voluntary work time reduction

Except in certain critical situations where work time reduction is necessary as a defensive measure in order to save threatened jobs, the labour relations system remains the main forum in which work hours and schedules must be negotiated. The interests of governments in reducing unemployment must be reconciled with the interests of the labour market partners. On the one hand, government intervention to regulate hours of work must not have the effect of substantially increasing the labour costs of businesses or interrupting their production by imposing an absolute maximum number of hours. In a context where business

■ *Consultations culminated in a consensus being reached on a certain number of issues during the Summit Conference on the Economy and Employment.*

■ *It was essential that existing collective agreements be respected.*

competitiveness must be maintained, particularly relative to foreign competitors, either action can have negative consequences on job creation.

On the other hand, there is a risk that excessively drastic measures will make it impossible for low-income individuals and households to earn enough income to meet their basic needs. Consequently, the methods of work time distribution and reduction must be chosen primarily by the parties.

Administrative simplicity and feasibility

Despite their undeniable theoretical advantages for job creation, introducing certain more sophisticated measures on a general basis entails a number of practical problems in addition to sometimes very high costs. Instituting an annual limit of 100 or 200 hours of overtime a year is a good example. This measure, inspired by the European example, is very appealing. However, it entails additional administrative costs to record the hours worked and the idea was rejected.

The results of consultations

These consultations culminated in a consensus being reached on a certain number of issues during the Summit Conference on the Economy and Employment, which was held in the fall of 1996, i.e. just over a year after the start of the consultations. The objective of this Summit was to bring together the main decision-makers in order to agree on the appropriate action to foster economic and social development and promote employment development. The wide media coverage of this event made it a particularly good opportunity to forge a consensus on these issues and communicate it to the general public.

On the topic that concerns us, reducing the length of the standard work week from 44 to 40 hours during the first four years was certainly the most significant job creation measure, since it should help create 15,000 jobs. But there is more: equally important is the fact that it constitutes a formal invitation to employers and workers to continue their efforts to further reduce hours of work, with the goal of creating jobs.

Increasing the length of parental leave from 34 to 52 weeks was also favoured as a job creation measure. This was part of a series of measures aimed at facilitating the balancing of family and work responsibilities. The number of jobs created is estimated at 3,000. In addition, workers entitled to two weeks' vacation could request a third.

Given the consensus announced during the Summit, the Minister of Labour requested a new opinion from the CCTM in order to propose to the government ways of reducing the length of the standard work week, which was promptly done. To this end, three major principles were applied:

- ensuring the universal application of the *Act respecting Labour Standards*;
- respecting existing collective agreements;
- no compensation for lost wages.

The universal application of the Act respecting Labour Standards

A 44-hour work week was the general standard applicable in Quebec. The methods for gradually reducing hours of work therefore had to be the same for everyone to whom this provision applies.

Respecting existing collective agreements

It was essential that existing collective agreements be respected. Indeed, both the remuneration practices and their period of application had been freely agreed to by the parties. It was therefore appropriate that the parties themselves should determine exactly how they would make the necessary adjustments to meet or exceed the timetable prescribed by law for modifying the time-and-a-half overtime threshold. This approach can be explained by the fact that the working conditions in unionized companies are generally better than the minimums prescribed by the *Act respecting Labour Standards*.

The introduction of the new standard also had to allow the parties to negotiate the required adjustments as part of the normal process of renewing a collective agreement. An implementation formula that forced a re-opening of existing collective agreements

■ *The implementation formula had to be a fair compromise between the universal application of the act and respect for existing collective agreements.*

■ *A very large number of workers already enjoy a work week of less than 40 hours.*

would have had the effect of isolating this item from the bargaining process, which is not necessarily desirable in the opinion of the stakeholders themselves. It is common practice to maintain the negotiated conditions for a reasonable period when new standards are introduced or changes made to an existing standard.

Long-term collective agreements, business competition and worker equity

Prior to May 11, 1994, the maximum duration of a collective agreement under the act was three years. The elimination of this ceiling introduced a new dimension which must be taken into consideration in order to avoid unfair competition between businesses. In this case, companies that had signed long-term labour contracts could then have postponed implementing the new standard for several years beyond the deadline for compliance by other companies. This distortion would have been greater for non-unionized companies and, to a lesser extent, for companies with collective agreements of three years or less. Consequently, equity among Quebec workers dictated that the application of the new standard regarding hours of work not be suspended for too long a period of time with respect to this category of individuals.

The implementation formula therefore had to be a fair compromise between the universal application of the act and respect for existing collective agreements. It had to allow a sufficient period of time for the parties concerned to devise solutions appropriate to their situation without introducing unfair competition between companies or compromising worker equity.

Compensation for lost wages

The reduction in the length of the standard work week would not be accompanied by any compensation for lost wages. The parties were therefore encouraged to negotiate both hours of work and pay.

However, since the increase in the minimum wage always takes effect on October 1, the entry into force of the implementation formula on that date would help offset, at least in part, the effect on workers paid at

this rate should their employers reduce the usual hours of work to the new public standard.

The legislation was passed in the spring of 1997.

To conclude our discussion of the consensus reached during the Summit on ways of facilitating better distribution of work, it should be noted that the government also amended the legislation in order to allow older workers who so wish to reduce their work time while at the same time being assured of receiving an adequate income. In this case, those who take advantage of this measure are paid for the hours they actually work, with the difference being made up in part by drawing on the pension benefits accumulated under their retirement plan. Relatively few workers have taken advantage of this measure to date, since the trend instead is to use the substantial surpluses built up in recent years in these retirement plans to encourage early retirement. However, the ageing of the population and the decline in the birth rate could result in labour shortages in certain sectors, which could make the measure more attractive in a few years.

Conclusion

As in other economies that have introduced legislation in this field, we note that the employer associations are always strongly opposed to government initiatives aimed at reducing the length of the work week. Yet, a very large number of workers already enjoy a work week of less than 40 hours, through their collective agreement or otherwise. Although it must be recognized that this measure can result in additional costs in certain cases, this is not necessarily because it creates intolerable financial burdens for business. Moreover, several jurisdictions in Canada already have a standard 40-hour work week. In the United States, this standard has been in effect since 1938. With an unemployment rate of less than 5% in that country, it is rather difficult to argue that Quebec businesses would suffer a loss of competitiveness, unless one claims that labour costs are the only factor in competitiveness, which is clearly not the

■ *The input of the parties concerned allows the government to develop potential solutions that are more acceptable to the parties, and thus govern more effectively.*

■ *Maintaining a permanent forum where labour sector partners can meet means that the government does not have to re-establish some ad hoc mechanism every time the need arises.*

case, as noted earlier.

Employer opposition stems mainly from the fact that more progressive legislation on hours of work reduces their power. It limits their room to manoeuvre when negotiating this basic working condition in collective or individual labour relations. It can also encourage union organizations to place a work week shorter than the legal standard at the top of their list of bargaining demands.

Given this example, one might wonder why the government is soliciting the CCTM's opinion on issues to which one of the parties, if not both, is strongly opposed at the outset. For consultations in the labour field, as in many other fields, the initiative generally belongs to the government. The services of the CCTM have not always been called upon in the same way. Some ministers have greater faith in it than others. We should also guard against assuming that initiating consultations guarantees that the parties will reach a consensus—far from it. However, consultation makes it possible to more clearly identify the issues, the parties' concerns and the extent of their disagreements. The input of the parties concerned allows the government to develop potential solutions that are more acceptable to the parties, and thus govern more effectively.

The consultation process also allows the government to cite impact studies that demonstrate to the stakeholders that the effect of the proposed measures on economic and employment development or on the labour relations system are not as negative as they may have feared or, conversely, as positive as they may have hoped, at the outset. In this regard, consultation allows the parties to work together in devising solutions that take into account the widely divergent circumstances facing both businesses and workers. On this point, it should be noted that during the Summit on the Economy and Employment, the government agreed to conduct an impact study on the proposed legislative and regulatory initiatives. These new rules were formulated in order to estimate the costs of the proposals that could entail significant

costs for businesses. These rules also apply to the field of labour relations. The government therefore formally undertook to demonstrate the effects of its policies on business operations and competitiveness. This requirement means that greater care must be exercised in choosing the proposed solutions, but it also means that discussions can be based on more reliable data.

More generally, and looking back over the CCTM's 30-year history, we can certainly state that establishing an advisory body in the labour and workforce field by legislative mandate has helped to bring the parties closer together. In fact, in a government system based on the rule of law, passing legislation to institute a formal advisory body is generally a strong indication that the institution will be permanent and not the result of an interest in consulting the labour market partners that may prove to be short-lived. Indeed, the parties then know that they will be required to meet.

On the one hand, there are certain issues that are regularly discussed by the CCTM. These include the broad field of occupational safety and health, e.g. prevention of workplace accidents or compensation for injured workers. We can also mention the items on the agenda of the International Labour Conference on which the Quebec government consults the CCTM before preparing its final responses. These activities give the members of the CCTM an opportunity to meet regularly.

On the other hand, consultation is a well-established tradition in Quebec society in several fields. Maintaining a permanent forum where labour sector partners can meet means that the government does not have to re-establish some ad hoc mechanism every time the need arises. Although the CCTM is composed of an equal number of labour and management representatives whose interests are well known, this does not prevent other groups affected by a particular issue from contributing on an occasional basis.

This being said, the fact that the institution is permanent does not mean that its composition is static. For instance, in 1997, the

■ *There comes a time when it is necessary to confirm and consolidate the spirit of cooperation and consultation developed in recent years by inviting new partners.*

government modified the composition of the CCTM in order to acknowledge the changes in the representativeness of labour and management associations since the CCTM was created in 1968. The expanded committee model, which was used in this case study and which incorporated, among others, the AMEQ and the CSD, obviously did not hinder their formal integration in the CCTM even though they had been demanding to be included for a number of years.

There also comes a time when it is necessary to confirm and consolidate the spirit of cooperation and consultation developed in recent years by inviting new partners so

that all of Quebec society can benefit from their experience and expertise. The Minister of Labour was undoubtedly inspired by this long tradition of consultation when he recently announced a major review of the collective bargaining system set out in the Quebec *Labour Code*, in which the CCTM is participating. This review is necessary in order to more effectively take into account the major changes that have occurred in the labour market since this legislation was passed in 1964. This will undoubtedly be a major challenge for the CCTM in the field of industrial relations, if not the greatest challenge it has had to face since its creation.

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UNITED STATES

Area	9,159,000 km ²
Population:	267,900,000 (1997)
GDP per capita:	30,160 (\$US, 1997)

The United States enjoyed continued strong growth with declining inflation in 1997 and through the first half of 1998, extending the current expansion and contributing to the realization of a budget surplus in 1998. Employment rose by 3.2 million in 1997, as more jobs were created than in each of the last two years. The unemployment rate fell to its lowest point in recent decades averaging 4.9 percent in 1997.

CASE STUDY: KAISER-PERMANENTE NATIONAL LABOR-MANAGEMENT PARTNERSHIP

David Thaler

■ *As a not-for-profit organization, Kaiser Permanente is driven by the needs of its members and its social obligation to provide benefits for the communities in which it operates.*

■ *Dr. Garfield and his innovative health care delivery formed an association with Henry J. Kaiser that would embed itself in the organization and continue until the present day.*

What is Kaiser Permanente?

Kaiser Permanente is America's largest not-for-profit health maintenance organization (HMO), serving 8.6 million members in 18 states and the District of Columbia. An integrated health delivery system, Kaiser Permanente organizes and provides or coordinates members' care, including preventive care such as well-baby and prenatal care, immunizations, and screening diagnostics; hospital and medical services; and pharmacy services. Approximately 80% of Kaiser Permanente's operations are located in California.

As a not-for-profit organization, Kaiser Permanente is driven by the needs of its members and its social obligation to provide benefits for the communities in which it operates, rather than the needs of shareholders. Social benefit activities include assistance to the uninsured and special populations; teaching new health professionals; demonstration of new delivery and financing methods into the health care arena at large; and through its clinical research efforts, developing and sharing better ways to care for patients.

History of the Organization

The organization that is now Kaiser Permanente began at the height of the Great Depression with a single inventive young surgeon and a 12-bed hospital in the middle of the Mojave Desert. When Sidney R. Garfield, M.D., looked at the thousands of men involved in building the Los Angeles

Aqueduct, he saw an opportunity. He borrowed money to build Contractors General Hospital, six miles from a tiny town called Desert Center, and began treating sick and injured workers. But financing was difficult, and Dr. Garfield was having trouble getting the insurance companies to pay his bills in a timely fashion. To compound matters, not all of the men had insurance. Dr. Garfield refused to turn away any sick or injured worker, so he often was left with no payment at all for his services. In no time, the hospital's expenses were far exceeding its income.

Enter Harold Hatch, an engineer-turned-insurance-agent. Hatch suggested that the insurance companies pay Dr. Garfield a fixed amount per day, per covered worker, up front. This would solve the hospital's immediate money troubles, and at the same time enable Dr. Garfield to emphasize maintaining health and safety rather than merely treating illness and injury. Thus, "prepayment" was born. For the sum of 5 cents per day, workers were provided this new form of health coverage. For an additional 5 cents per day, workers could also receive coverage for non-job related medical problems. Thousands of workers enrolled, and Dr. Garfield's hospital became a financial success.

As the aqueduct project wound down, Dr. Garfield got a call from another industrialist, Henry Kaiser. Kaiser needed help with the task of providing health care to

■ *While Kaiser Permanente historically had a generally cooperative relationship with its unions, in the 1980s and 1990s certain market pressures placed great strain on that relationship. The Kaiser Permanente Labor-Management Partnership was formed in response to that strain.*

6,500 workers and their families at the largest construction site in history—the Grand Coulee Dam. Rising to the challenge, Dr. Garfield turned the existing run-down hospital into a state-of-the-art treatment facility and recruited a team of doctors to work in a “prepaid group practice.” The method again was a smashing success and a big hit with the workers and their families. However, as the dam neared completion in 1941, it seemed once again that the grand experiment was reaching an end.

But once again, history intervened. America’s entry into World War II brought tens of thousands of workers—many of whom were inexperienced and in poor health already—pouring into the Kaiser Shipyards in Richmond, California, to meet the nation’s demand for big Liberty Ships, aircraft carriers, and the like. Now Henry Kaiser had an even bigger problem: how to provide health care for this teeming mass of 30,000. Kaiser was convinced that Dr. Garfield could solve his problem, but it took some special wrangling—the surgeon was already scheduled to enter active duty with his Army reserve unit in just a few weeks. But at Kaiser’s request, President Franklin Roosevelt released Dr. Garfield from his military obligation specifically so he could organize and run a prepaid group practice for the workers at the Richmond shipyards. Thus, Dr. Garfield and his innovative health care delivery system formed an association with Henry J. Kaiser that would embed itself in the organization and continue until the present day.

In 1952, the name of the Health Plan and the hospitals was changed from Permanente, which some felt had little meaning outside the organization, to Kaiser, which was well known nationally due to Kaiser Industries and Henry J. Kaiser himself. The medical group (physicians) chose to keep the Permanente name, in part to clarify that they were not employees of Henry Kaiser. Thus, the organization now known as Kaiser Permanente was born. It is still a working partnership of two organizations: the not-for-profit Kaiser Foundation Health Plan and Hospitals, and the Permanente

Medical Groups, at least one of each in every division it serves.

Union Involvement from its Inception

When the war came to an end, Dr. Garfield wanted to keep practicing his new form of health care delivery, and Henry Kaiser wanted the plan to continue as well. Thus, on October 1, 1945, the Permanente Health Plan officially opened to the public. In ten years, enrollment surpassed 300,000 members in Northern California. In these early years, the success of the Health Plan was largely the result of support from unions. Two unions—the International Longshoremen and Warehousemen Union, and the Retail Clerks Union—were the driving force behind bringing the health plan to Los Angeles.

Kaiser Permanente’s historically high level of unionization continues to this day. Out of the approximately 90,000 workers currently within the organization, 67,000 are unionized and another 8,000 are union eligible. The following unions represent the majority of workers at Kaiser Permanente and are participants in the National Labor-Management Partnership:

- American Federation of State, County & Municipal Employees (AFSCME)
- United Nurses Association of California (UNAC)
- American Federation of Teachers (AFT)
- International Federation of Professional & Technical Engineers (IFPTE)
- Kaiser Permanente Nurse Anesthetists Association (KPNAA)
- Office & Professional Employees (OPEIU)
- Service Employees International Union (SEIU)
- United Food & Commercial Workers (UFCW)
- United Steelworkers of America (USWA)

In addition, the following unions represent a minority of workers at Kaiser Permanente that do not participate in the National Labor-Management Partnership:

- California Nurses Association (CNA)

■ *“The financial health of Kaiser Permanente is essential to the income and employment security of its workers” and “it is infinitely easier to negotiate with a financially healthy company than a financially strapped one.”*

■ *Kaiser Permanente, for its part, also came to realize that labor-management partnership was an essential component in helping it to attain its most important overarching goal: to provide the highest quality health care to its members.*

■ *It should be emphasized that government was merely a facilitator in the partnership process, brought in after labor and management were actively working together.*

- International Union of Operating Engineers (IUOE)
- Hotel Employees and Restaurant Employees International Union (HERE)
- International Longshoremen’s Association (ILA)

Organized labor is also one of Kaiser Permanente’s larger funds in the aggregate. Several Taft-Hartley administered trust funds specify Kaiser Permanente as their HMO provider, in addition to many contracts negotiated with individual employers. While Kaiser Permanente historically had a generally cooperative relationship with its unions, in the 1980s and 1990s certain market pressures placed great strain on that relationship. The Kaiser Permanente Labor-Management Partnership was formed in response to that strain.

1980s–1990s: Changes in the Health Care Market Strain Labor-Management Relations at Kaiser-Permanente

With the advent of for-profit health care providers, not-for-profit providers such as Kaiser Permanente were routinely being underbid by their for-profit counterparts who had the luxury of marketing themselves only to better-risk populations and private companies who provided incentives to their employees to restrain their use of health care. This created economic pressure on Kaiser Permanente which it brought to bear on its unions. The result was a series of concession bargaining, in which Kaiser Permanente extracted concessions from its management and then went from table to table pressuring its unions to likewise make concessions. This process brought about a significant erosion of the workers’ wage and benefit packages.

Losing ground on the collective bargaining front, the various Kaiser Permanente-affiliated unions went to the AFL-CIO’s Industrial Union Department (IUD) for help. The IUD began a series of traditional union responses to perceived over-reaching by management, mainly looking for Kaiser Permanente’s vulnerabilities and exploiting them publicly. (For several reasons, a strike is often not an option in the area of health care.) However, the IUD and the unions

soon realized that to damage Kaiser Permanente was to damage themselves. In the words of one AFL-CIO senior official “the financial health of Kaiser Permanente is essential to the income and employment security of its workers” and “it is infinitely easier to negotiate with a financially healthy company than a financially strapped one.” Union member Kathy Sackman, RN, also questioned the wisdom of pursuing a strategy of aggressively damaging Kaiser Permanente: “It would only hurt Kaiser, the most highly unionized health provider in the country.” In this vein, in September 1996 AFL-CIO President John Sweeney wrote to the Chairman and CEO of the Kaiser Foundation Health Plan and Hospitals, David M. Lawrence, MD, proposing a national Labor-Management Partnership as an alternative to the parties’ deteriorating relationship.

Kaiser Permanente, for its part, also came to realize that labor-management partnership was an essential component in helping it to attain its most important overarching goal: to provide the highest quality health care to its members. It realized that partnership was not only conducive to stable labor relations, it was good management practice in and of itself. Engaging the workforce in problem solving and obtaining feedback from the hospital floor could only help it attain its supreme mission of providing the highest quality health care to its members. In the words of a Kaiser Permanente senior official, “labor-management conflict only sapped our energies and distracted us from our primary objective of ensuring the highest quality care.” Kaiser Permanente also firmly believed that partnership was the best chance that it and other health care providers had for controlling costs, as skyrocketing health care costs have made the United States spend a higher percentage of its GDP on health care than almost any other industrialized country.

However, the unions did not want to just acquiesce to Kaiser Permanente’s agenda. They wanted to make clear that they too had an agenda and they wanted to influence Kaiser Permanente’s decisions to a greater extent than that which is required

■ *That is, labor, management and government add distinct value that completes an intricate mosaic.*

by the National Labor Relations Act. It was with this view in mind that they decided to pursue the idea of a National Labor-Management Partnership. Kaiser Permanente had made previous attempts to initiate other various forms of partnership, but the unions had never become actively engaged. Thus, at this point both parties had finally passed a crucial hurdle: they had realized that their interests could best be served by working collaboratively instead of contentiously.

Getting the Partnership Off the Ground: The Role of Government

In 1996, when the AFL-CIO and Kaiser Permanente decided to pursue the Partnership, the parties approached the US Government's Federal Mediation and Conciliation Service (FMCS). The FMCS convened and facilitated meetings between a delegation led by AFL-CIO President Sweeney and a Kaiser Permanente delegation led by Kaiser Foundation Health Plan and Hospitals CEO Lawrence, its President, Richard Barnaby, and the Executive Director of Permanente Medical Groups, Francis J. Crosson, MD. The FMCS's Director, John Calhoun Wells, personally facilitated one of those meetings, at which the parties formally committed to a partnership approach. In a letter to President Clinton, Wells highlighted the Kaiser Permanente National Labor-Management Partnership as one of three corporate models for labor relations. He also acknowledged the Partnership as "the most complex ever attempted."

In March 1999, recently appointed FMCS Director, Charles Richard Barnes, awarded the Partnership 20 full time mediators (called commissioners) and one full-time coordinator to support Partnership implementation across the country. The commissioners' role is to assist in facilitating labor-management work group meetings and to conduct training in interest-based problem solving. The commissioners have already conducted several interest-based negotiation trainings, facilitated negotiating sessions, and provided guidance to work groups.

The FMCS commissioners serve to supplement 12 full time labor-management consultants on Kaiser Permanente's payroll whose exclusive function is to assist in the implementation of the Partnership. These 12 consultants are supervised by a recently created Office of Labor Management Partnership, jointly headed by senior officials from Kaiser Permanente and the AFL-CIO. In addition, the Partnership has selected a third-party consultant, Restructuring Associates, Inc., to assist the Partnership formation and implementation process.

It should be emphasized, however, that government was merely a facilitator in the partnership process, brought in after labor and management were actively working together. Without the initiative and determination of the parties, the Partnership would not have even been formed, much less carried forward. Government's role should be placed within the overall context of the Partnership. That is, labor, management and government add distinct value that completes an intricate mosaic: labor provides the knowledge and insights that come from carrying out the work of the organization on a daily basis; management provides skills in coordination and fiscal prudence that come from the integrative perspective that it must pursue in guiding the organization in the fulfillment of its mission; and government provides the authority and the mediation skills that come from its detached role of promoting labor-management partnership for the good of the country.

Objectives of the Partnership

The common goals of the Partnership, as defined in the Partnership Agreement, are to:

- improve the quality of health care for Kaiser Permanente members and the community in which it serves
- assist Kaiser Permanente in achieving and maintaining market leading competitive performance
- expand Kaiser Permanente's membership in current and new markets—to this end, the Partnership Agreement

■ *The overall objective of the Partnership is to create a culture of consultation within Kaiser Permanente, in which labor and management routinely collaborate to address issues at their outset.*

■ *The scope of the Partnership is broad and includes: strategic initiatives; quality of care; member and employee satisfaction, business planning, marketing Kaiser Permanente, and employment issues.*

■ *Eventually business units will fully integrate the input of partners under the direction of the Partnership Teams.*

contains the unique provision that the unions promote Kaiser Permanente as the provider of choice for all labor organizations in the areas in which it serves

- make Kaiser Permanente a better place to work
- provide Kaiser Permanente employees with the maximum possible employment and income security within Kaiser Permanente and/or the health care field;
- involve employees and their unions in decisions.

In brief, the overall objective of the Partnership is to create a culture of consultation within Kaiser Permanente, in which labor and management routinely collaborate to address issues at their outset in order to increase the quality of patient care, the efficiency of operations, and the quality of working life at Kaiser Permanente. The process and structure of the Partnership, described below, are designed to achieve those objectives.

Process and Structure of the Partnership

In order to realize the above objectives, Kaiser Permanente and the AFL-CIO have established a Senior Partnership Committee (SPC) consisting of Kaiser Permanente executive level staff (from both the hospital and physicians groups) and senior and local leadership designated from the participating AFL-CIO unions, 35 persons in total. Kaiser Permanente has also created the position of Vice President of Labor Management Partnership, which reports directly to the President. The responsibilities of the SPC are to establish, consistent with the terms and scope outlined in the Partnership Agreement, concrete targets, goals, objectives, time lines and other Partnership initiatives. The scope of the Partnership, as defined in the Partnership Agreement, is broad and includes: strategic initiatives; quality of care; member and employee satisfaction, business planning, marketing Kaiser Permanente, and employment issues. The SPC meets periodically to discuss strategic issues of the Partnership, manage implementation, and review and

oversee initiatives at all levels.

As was mentioned above, it is the SPC's vision and intent that the Partnership concept will become pervasive throughout Kaiser Permanente. The SPC's goal is to involve employees from all levels of the organization in appropriate and relevant issues. To this end, as sufficient progress is made by the SPC, each business unit (defined as a division, region or market) will be responsible for developing local joint partnerships to implement the goals of the Partnership.

Each business unit will establish a joint Partnership Team that will develop and monitor the implementation of action plans and initiatives. These teams, responsible for cascading the Partnership down through the organization, will develop committees and activities at the service area or regional level of the organization, as they deem appropriate, subject to the approval of the SPC. All Partnership Teams will consist of an equal number of members from the unions and the company or a greater number of union members. The union members of the Partnership Teams will be selected by the unions themselves, and company representatives will be selected by the senior managers of the relevant and appropriate business units. The internal consultant-facilitators that were hired to assist the Partnership Teams and the implementation of joint activities were jointly selected by the unions and company, and half of the internal consultant facilitators are union members.

Partnership Teams are being established at the regional, service area, and medical center levels throughout the Kaiser Permanente organization. Eventually business units will fully integrate the input of partners under the direction of the Partnership Teams. In the Northwest Region, for example, initial Partnership work will be focused on the Kaiser Sunnyside Medical Center in Oregon, where a Partnership Steering Committee has been formed. Initially, the Steering Committee will develop a framework to make substantial improvements in employee satisfaction, patient care satisfaction, and patients' access to the entirety of the

hospital's facilities.

The Partnership's decision making process varies from issue to issue, but is always guided by the following considerations: (1) if either party's vital interests are likely to be affected by a decision, the decision must be ratified by consensus; (2) if either of their interests will be even marginally affected, consultation should precede a final decision; (3) if one party has little, if any, interest in the outcome, and no particular expertise on an issue to be decided, merely informing the other party is adequate. Regarding the third condition, the parties recognize the dangers of unilateralism. In their Partnership Agreement they stated that "It is understood that this Partnership may not be sufficiently robust in its early stages to withstand many mistakes in the direction of unilateralism. Consequently, the parties will strive for consensus."

There are other aspects of the process and structure of the Partnership worthy of note. Kaiser Permanente has agreed to bear the costs of the Partnership, including expenses for Kaiser Permanente employees. The AFL-CIO and Kaiser Permanente have also agreed to freely share information with each other, and that each will have "timely access to all relevant and pertinent information necessary to address the purposes of the Partnership." The parties have also acknowledged a mutual obligation and intention to maximize employment security and, to that end, avoid the displacement of any employee.

In terms of union security, Kaiser Permanente agreed that employees should exercise free choice and decide for themselves whether or not they wish to be represented by a labor union. It has also agreed to maintain a "strictly neutral position" during an organizing campaign and that it will expeditiously recognize as a union any unit that appropriately organizes itself as such. For its part, Kaiser Permanente reserves the right to speak out in any appropriate manner when undue provocation is evident in an organizing campaign.

The AFL-CIO has agreed to make its best efforts to market Kaiser Permanente to new

groups and individuals and to increase Kaiser Permanente's penetration in existing groups. It has also agreed to use its influence to the greatest extent possible to assure that union health and welfare trusts, and relevant Taft-Hartley trusts, include Kaiser Permanente as a unionized health care option available to their members.

Finally, it is explicitly stated that the Partnership Agreement in no way affects any rights that the union may have pursuant to its collective bargaining agreement, that it is voluntary, and that its benefits are beyond those contained in the collective bargaining agreement.

The SPC is currently deciding whether and how to expand or otherwise change in order to reflect changes in the structure of Kaiser Permanente. Irrespective of the SPC's current status, however, it has had senior officials from both organizations from the outset, an essential factor to its success in launching the Partnership.

Obstacles to the Development of the Kaiser Permanente Labor Management Partnership

An important hindrance to partnership between Kaiser Permanente and its unions is both parties' organizational structure. In brief, Kaiser Permanente is not a legal entity. Rather it is a Partnership between the not-for-profit Kaiser Foundation Health Plan and Hospitals and the Permanente Medical Groups, a federation of 14 autonomous, for-profit physician groups. The two largest groups are located in northern and southern California. Approximately 50% of Kaiser Permanente's employees in California are employed by these organizations. While the 14 physician groups try to work together and coordinate their activities, each is autonomous and therefore free to opt out of any initiative that it chooses. The union partners, for their part, also have a complex structure that at times makes it difficult for Kaiser Permanente to know whether individuals, the locals or the AFL-CIO has authority to deal with the various issues that arise.

This organizational structure means that the process of decision making at Kaiser Permanente is extremely complex. Taking

■ *The parties are currently examining ways in which they can streamline the process of working together, but the organizational structure still presents a major challenge.*

■ *It is also difficult to change the organizational culture of any organization, especially one such as Kaiser Permanente's, with 90,000 employees across autonomous sub-divisions.*

■ *Staff members are often not sure of their role in the Partnership. They are not accustomed to openly voicing their views to their supervisors.*

■ *"I never would have thought that I would be working on this level with the heads—you know, the bigwigs—of Kaiser. It's all been a little shocking, I have to admit."*

the unions into account, even if they are coordinated in a coalition, adds a third element to this structure which further compounds the difficulties. In order to take any initiative, there must be coordination among 14 physician groups, the Kaiser Foundation Health Plan and Hospitals, and the 9 unions represented by the AFL-CIO coalition. The parties are currently examining ways in which they can streamline the process of working together, but the organizational structure still presents a major challenge.

In addition to the organizational structure, the above mentioned financial difficulties caused by intense competition from the new for-profit health care sector have hampered partnership, especially in terms of training and research. Financial difficulties have also hindered the extension of the Partnership to levels of the organizations below the senior official level. While there have been several success stories in implementing the Partnership at the staff level, on an organization-wide level the Partnership is still in its early stages. However, despite several obstacles, as of May 1999 about 10,000 of Kaiser Permanente's 90,000 employees were affected by the Partnership in some way, although significantly fewer than 10,000 were actively participating.

It is also difficult to change the organizational culture of any organization, especially one such as Kaiser Permanente's, with 90,000 employees across autonomous sub-divisions. The parties recognize that they are still learning, still improvising and that many people are still stuck in the same top-down approach to managing. Staff members are often not sure of their role in the Partnership. They are not sure of the circumstances in which they should raise issues with management. They are not accustomed to openly voicing their views to their supervisors. Many managers, for their part, are not used to the idea of partnership. They are still trying to figure out how to give workers a creative environment that allows them an appropriate level of input without feeling out of place if they disagree. Gradually, however, training concerning the fundamentals of the Partnership—i.e.,

win-win negotiation, and routinizing labor-management consultation—is starting to change the organizational culture at Kaiser Permanente.

Examples from the Field

1. Baldwin Park

Two Kaiser Permanente Hospitals in California—Baldwin Park in the south and Roseville in the north—opened this October. As Partnership projects, they have the potential to change the future of health care as we know it. Reports coming in from Baldwin Park show that a greater voice for employees is translating into better communication, more creative ideas on providing quality care, and ultimately a better workplace. This is the story of the employees who have a voice on the inside.

A year ago, if you had told Ward Clark transcriber Cassandra Green that she would be making key decisions about how to open a new hospital, she would have thought you were crazy: "I never would have thought that I would be working on this level with the heads—you know, the bigwigs—of Kaiser. It's all been a little shocking, I have to admit."

Cassandra Green worked closely with physicians, managers and dozens of other union members to create the best possible design for a new 240-bed hospital, complete with an emergency room and inpatient services, in southern California's Baldwin Park. "At the first meeting of the design team, the group was making a decision about nurse staffing," Green remembers. "The plan was to combine numerous jobs but so many duties were piled into one job that none could be accomplished well. I thought to myself, hold on a minute, this is not the way it works on the floors."

Then Green and other union representatives, drawing on their patient care knowledge, persuaded the design team to staff with certified and licensed nursing personnel. The Partnership makes "care" a team effort: each person applies his or her expertise at every level. The Partnership is appealing to medical personnel because it maximizes the amount

■ *“It’s the first time I know of in the health care industry where union member involvement will be making a difference, from quality of care, to budgetary, to how a job gets done.”*

■ *“We won’t have a single management decision-maker anymore: we’ll have team leaders.”*

■ *“You had doctors and administrators who admitted they really didn’t understand all the things that a ward clerk or a nursing assistant does.”*

of time care providers can spend with patients by freeing them from duties unrelated to their primary job.

Joint Governance Bodies: A Radical Change

Even the biggest decisions at Baldwin Park will include workers. That’s because the hospital will be managed through a series of joint governance bodies. Managers will have union partners working side by side with them in day-to-day operations as well as in the hospital’s long-term planning. “It’s the first time I know of in the health care industry where union member involvement will be making a difference, from quality of care, to budgetary, to how a job gets done,” says Dave Bullock of SEIU Local 399. Although it’s a “first” in healthcare, the model is adapted from other successful partnerships such as the Harley-Davidson motorcycle plant in Milwaukee, and the Saturn auto factory in Tennessee.

More Teamwork and Fewer Supervisors

Baldwin Park differs from other hospitals in its very structure of the way in which people work. Instead of the traditional manager-employee hierarchy, people will work in department based teams. Instead of having a manager set their schedule, workers in units will schedule themselves. And along with co-workers, they’ll decide what are the best, most efficient, and most effective ways to get work done, from maintenance to ER.

“We won’t have a single management decision-maker anymore: we’ll have team leaders,” explains Green. A group of peers will lead each department, focusing on problem solving. Partnership leaders will include union employees, management and physicians, each with an equal role and equal say. These leadership positions will replace certain supervisory roles.”

The ultimate goal is to end up with self-directed work teams where all members of a health care team on a particular unit or floor take responsibility. “Not only for patient care,” says Bullock, “but also for making decisions on issues that would normally be a management’s right to

decide. It’s really quite revolutionary.”

Designing Baldwin Park

The plan for how Baldwin Park will function came from the people who are actually going to staff the hospital. In April, over 150 front line workers, physicians and managers were invited to Blitz week—seven days of intensive work creating plans for the new hospital. After taking part in Partnership training, they spent five days actually designing the hospital. They were told, “You have a blank page. It’s up to all of you to create Baldwin Park. From LVNs to admissions clerks and medical center administrators, Kaiser Permanente employees worked on the design flow in a consensus based process.”

The team covered all facets of hospital operations, from staffing on various units to staffing mixes between RNS, LVNs, nursing assistants, and radiology. They made recommendations to the steering committee on how units would be staffed and how they would function. It was an eye-opening experience for many of the participants. “You had doctors and administrators who admitted they really didn’t understand all the things that a ward clerk or a nursing assistant does. They didn’t realize that we work as hard as we do,” said transcriber Cassandra Green. “By the end of the week, everyone had a much greater understanding of other people’s jobs and how everything fits together.”

The group broke into seven committees—admissions/business, critical care and medical surgery, emergency room, observation, perinatal (including OB and NICU), preoperative and continuing care—to discuss past problems and better ways to design care around the patient. Each group met in the area of the hospital they were designing and talked about everything from staffing and scheduling to how they will see patients.

“Finally, registered nurses and other staff are being recognized for the experts they are,” says Tom Marsh, RN and staff rep with UNAC. “The Partnership gives us an open door that was not there before.”

■ *“Working in this way, we were able to bring the circle together of how each department interacts. I think it will make for a better patient experience—fewer delays, quicker treatment, more coordination.”*

■ *“The overall atmosphere in the hospital has improved since the Partnership was introduced because the decision-making process has become a much more collaborative process.”*

Better, More Coordinated Care

Allowing each area to plan together will ultimately benefit patient care, says Ann Shaw, a radiology technician. For example, Emergency Room staff needs to interact with several other departments—radiology for x-rays, the laboratory for blood counts, and the pharmacy for medications. “In the past only the administration would have met to do the planning, explains Shaw: “Working in this way, we were able to bring the circle together of how each department interacts. I think it will make for a better patient experience—fewer delays, quicker treatment, more coordination.”

The nursing teams created for Baldwin Park—consisting of RNS, LVNs, and nursing attendants—gives nurses more time for patients, because they won’t have to spend as much time preparing cooking trays and performing other non-nursing duties. What’s more, the new hospital is a big plus for local health plan members who currently have to travel to Kaiser Permanente facilities in Bellflower, Los Angeles or Fontana.

Baldwin Park’s collaborative design may be the wave of the future. Oliver Goldsmith, the medical director of the Southern California Permanente Medical Group, says of Baldwin Park: “This is probably the most significant venture we will do inside Kaiser Permanente over the next decade. It will serve as a building block for what lies ahead.”

2. South San Francisco

Grievances piled high in Kaiser Permanente’s South San Francisco facility before medical group administrator Dianne Preston and a team of union stewards stepped in. They launched the Partnership at the South San Francisco site with an innovative manager/steward training called Building Collaboration Through Labor Relations. This training consisted of numerous activities, including trust-building and role-playing exercises, to help shop stewards and managers realize they could be allies. By the end of the two-day training, meetings were already scheduled between several managers to discuss how to

best implement some of the general Partnership principles in their departments.

“The overall atmosphere in the hospital has improved since the Partnership was introduced,” says JoAnne Arnos, a Senior Radiological Technologist and shop steward, “because the decision-making process has become a much more collaborative process. Union members and managers are no longer in an adversarial position. The number of new grievances filed has gone way down because the union stewards are able to work problems out with managers before problems escalate to a grievance filing.”

Despite the success in decreasing the number of new grievances, many old grievances remain unresolved. “In some other corporations where partnerships are in place, old grievances have been given quick attention at the regional level. I would like to see that happen in the South San Francisco Kaiser Permanente facility,” says Arnos. A large part of the success of the Partnership has been the willingness of many managers to try new approaches, but she says, “I would like to see all managers get involved.”

The results of the collaborative efforts developed throughout the Partnership are visible. In departments where the Partnership has been accepted, managers will more frequently approach union members for their input before many large decisions are made. “Shop stewards have been participating in budget meetings that we were never invited to before,” says Arnos. Arnos adds that the Partnership’s nature of cooperation “influenced the settling of early contract negotiations.” Finally, union members are also beginning to take on new responsibilities in the areas of performance improvement and marketing Kaiser Permanente.

Broader Initiatives of the Partnership

The involvement of senior officials from both Kaiser Permanente and the AFL-CIO has allowed the Partnership to not only begin to change the corporate culture at Kaiser Permanente but also to address broader issues affecting their work force generally. Two such initiatives are diversity

■ *Through the Partnership, Kaiser Permanente plans to draw upon the experience and ethnic diversity of its workforce to increase the cultural competence of its care.*

■ *The Partnership is just in its infancy and, aside from several successes in individual cases, there have been few “outcomes.”*

in the workplace and safe needle legislation. While Kaiser Permanente has long had a program in place to enhance the diversity of its workforce, and it boasts the highest percentage of female physicians of any major health care provider, in the context of the Partnership it is now starting to include the unions in this effort. One area of collaboration is Kaiser Permanente's ongoing initiative to provide culturally competent care. Promoting culturally competent care involves increasing health care practitioners' awareness of the cultural practices and mores of the hundreds of ethnic groups that Kaiser Permanente includes in its membership in California and elsewhere. Many cultures regard the human body as sacred and have strict guidelines when medical procedures are performed. For example, some cultures forbid surgery on that basis. In other cultures the husband expects to remain in the room, and even assist, the doctor when he performs certain medical procedures on his wife. A culturally competent practitioner would be familiar with these norms and be able to adapt to them without compromising the quality of his or her care. Through the Partnership, Kaiser Permanente plans to draw upon the experience and ethnic diversity of its workforce to increase the cultural competence of its care. The Partnership has also been active in the legislative arena, successfully promoting “safe needle” legislation in California. Safe needles are syringes that contain a mechanism that causes the needle to retract into a container immediately following the injection in order to avoid inadvertent sticks. Proposed legislation requiring all hospitals in California to use safe needles was opposed by the health care industry as well as then Governor Pete Wilson. In contrast to the rest of the industry, Kaiser Permanente supported safe needle legislation because of the many benefits. Namely, a 1998 study sponsored by the State of California found that California health care facilities could save \$100 million a year by using safer needles alone as a result of reduced screening, treatment and other costs of such injuries. However, Kaiser

Permanente did not want to be the only provider in the industry incurring the added cost of such needles and supported the legislation in order to be sure that, if it adopted safe needles, the rest of the industry would too. Kaiser Permanente thus worked with the unions to actively lobby the rest of the industry to accept the safe needle legislation, eventually forcing Governor Wilson to sign it into law in California. The Partnership was recognized for this success, as a front page San Francisco Chronicle article credited Kaiser Permanente and union partners for the legislation's passage.

Kaiser Permanente and the unions are now working to roll out the initiative on the national level, introducing similar national legislation—The Health Care Worker Needlestick and Sharps Injury Prevention Act—which is expected to prevent up to 1 million needlestick injuries a year, of which over 1,000 are life-threatening. The Partnership is also currently in the process of addressing HMO legislation, including a patients' bill of rights currently being considered in Congress. This subject has been discussed at the SPC level. While there remain significant sticking points, the fact that it is being addressed at such a high level makes it more likely that a satisfactory strategy will be developed. Finally, the Partnership is also developing an initiative to combat smoking on college campuses.

Outcomes and lessons learned

The Partnership is just in its infancy and, aside from several successes in individual cases, there have been few “outcomes.” However, the Partnership is clearly evolving. The relationship has become much less contentious. The parties' focus is now on how to solve problems as opposed to trying to upstage the other side. At the Los Angeles Medical Center (Sunset) in Southern California, for example, between October 1998 and January 1999, nine workgroups composed of 200 employees, managers, and physicians examined systems, processes, technologies and services in maternal/child health, surgery, clinical management, information technol-

■ *As a result of collaboration, there is a higher level of sensitivity to each other's interests.*

■ *In the process of moving the Partnership forward the parties underestimated the complexity of trying to launch the Partnership on such a large scale.*

ogy and guest services, among other areas. "We were looking at the big picture, and deciding what are the best ways to operate in order to provide the best work environment and patient care possible," said Joseph William Hummel, senior vice president and area manager for Metro LA.

As a result of such collaboration, there is a higher level of sensitivity to each other's interests. One major success story was the recent contract negotiation between Kaiser Permanente and SEIU Local 250, which represents about 15,000 Kaiser Permanente workers in northern California. In the Spring of 1998, the two sides made labor history when they negotiated a contract in less than 18 hours. The process had previously lasted from three to six months! What is more, Kaiser Permanente granted the union a pay increase eight months before the expiration of the previous contract. Both Local 250 and Kaiser Permanente have credited the Partnership, and its emphasis on collaboration, with reaching the agreement in such a short time.

Other success stories abound. Since October, 1998, two hospitals—Baldwin Park and Roseville, both in California—opened in half the time it normally takes to open new hospitals. Early service improvement indicators include reducing the operating room prep time at Baldwin Park from 30 to 40 minutes to 13 to 18 minutes. The openings of the Baldwin Park and Roseville hospitals in California under the Partnership have increased Kaiser Permanente's capacity to meet members' inpatient needs and assure that they receive high quality care in its own facilities.

Another success was when Kaiser Permanente's Optical Lab Team in Northern California implemented a performance improvement plan that, among other results, improved service while increasing 1999 first quarter revenues by over 10%. The recently implemented plan, which is expected to save \$800,000 per year, has already reduced the average time to craft eye glasses from 2.8 days to 1.6 days.

"Managing Cost, Delivering Quality" is the central theme for the California Division's Hospital Operations Improvement Project

(HOIP). Launched in September 1998, HOIP is an integral piece of a performance turnaround plan for California and also serves as the Division's first statewide project to be implemented under the National Labor-Management Partnership. HOIP is designed to reduce the variation in operational practices and costs, while maintaining or enhancing quality throughout Kaiser Foundation Hospitals in California. As part of the project's initial phase, teams of physicians, nurses, managers, union leaders, and staff represented by the Partnership's unions have identified and approved best performing practice facilities and financial targets in the areas of Critical Care, Maternal Child Health, Medical/Surgical, Pediatric, Neonatal Intensive Care, and Nursing Administration.

At the Sacramento Appointment and Advice Call Center (AACC) in Northern California, Service Employees Union International (SEIU), Local 250, and Kaiser Permanente are changing the way health care is delivered in Partnership. When that facility is operating at full capacity next fall, teleservice representatives and advice nurses will respond to an anticipated 7.5 million member calls per year. "We have an unparalleled opportunity to contribute to member satisfaction," says Michael Schlee, Director of the Sacramento AACC.

There has also been an improvement in workplace relationships where the Partnership is in place. Workplace surveys have confirmed this. In one location where the Partnership is in place—The Connecticut Clinical Services Support Center (CSSC), Northeast Region—a grievance backlog of 150 has been reduced to two. And there are no new grievances proceeding beyond the local level (none to arbitration, etc.).

In the process of moving the Partnership forward, there have been some lessons learned. For one, the parties underestimated the complexity of trying to launch the Partnership on such a large scale when Kaiser Permanente as well as the union are experiencing financial difficulty. As was mentioned above, the ability to acquire

■ *It takes time for roles to become established and for routines to set in regarding the matters that are to be conceived of as “Partnership matters.”*

■ *Training in the skills of partnering—consensus-based decision making, win-win negotiation, conflict resolution—is critical to the success of the Partnership.*

resources to make the initiative work has been an obstacle. While it is logical to argue that there will be a positive long term return on the investment due to increased productivity, lower costs, and greater market share, it is a difficult argument to make when there are tangible items such as medical equipment that are essential in the short term. In this regard, patience and determination are essential ingredients to success. A related lesson learned is that it is important to make an allocation of resources up front, and not in a piecemeal fashion. In not making this up front allocation there is more opportunity for replication of mistakes, which makes it more difficult to muster the political support that is essential for carrying the process forward.

Another lesson that was learned is that it takes time for roles to become established and for routines to set in regarding the matters that are to be conceived of as “Partnership matters.” According to one Kaiser Permanente official, the unions are in a process of attempting to turn many issues into Partnership issues, but it will take time for union members to familiarize themselves with the business aspect of operations and to develop a requisite number of employees who can make meaningful contributions in areas that are new to them. The Partnership has also learned that

training in the skills of partnering—consensus-based decision making, win-win negotiation, conflict resolution—is critical to the success of the Partnership. It has been key to the successes alluded to above. Indeed, an emphasis on continuous learning and improvement pervades the Partnership as it works to achieve its goals. Recent continuous learning initiatives include: the Inpatient Nursing Quality Indicator Project, Advice Nurse Call Documentation Project, and Service Training for 5000 employees in the Central East. The Partnership also recognizes that measurement of performance is critical for targeting resources and effecting mid-course corrections. The Partnership will therefore soon issue a Partnership Report Card that provides several National Performance Measures.

Kaiser Permanente and the nine unions comprising the Partnership have strongly committed to working together for their mutual benefit and the benefit of the member patients they serve. While the Partnership is in its early stages, it is slowly beginning to change the organizational culture at Kaiser Permanente to one of consensus and collaboration at all levels. In the cases noted above there have been tangible successes. While neither partner is under the illusion that wide-scale change will be fast or easy, the clear commitment work together and learn together bodes well for the Partnership and its patients.

UNITED STATES

Area	9,159,000 km ²
Population:	267,900,000 (1997)
GDP per capita:	30,160 (\$US, 1997)

The United States enjoyed continued strong growth with declining inflation in 1997 and through the first half of 1998, extending the current expansion and contributing to the realization of a budget surplus in 1998. Employment rose by 3.2 million in 1997, as more jobs were created than in each of the last two years. The unemployment rate fell to its lowest point in recent decades averaging 4.9 percent in 1997.

CASE STUDY: HARLEY-DAVIDSON LABOR-MANAGEMENT PARTNERSHIP

David Thaler

Introduction: Starting Green in Kansas City

The wind off the plains brought cold intermittent rain out of Kansas as the guests and reporters disembarked from their flights into Kansas City International Airport on January 6, 1998. The Presidents of the two International unions, The International Association of Machinists (IAM) and the United Paperworkers International Union (UPIU)¹, their field staff, and union officers from three factories, two in Wisconsin and one in Pennsylvania, along with their salaried counterparts, braved the threatening weather and traveled to Missouri. They were there for the roll-out and dedication of the first Harley-Davidson *XL Sportster* off the line in a brand new plant. This celebration marked an important event in the history of Harley-Davidson: the launch of a new work paradigm for the 21st Century, one patterned after the IAM's High Performance Work Organization (HPWO) Partnership.

Here, in the middle of an ultra modern 332,000 square-foot factory, the IAM Local 176 President, Marshall Wallmark, and the UPIU (now PACE¹) Local 760 President, Ted Harris, fired up the first two *Sportsters* produced in Kansas City. The union Presidents drove the motorcycles onto the makeshift stage for the usual fanfare along

with the Mayor of Kansas City and other dignitaries. Wallmark and Harris met the Vice President and General Manager, Karl Eberle, at center stage, where the trio was introduced as a co-leadership guiding force in running this "factory of the future."

These three leaders, along with representatives from other groups at the Kansas City plant, form the Plant Leadership Group (PLG) in an innovative work system, which departed from the traditional management approach. Decisions, all by consensus, were to be drawn from salaried process leaders partnered with union stewards in each of four process operational groups (POGs). The POGs share decision-making on the work (and how the work and the working conditions are continuously improved) with the people who would do the work in a bargaining unit scheduled to level out at around 500 employees.

The launching of this "partnership" marked a significant departure from many recent airline, aerospace, and other manufacturing situations. Thousands of IAM members suffered from layoffs and the transfer of work to work sites where management hoped the new employees would say "no" to unionism. Unlike these other employers, Harley-Davidson, jointly with the two unions, selected and staffed a new work site and developed strategies to

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¹ The UPIU has since merged with another union and now goes by the name of the Paper, Allied Industrial, Chemical & Energy Workers Union (PACE). The number of the Local is still 760.

■ *In 1969 American Machine and Foundry (AMF) purchased Harley-Davidson for \$22 million.*

■ *In 1981, with Harley on the brink of bankruptcy, the group scraped together one million dollars to buy back the company.*

increase the business and the workforce. This was the heart of “starting green in Kansas City.”

Harley-Davidson History

An important event in the history of Harley-Davidson, a company founded in 1903, was its decision to welcome public investment in 1965. Harley needed a major cash transfusion to compete in a burgeoning domestic motorcycle market steadily invaded by highly functional and cheaper imports. Wisconsin bred and family owned for sixty years, the people of Harley-Davidson hand crafted motorcycles. They took pride in work they considered to be an art with the emphasis on form and integrity of design. Tradition-bound, they were strapped for cash. They needed to shift gears and learn how to mass-market their bikes while increasing the production capacity without sacrificing the integrity and feel, synonymous with the product. This was a near-impossible task given the antiquated machinery, the outdated work system, and Harley’s financial vulnerability.

In 1969 American Machine and Foundry (AMF) purchased Harley-Davidson for \$22 million. The AMF purchase was a mixed blessing for Harley’s employees. AMF owned a huge, half-empty factory in York, Pennsylvania where they made bowling equipment and housed a line for building bombs. AMF management unilaterally decided to convert the York plant to chassis manufacturing and final assembly, while leaving the production of engines and transmissions in Milwaukee. Milwaukee employment levels dropped almost immediately and labor relations deteriorated.

AMF spent millions to move the fabrication and assembly operation to York to boost production, but did nothing to expedite the engine and transmission build in Milwaukee. Plans for coordinating the operations were non-existent. The more they increased production, the greater the loss of quality. There were actually more motorcycles transferred to an area called the “hospital” with malfunctions and missing parts than there were at the end of

the production lines, now more than 700 miles east of Milwaukee.

AMF funded research into styling and performance, and the workers continued to produce the one intangible, rolling thunder, good vibrations. But styling, sound, and the inexplicable “feel of the ride” were the only parts of this “mystique” on which Harley’s shrinking customer base could count. AMF did not adequately foresee motorcycle trends and the impact of a strong demand for Harley products. In addition, quality, function, and price of the machines were not even in the same league with a flood of look-alike imported cruisers and sport models entering the U.S. and Canadian markets.

Between serious oil leaks and market losses to their foreign competitors, who designed and built entirely new quality touring bikes in less than 18 months, Harley underwent a near-fatal skid. The oil leaks, among other malfunctions, often left dealers to shoulder repairs before a motorcycle could be sold. Competition within Harley’s main market niche known as “Hog Heaven,” resulted in a once uncontested market share dropping from 80% to 30.8%. Harley was pronounced a motorcycle dinosaur, situation terminal.

Reverse Takeover

The wounds were hardly superficial, but a core group of 13 Harley officers were unwilling to go on life support and instead obliged AMF with an unprecedented bail-out. In 1981, with Harley on the brink of bankruptcy, the group scraped together one million dollars to buy back the company, igniting a reverse takeover that would become an example of industrial revitalization in the history of North American manufacturing.

Forced to adapt or expire, the new owners undertook a plan to control production costs, ensure higher standards, and control quality. Importantly, they realized that in order to survive, the company needed the input of the workers on the factory floor. They gave factory workers more responsibility to craft stronger rods, closer tolerances, better oiling, and tighter joints

■ *Salaried employees took pay cuts, and everyone worked long and arduous hours to improve the product and develop innovative programs.*

■ *The parties agreed to work together and fashion “some kind of partnership in high performance” that would produce competitive products, exhibiting Harley quality, styling, and performance, and do it while maintaining current production and employment levels at the existing unionized locations.*

for a longer-lasting, more fuel-efficient Evolution engine. Assemblers and fabricators of fenders, tanks, and frames had the freedom to organize production around lighter frames and reposition oil tanks for better balance. The one key element they relied on was experience. Four generations of motorcycle know-how went into bending and painting new forms and lacing new wheels as they blended contemporary engineering with a host of nostalgic and increasingly “hot” engineering designs.

At one point 40% of the employees were laid off. The 2,200 who remained sacrificed also. Some bargaining unit employees agreed to freeze their wages, forgo cost-of-living increases, and work reduced schedules. Salaried employees took pay cuts, and everyone worked long and arduous hours to improve the product and develop innovative programs. Acting less and less as adversaries, managers, employees, and their unions waged a never-ending battle to meld performance and reliability with styling and integrity of design, from pinstripes to welded tanks, with a paint job of mirror-like perfection.

Once the work-sites were stabilized and the business was growing, the management team again opened the company to public investment in order to ensure its continued growth. Harley employees faced the challenge of increasing production to meet the burgeoning demand for their products and offering new products for domestic and international markets. The goal became to double production by the year 2003, Harley-Davidson’s 100th Anniversary. To achieve this goal Harley employees would have to raise annual production levels to over 200,000 annually.

Many other manufacturers had settled their capacity questions by adding a “shadow plant” in a right-to-work state or a location away from the mainland where labor costs were one-tenth of current payroll and environmental regulations were all but non-existent. Others threw a padlock on their present facility and reopened elsewhere, welcomed with huge tax breaks, fully funded vocational training, and environmental abatements. But the Harley-

Davidson experience had already demanded a cohesiveness and solidarity at every level of the enterprise. Labor and management nurtured a critical interdependence that nursed their workplace out of intensive care.

The senior management team at Harley was keenly aware of what it took to stay alive. They refused to discount anyone—particularly the engine mechanics, tool and die workers, fabricators of fenders, tanks, and frames; wheel lacers and painters; and last, but certainly not least, the unions that represented them.

Forging the Partnership: New Plant, Two Unions

On December 7, 1994, Harley’s CEO and CFO met the top officers of the IAM and the UPIU (now PACE) in Washington, DC, to discuss a course of action in choosing a new plant site and building a “two-union” facility. The UPIU represented about 550 workers who built the engines and transmissions for the bikes at the Capitol Drive facility in Milwaukee while another 150 workers did the work on the fairings, saddlebags, and sidecars at Tomahawk. The IAM represented about 75 maintenance, tool and die, and machine repair workers in Milwaukee and some 2,200 fabricators and assemblers of the motorcycles in York.

Hearing the details of the capacity problem and the need to re-engineer current production, the Presidents of the IAM and UPIU responded with guarded enthusiasm. The parties agreed to work together and fashion “some kind of partnership in high performance” that would produce competitive products, exhibiting Harley quality, styling, and performance, and do it while maintaining current production and employment levels at the existing unionized locations. They also agreed that employees should be represented in a “seamless” or free-flowing labor environment, eliminating any predatory or jurisdictional confrontations from the start.

It was decided that a pair of decision-makers from Harley-Davidson, the IAM, the UPIU, and one representative from the AFL-CIO, would begin meeting to work on

■ *Local Joint Partnership Implementation Committees (LJPICs) were established at each plant with balanced participation from labor and management.*

site selection and the form and substance that a truly cooperative effort at a new plant could take. Their first action was to obtain a facilitator skilled in conflict resolution and workplace change efforts in which the union played a significant role. Once the facilitator was on board, the group, which called itself The Joint Partnership Implementation Committee (JPIC), began broad-based discussions around workplace change.

The JPIC agreed to the term, “Elements of Shared Decision-Making,” and began with a review of functions that were apt to cause less conflict when done bilaterally before turning to the more contentious ones. They examined the topic of training and education before turning to other issues, such as subcontracting. The JPIC assigned a “level” of decision-making that they hoped to attain with each element discussed. The members of the JPIC laid out three ways in which decisions could be made:

- [1] Unilateral—Management or Labor decides
- [2] Unilateral with Prior Input
- [3] Joint Consensus

The number of vital “Elements” turned out to be 23. The JPIC determined how the Harley workforce was currently deciding issues around each element—either 1, 2, or 3, or combinations of different levels or types, a 2/3, etc. The group worked up a chart that showed current levels of decision-making and set a “Goal” of 1, 2, or 3, or other combinations, that prescribed the level of decision-making to be employed once labor and management attained “full partnership.”

Reaching Out Beyond the Plant: A Participatory Approach to Building Consensus

In the midst of all this activity, rumors spread to Harley’s plants that they would lose work to the new site. So the JPIC invited local union leaders, local managers, engineers, and support groups to join in and cast a critical eye on this preliminary work. Members of the JPIC informally consulted with bargaining unit employees,

engineering, and salaried support groups already demonstrating a key ingredient, shop savvy. The draft of the 23 Elements of Shared Decision-Making and a rough draft of a statement on partnering principles were formally introduced to a “group of 30.” The group represented a cross-section of expertise from all Harley locations, and they did not hesitate to comment on the work so far and suggest several improvements to the earlier drafts.

The group recommended that the JPIC cast a broader net, calling on even greater expertise and greater participation. Consequently, the “advise and consent group” was reformulated to include a “Group of 100” that came together in a variety of work site conferences to add to, delete, and/or modify the JPIC’s work in progress. From this Group and from discussions within the JPIC, it became clear that autonomy of local management and labor was a key ingredient to fleshing out the 23 Elements of Shared Decision-Making and achieving full partnership. As a result, Local Joint Partnership Implementation Committees (LJPICs) were established at each plant with balanced participation from labor and management. The LJPICs included members of local union executive boards, members with expertise in a variety of disciplines including communications and surveys, and salaried supervisors, trainers, engineers, and members of the local management teams. Each committee agreed to build the best partnership model and implementation plan for their particular work site.

The Agreement to Partner

The JPIC jointly drafted an agreement to partner, which was signed by the management representatives and the union leaders with the ultimate responsibility for the workplace involved. The JPIC saw the document as “enabling language” that would allow local labor and management leaders to expose the entire workforce to this Partnership Agreement and, in turn, gain their commitment to the effort to create a new work system.

There were many drafts to the “simply

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■ *The plant manager would need to be someone with understanding and sensitivity to the evolving process—someone capable of sharing the helm with the local union presidents.*

stated” agreement to partner. The partners agreed to incorporate “shared decision-making” and were “committed to jointly develop an interdependent, mutually beneficial partnership.”

Upholding Harley Tradition Through Partnership: The Harley Business Process

It was no accident that there was a direct reference in the Partnership Agreement to a document formulated solely by Harley management over the prior 10-year period. It was important to the company that its “Business Process” and the process of partnering complement each other. There were five “issues” framed by the Business Process: Quality, Participation, Productivity, Flexibility, and Cash Flow. The Group of 100 reviewed the outline of the Business Process as it related to the manufacturing operations at the existing plants. They stressed the first item on the “business umbrella,” namely the set of values: “Tell the truth, be fair, keep your promises, respect the individual and encourage intellectual curiosity.”

The Harley Business Process also committed management to improve its mutually beneficial relationships with Harley’s employees as “stakeholders” and balance their interests by empowering them “to focus on value-added activities.” There were six stakeholders: *customers, employees, suppliers, investors, governments, and society.*

The Process was also based upon three highly functioning, overlapping “group circles” that made the business go: *Produce Products Group, Create Demand Group, and Support Group.* Manufacturing obviously fell under the first group, Produce Product, with design and marketing in the second, and financial, human resources, customer support, and information systems and others in the third. The grouping in circles of these overlapping functions took on an important meaning to the labor participants on the JPIC. The goals of jointly growing the business, costing out its activities, and then improving the work process, linked the Business Process to the Partnership Agreement.

Partnership Structure

Once Harley’s Business Process, the Partnership Agreement, and Employment Security commitments were in place, the JPIC turned its attention to creating a partnership structure for the new plant. The new site needed a structure which permitted the decision-making process to be applied to the actual tasks by which production and operations would flow. To make this happen, the JPIC agreed to create temporary positions filled by current employees (appointed by the international unions) who would help design and implement an innovative governing structure. Since they would function as a resource, the selected individuals were called Resource Technicians (RTs).

In addition, over 20 hourly representatives were recruited, interviewed, and recommended to the international unions by the RTS. These union-appointed representatives would be called Production Technicians (PTs) and were reassigned to work on operational processes, such as tank and fender components manufacturing, with an advance team of Harley support engineers. The PTs and the engineers were “re-engineering current processes” in ways that would better serve the new factory.

The members of the JPIC created a plant structure and shop methodology that would make it possible for labor and management leaders to deliver the mutually beneficial gains and positive work environment cited in the Partnership Agreement. They explored the type of leadership required and the role of the union leader and the management leader in the new environment. The plant manager would need to be someone with understanding and sensitivity to the evolving process—someone capable of sharing the helm with the local union presidents.

The new Plant Manager was selected by Harley management and had multifaceted, “in-the-trench” experience from John Deere’s Horicon, Wisconsin, plant and Harley’s York and Tomahawk facilities. He attended the planning sessions and worked with the JPIC. With the RTs, PTs, engineers, and a handful of managerial

■ *Working with the newly assigned Plant Manager, the RTs described a plant that would house three layers of “decision-making.”*

■ *POG stewards, with a working knowledge of the Agreement, shepherd the partnership and resolve issues with their Process Leaders.*

support personnel, the plant manager coordinated the overall planning and start-up of the new facility.

The Kansas City Operating System (KCOS)

With the Partnership structure in place, there remained the question of what operational structure would be introduced in this factory of the future. Starting “green” with 320 empty acres, even before the shovel’s first bite, seemed to be a distinct advantage. Working with the newly assigned Plant Manager, the RTs described a plant that would house three layers of “decision-making.” Two of these layers count on participation from people with supervisory responsibility who retain only remnants of the traditional management functions. These individuals are called Process Leaders, and they support the process in which the day-to-day operational tasks are undertaken. There are four of these Process Leaders within the operational structure with one supporting each of four Process Work Groups (PWGs), housed according to skill and function:

- Fabrication
- Paint
- Assembly
- Future

The first layer of decision-making falls within the PWGs. Groups of workers, called Natural Work Groups (NWGs), are responsible for decisions at “floor level” and are essentially self-directed. Within the NWGs the work of building motorcycles gets done. Specific tasks are planned and organized, the parts and supplies provided, and the shared decision-making on quality output, safety checks, and communication is done. A collection of NWGs and support employees (roughly 15 in each NWG) make up the PWG.

The second level of decision-making is the Process Operating Group (POG), which is a smaller leadership group among the PWG made up of the Process Leader, steward, and a member of each NWG along with a support employee. The POG accepts the decision-making role in the PWG. It is

responsible for assuring delivery of the parts/products and services for that particular manufacturing process, on schedule and within budget. In the POG, the work of the NWGs is coordinated with other NWGs within that particular Process Operation. POG representatives share production information with the NWGs, other POGs, PWGs, and NWGs throughout the factory. POG stewards, with a working knowledge of the Agreement, shepherd the partnership and resolve issues with their Process Leaders.

The third level of decision-making is the Plant Leadership Group (PLG). This group includes the Plant Manager, the two Local Union Presidents, the Process Leaders, and hourly employees selected by their union peers. Resource Groups (RGs) consisting of process leaders and people with the expertise necessary to support the running of the factory are also included. Six Process Leaders within the RGs are responsible for supporting the work of the factory. They are:

- Facilities (including maintenance, security, plant engineering)
- Materials (including operational purchasing, shipping-receiving)
- Human Resources (including training)
- Finance (including cost management)
- Information Systems, and
- Quality

In line with the Elements of Shared Decision-Making, each level (NWG, POG, and PLG) has a prescribed budget set by the group above. With each group responsible for how the allocated funds are dispersed and accounted for, it is possible for the NWG to draw on the accrued business knowledge, supplemented with production know-how, to create efficiencies in meeting the goals for decision-making as work on the 23 elements evolves. The Plant Manager and the Union Presidents run the factory with consensus agreement on key matters coming from regularly scheduled meetings of the PLG.

An Appendix to the Kansas City Labor Agreement includes a description of the

■ *The responsibility for decision-making rests with those “as close to the work, issue, or topic, as possible.”*

factory, specifically listing controlling documents, a set of principles, general group responsibilities, the composition of each group, and the method of their selection. This appended document is called the Kansas City Operating Structure. The facility is “guided by and subject to” the Partnership Agreement, Elements of Shared Decision-Making, the Harley-Davidson Business Process, the Labor Agreement, governmental regulations, and by a set of “principles” that were put forth in the Operating Structure document. The principles clarified the personal responsibility that employees accept both individually and within their respective groups. The responsibility for decision-making, for instance, rests with those “as close to the work, issue, or topic, as possible.” Consensus is the method groups use to make decisions.

The plant’s operating structure is described in the document which is reprinted in Attachment #6. It forms the basis for the partnership in the Harley’s Kansas City plant and is the prototype for a model that Harley hopes to replicate in its other plants.

The Master Responsibility List (MRL)

The JPIC reviewed all the suggestions and concerns voiced by the RTs—particularly those matters of how to know, automatically, what group would engage in deciding upon which of the 23 Elements, and what circumstances and boundaries would apply to those decisions. They came up with the idea of creating a Master Responsibility List (MRL). The MRL lists the following as general “Responsibilities”:

- Policies, Procedures and Work Guidelines and Boundaries
- Capital and Expense Budgets
- Production Schedules
- Manufacturing, Group Process and Procedures Manual
- Factory Strategic Business Plan
- Factory Objectives
- Core Processes and Capabilities
- Readiness for Production
- Training and Education
- Organization Structures

- Resource Group Utilization
- Staffing
- Participants Selection for Assignments
- Internal Communications and Information Sharing
- External (Outside Plant) Communications and Community Relations

Under each of the general headings, the JPIC members listed the specific responsibilities, the corresponding group responsible for that responsibility, and the applicable governing document. The overarching documents were the Partnership Agreement and the Labor Agreement. The MRL, reprinted in Attachment #7, included the responsibility to establish the Harley-Davidson Code of Business Conduct, implementing changes to stay competitive, and legislative activity external to Kansas City.

Operations Support Role (OSR)

Throughout the formation of a new work system, there were two things that members of the JPIC were conscious of avoiding. The first was “team terminology” that carried the stigma of a failed flavor-of-the-month, “Quality-circle” or an “Employee Involvement” program. Avoiding references to “team” was simple enough. The JPIC substituted the word “group” and made sure that the accompanying language truly “empowered” (another shop-worn term) the group.

In contrast to a “team” approach, the members of the JPIC were struck by an idea from the Resource Technicians (RTs) to use five rotating “roles” with accompanying responsibilities that would be rotated by the members of each NWG. That would mean five people in each NWG with five specific roles of Operational Support. The members of the group would rotate through each role, and their method of rotation and length of service would be determined by the members in each NWG. Each Operational Support Role (OSR) would have a different responsibility:

- Quality: Assuring consistent application of the specs, compliance with ISO Certification..

■ *The assignment of shared responsibilities and the requirement to rotate the assignments exposed everyone to the language of the labor agreement and the goals and values of the evolving partnership.*

■ *It became clear that to bring about the reorganization of work and its efficiencies through any high-performance partnering would not happen until there were written assurances that employees who participated in the process would not end up “working themselves out of a job.”*

- Safety—Ensuring compliance within the NWG and serving as plant liaison.
- Planner—Manage material, records (time sheets, etc.) work schedule with PWG.
- Continuous Improvement—Communicate progress.
- Accountability—Maintain business and partnership effectiveness scorecard.

The assignment of shared responsibilities and the requirement to rotate the assignments exposed everyone to the language of the labor agreement and the goals and values of the evolving partnership. It would require familiarity with the values of the union and of Harley-Davidson in a manner of partnership and organization with high-performance work.

Issues Addressed by the Partnership

In addition to addressing the day to day issues described above, the Partnership also deals with overarching issues affecting the quality of work life. Two examples of such issues are employment security and equal employment opportunity. These are discussed below.

Employment Security

In all locations, employees reviewed the Partnership Agreement. Following this review, it became clear that to bring about the reorganization of work and its efficiencies through any high-performance partnering would not happen until there were written assurances that employees who participated in the process would not end up “working themselves out of a job.”

When Harley employees said “job,” it was clear that they meant it generically. They knew that specific jobs would change when process improvement methods were introduced. What they refused to tolerate, at the expense of their HPWO participation, was the wholesale disruption of their future employment. Most had witnessed the layoffs at Harley in 1981 or had experienced what happened in numerous other workplaces where the attitude of how to be competitive was focused on doing more with less, on “team concepts,” and

moves to low-wage areas.

Consequently, the JPIC wrote a Memorandum of Agreement focused on employment security. The draft made it clear that the partnering process was based on all employees being fully committed “to accept their obligation to actively participate in efforts to address capacity needs while continuously improving productivity, quality, flexibility, and financial performance.”

The Memorandum acknowledged that jobs and their requirements would change as a result of employee participation, but when the changes occurred employees would get the necessary training and job reassignment in accordance with their respective labor agreements. Employment security was the key, and the language stated that there would be no loss of employment for those “eligible” employees as a result of their participation in the partnership, or from subcontracting, and expansion in new and existing plants and/or products. “Eligibility” was defined as all full-time employees employed on the effective date of the agreement and any new-hires who achieved two years of service. Finally, “in the event of severe economic hardship, the Partners agreed to explore alternative courses of action before considering the necessity for employment reduction.”

After much discussion, in which the labor participants were the strongest advocates, similar provisions were drawn up for non-bargaining salaried personnel. In addition, a clarifying memo was written, emphasizing that the eligibility requirements were focused on acceptance of partnering throughout the corporation. The memorandum cleared up any question regarding abandonment of the security clause or the partnership, stressing that “any party withdraw” meant international unions or Harley-Davidson and did not mean individual locals or management units. If those locals or units did withdraw from active participation, the employees would lose their employment security eligibility.

Equalizing Employment Opportunity

While the RT’s continued to research, co-develop, and tweak the MRL and OSR

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■ *Harley's collaboration with the empowerment zone has enriched the company by providing workers with a variety of perspectives and ways to approach the task of constructing the very best motorcycles.*

concepts, they were also assigned to start up the Kansas City plant. One aspect of this task, accepted by the RTs, with support from Human Resources (HR) and one labor member of the JPIC, was to create effective, fair, and consistent processes to staff the new motorcycle plant. The plan was to hire virtually all new employees, who would understand that they would be working in an environment with non-traditional labor-management relations. It was a tough, highly complex assignment.

Element No. 6 among the 23 Elements of Shared Decision-Making determined that the company and the union would jointly select appropriate candidates for hourly positions and salaried positions that directly affect hourly employees, such as production supervisors, engineering, and labor relations. Following a JPIC/LJPIC-developed posting that described the appointment, questions for the interview process and questions on the application were developed by the RTs and approved by the JPIC.

In order to receive state funding, Harley agreed to hire at least 15% (with a goal of 30%) of the new employees from the Enterprise Zone in the greater Kansas City area. An Enterprise Zone (E-Zone) is a U.S. government initiative dedicated to revitalizing distressed communities with programs to encourage economic growth. With the exception of the referrals from the unions, only Kansas City residents were permitted to apply for the first jobs. Recruitment took place through the Full Employment Council (FEC), an organization located in the Kansas City Enterprise Zone that targeted its training efforts toward the E-Zone and minority applicants. The mission was to assist E-Zone residents in obtaining the skills needed to become employable at Harley. While not adopting a formal quota, the company also set a goal of having a 20% minority work force. Women had traditionally been well represented in the Harley labor force and the company expected that trend to continue at the Kansas City site.

Initial applicants were able to register for their orientation sessions at the FEC and

the Missouri Job Service only. Sessions were conducted by representatives from Missouri Employment Security (MES), FEC, Harley and the two unions. The purpose was to introduce Harley-Davidson and the vision of an equal Union-Management HPWO Partnership. In addition, during mid-1997 over 30 recruitment meetings were held at churches and community organizations throughout the Kansas City E-Zone community. In all these meetings, union employees played a critical role, sometimes being the only Harley-Davidson employees at the meeting. At this session, applicants completed a 10-page job application that was later reviewed by MES.

Applicants passing this initial screen were then sent for testing in reading comprehension, data comparison, and graphic arithmetic. Those who met a 50% passing grade were then scheduled for teamwork assessment and a test of technical skills required on the job. Applicant fall-out could occur at any of these steps, and it was high for the E-Zone residents. In order to bring more E-Zone candidates into the process for the next group of applicants, the FEC engaged the RTs and the PTs as well as several now permanent Kansas City employees, both union and salaried. The 58 people who made the "first cut" in March 1997 were chosen from nearly 1,000 applications. The applicants then faced a behavioral interview conducted by union and management representatives.

Once on board, the new employees received extensive training not only in the hard skills necessary to perform their job on the assembly line, but also in soft skills such as feedback, conflict resolution and communication, which are also necessary in order to be a productive worker. Extremely important for purposes of the partnership, the new employees also received extensive training in consensus-based decision making.

Harley's collaboration with the empowerment zone has enriched the company by providing workers with a variety of perspectives and ways to approach the task of constructing the very best motorcycles. At the same time, it has not been without

its challenges, especially given that the organization was starting-up a new factory and undergoing great organizational change at the same time. Harley remains deeply committed to diversity, however, and continuously seeks ways to meet these challenges.

Embodiment of Partnership in the New Union Contract

It was early Saturday morning, March 1, 1997, when the union certification and the contract vote was taken. With the recognition of the two unions and the ratification of the contract, the “Parties” to the Kansas City Labor Agreement—which consisted of two representatives from the IAM, UPIU and Harley-Davidson—accepted responsibility for overseeing the implementation of the Partnership. The Parties are charged with the responsibility of interpreting and enforcing the Labor Agreement until its expiration on December 31, 2003. The Appendices to the Agreement included the 23 Elements, the Harley Business Process, the Employment Security Language, and the MRL. Below are highlights of some of the clauses that are clearly nontraditional:

Union Recognition: Both unions will represent any employee and any employee should feel free to discuss any issue with any union representative. A reference is made to the intent of the parties to prevent conflict between the unions and their work jurisdiction so the flow of work will not be disrupted.

Shared Rights and Responsibilities: The Rights of Management that normally appear under this article were virtually eliminated. Management has, however, final decision-making authority in hiring, discharging and otherwise disciplining employees.

No Strike/No Lockout: In the event of a labor dispute with any other facility, management agrees it will not transfer any of this work to the Kansas City plant. In addition, no employee in the Kansas City plant will be required to perform work on any such disputed work whether in or out of the Kansas City area.

Successor Clause: Sale, lease, transfer of the factory is conditional upon the purchaser, lessee, etc., assuming the obligation of the entire Agreement, and only the unions will have the unilateral right to terminate the Agreement.

Changes to Operational Processes and Procedure: While the rest of the agreement remains binding for the duration (December 31, 2003), flexibility in the operational structure will be open to mutually agreed-upon change. The Plant Leadership Group (PLG) must seek advice and consent from the Parties to the Agreement before making “any significant process and procedural change that affect the operation of the plant.”

Discipline: ‘Weingarten rights’ to have a steward present in discussions with management that may lead to discipline are spelled out, along with the stipulation that union representatives will provide representation at all stages of any discipline situation.

Grievance Resolution: Resolution of problems before they become formal written grievances is the intent and, in this environment, no quarter is given for either side stalling, procrastinating, or burying a legitimate grievance. A grievance will be considered any difference arising from a request, issue, problem, or complaint not settled to the satisfaction of those involved. At the first step, discussion of any of the above must occur within the NWG or wherever the difference first arises with the intent to dispense with it forthwith. Right to the presence of the steward at this step is assured for anyone involved.

Sourcing: A joint union/management Sourcing Committee makes sourcing decisions for the facility. Decisions, made by consensus, will determine items to be out-sourced as well as in-sourced, based on determination of core processes for the facility within the “fences” and “levels” laid out in the MRL. These decisions will be integrated with the Materials Resource Group and Financial Resource Group so that accurate costing of the production and delivery of a part, component, or motorcycle can be fully integrated into the decision.

■ *An important lesson learned by the Partnership is that upper management must be genuinely committed to partnering, and not just interested in it for its public relations value.*

■ *If someone requests overtime, he or she must justify the need for overtime to the group beforehand and subsequently report how the time was actually spent.*

Education and Training: Everyone holding a leadership position is expected to complete training to fully equip them to carry out their roles and responsibilities. Hourly and salaried employees train together in most instances. The contract contains a “job familiarization” feature for employees which lasts between one and three days with the opportunity to perform work in as realistic a manner as possible, consistent with safe work practices and technical realities.

Hours of Work: The contract sets work shifts, but the scheduling of hours is left to the NWGs with focus on ‘production readiness’ and coordination with the POG and the other NWGs. Groups equitably distribute their own overtime by consensus with first preference to employees bypassed. NWGs schedule their vacations, and the Plant Leadership Group schedules plant shutdowns.

At the conclusion of the presentation of the contract, a local priest oversaw the secret-ballot vote to accept or reject the contract and reject or recognize the union. The vote was 58 to 0 in favor of contract ratification and recognition of the two unions.

Outcomes and Lessons Learned

Much has been accomplished since that first face-to-face meeting between Harley management and the representatives of the two unions on December 7, 1994. As described in this case study, the Labor-Management partners have jointly selected the site for a new plant; hired over 300 employees; agreed on the Kansas City Operating System and the Master Responsibility List; negotiated employment security language; drafted a Partnership Agreement which was signed by leaders of all three organizations; reached agreement on 23 Elements of Shared Decision-Making; jointly designed and delivered partnership education programs for all employees; and agreed to an innovative Labor Agreement to govern the Kansas City facility.

An important lesson learned by the Partnership is that upper management must be genuinely committed to partnering, and not just interested in it for its public

relations value. According to one Harley employee, “Harley-Davidson and the Vice President and General Manager in this plant are totally devoted to partnership, and it makes all the difference in the world to have the support of upper and middle management.” The partnership really shows at the highest level, where the two local union Presidents share a cubicle with the company’s Vice President and General Manager.

This spirit continues throughout the organization to the middle management level. Past experience with other plants shows that middle managers, who often are the most important in terms of implementing a partnership, are often the most resistant to change. This is not so at Harley-Davidson, where a spirit of consensus and consultation pervades work life.

In one instance, the company wanted to increase production without increasing the size of the work force. Through partnership, labor and management jointly studied the issue in great detail and reached a satisfactory solution. In the few cases in which units were allowed to hire additional workers, they had to justify those additional employees in a detailed manner. The fact that training in consensus-based decision making has been incorporated into every employee’s orientation greatly facilitated this process of cooperation.

Partnership has also been incorporated into the daily routine of work life at Harley. For example, each natural work group has a morning “five minute hand-shake” meeting at which the members plan their day. For example, they define their daily production goals and decide whether any overtime is necessary to accomplish them. If someone requests overtime, he or she must justify the need for overtime to the group beforehand and subsequently report how the time was actually spent.

According to the Vice President and General Manager, the partnership structure has allowed Harley to “achieve way beyond what it would have achieved in a traditional environment.” It has enabled workers to take pride in and ownership of their work product. This spirit as exempli-

■ *Managers have taken on a vastly different role than in the past, as they have traded in their individual role as “leaders” and shifted to a more “supportive” role.*

fied by the painting group, where the defect rate has been reduced from 15 to 20% to below 5%.

As indicated above, the partnership has also been active in the recruitment of applicants from the Kansas City Enterprise Zone, and incorporating the “group” philosophy into the process. (See section III(3), above.) The Partnership has also actively worked to retain these employees while maintaining the highest standards of quality. In particular, the use of employees in the Quality and Accountability Operating Support Roles have assisted in the development of these employees. (See section III(3), above.) In addition to the Enterprise Zone recruitment and retention, the Partnership has worked with its leadership on other initiatives to increase diversity in the workplace.

In terms of lessons learned, the Vice President and General Manager adds “as much training as we did in conflict resolution, communication skills, leadership, etc.—and we did a lot—we should have done even more. We notice that the groups which had an ‘exaggerated’ level of training in these areas are excelling.”

The partnership in the Kansas City plant is evolving and much has been accomplished, but additional work needs to be done. Pushing out motorcycles at the expense of other issues critical to jointly managing a business and running a partnership remains a challenge. Although Kansas City is a greenfield site, all of the employees come from traditional workplaces, and when the going gets tough, it is very easy for them to

fall back on what they know, and that’s traditional. When there are too many meetings (or not enough) and communication breaks down, it’s easy to fall back. As new employees join the workforce, they need to understand the challenges of an HPWO Partnership and how the new culture requires new behaviors. Ongoing education and training for these new employees will have to continue and is critical to the success of the partnership.

In brief, Harley sees itself at the forefront of a new era of “relationship driven leadership.” Managers have taken on a vastly different role than in the past, as they have traded in their individual role as “leaders” and shifted to a more “supportive” role. This role involves more coaching, imparting knowledge and far less direction of employees.

Finally, the Vice President and General Manager commented that working with a union has made it much easier to achieve a High Performance Work Organization. For one thing, unions tend to have resources for training and otherwise contributing to the initiatives of the partnership. In a union shop there is also a clear source of authority to speak for employees’ interests.

Clearly, at Harley-Davidson both management and labor are deeply committed to excellence through partnership. Their spirit of candor and communication, and commitment to continuous learning, bode well for the future of this maker of classic motorcycles.

UNITED STATES

Area	9,159,000 km ²
Population:	267,900,000 (1997)
GDP per capita:	30,160 (\$US, 1997)

The United States enjoyed continued strong growth with declining inflation in 1997 and through the first half of 1998, extending the current expansion and contributing to the realization of a budget surplus in 1998. Employment rose by 3.2 million in 1997, as more jobs were created than in each of the last two years. The unemployment rate fell to its lowest point in recent decades averaging 4.9 percent in 1997.

THE GARMENT INDUSTRY DEVELOPMENT CORPORATION (GIDC)

David Thaler

Overview of New York City's Garment Industry

The Garment Industry Development Corporation (GIDC) serves New York City's apparel industry, a \$22 billion industry in which students, designers, production workers, buyers and media converge for one purpose: to create fashion. Over 5,100 collections from around the world are contained in the showrooms of New York's Fashion Center, making it the world's largest permanent district for fashion. Over 90,000 production workers receive samples from the designers' workrooms and turn out quality products with ever-decreasing turn times. Virtually all fashion media have headquarters nearby, eager to pick up on the latest trends of Seventh Avenue. New York City's eight schools dedicated to fashion incubate the dreams and imaginations of budding designers. The bi-annual Seventh on Sixth shows at Bryant Park bring media, buyers and designers the excitement and pulse that fashion demands.

Behind the lights and beyond the showrooms lies the core of New York's apparel industry: the production workers. Apparel workers are the largest group of manufacturing workers in the City, comprising one of every three manufacturing employees. Most of the 90,000 production

workers employed in the industry are drawn from the city's large immigrant population. The 4,500 garment manufacturing firms located in New York City make this the largest production center of women's apparel in the United States. This industrial hub also supports an additional 80,000 jobs in design, marketing, showroom personnel, etc. New York produces over 18% of all Made-in-USA women's outerwear and over 28% of all Made-in-USA dresses.

Challenges Facing New York City's Garment Industry and its Workers

New York City's preeminence as the center of apparel production began to gradually decline when the market for women's apparel¹ expanded following World War II. This expansion made possible the production of large quantities of standardized garments. Standardization, in turn, made possible technological developments that minimized the need for a skilled work force, traditionally one of the primary strengths of the city's apparel industry. The long lead time required to plan mass production, procure the materials, and actually manufacture the garments minimized any advantages which might have been gained by New York manufacturers being close to designers, production services or the market, which were their traditional strengths.

■ *Apparel workers are the largest group of manufacturing workers in New York City, comprising one of every three manufacturing employees.*

¹ Unlike menswear, where the stability of style allows businesses to invest in the most responsive machinery suitable for standardized tasks, the high fashion variability of womenswear limits the viability of investing in machinery on a similar scale, although it is still possible to mechanize production of womenswear.

■ *The ability of New York firms to take advantage of these developments in the production of womenswear is threatened by a growing shortage of skilled labor, particularly in the more highly skilled segments of the industry.*

■ *New York firms are also threatened by the recent wave of consolidations, leveraged buy-outs, and business failures in the retail sector.*

Now, however, skilled workers are back in demand, as fashion is becoming less predictable, and the market is increasingly diverse. Numerous market niches are emerging. Retailers are minimizing their risks by ordering closer to the season and in smaller quantities with the expectation that they will be able to reorder items which prove popular. The number of “seasons” is increasing as retailers feel the need to offer a constantly changing inventory to draw customers into their stores, with new styles of clothing to design, produce and market.

These changes present New York firms with new opportunities to compete by building on their traditional strengths. Garments which are fashion-sensitive and produced in shorter runs minimize the need for larger plants and maximize the need for a skilled, versatile labor force and a network of contractors and manufacturers who can quickly respond to market demands. In addition, the proximity of the designer to the manufacturer and to the contractor has become more important. Thus, New York firms can remain competitive if they are able to respond to the market quickly before seasons and styles change and if they can produce high quality apparel in relatively small amounts.

However, the ability of New York firms to take advantage of these developments in the production of womenswear is threatened by a growing shortage of skilled labor, particularly in the more highly skilled segments of the industry. According to a study on the human resources needs of the industry commissioned by GIDC and prepared by Thomas Bailey of Columbia University and Roger Waldinger of City College, this shortage is due to several factors: (1) the “aging-out” of the skilled labor pool which generally had been composed of older, European immigrants; (2) the inability of the higher quality firms to recruit from the Asian-immigrant communities that are the primary source of new garment workers; (3) the difficulty of Asian-immigrant workers in “crossing-over” to the more highly-skilled, non-immigrant jobs because of inadequate work skills and cultural and language barriers.

The shortage of skilled workers is of particular concern because it will most likely impact upon that segment of the market in which New York firms are most competitive—the market for higher quality fashion. In addition to its threat to the production component of the industry, this shortage is also potentially troubling for the design and marketing components.

A further problem related to the skilled labor shortage is that, despite the labor-intensity of garment production, there has been some move to replace manual trades such as cutting, marking and grading with computerized operations. This means that craftspeople with years of experience in these areas must acquire the skills to adapt to the new technology lest they be displaced by a new generation of novices who are computer literate but lack crucial knowledge and experience in the essential artistic dimensions of these crafts.

This motivation for technological upgrades is the anticipation of a future industry where the entire process of conversion from fiber to finished garment will take only a few weeks. Consumers will one day be able to order made-to-measure clothing, selecting cloth and design electronically, and their order will be made and delivered in days. Already this seemingly futuristic scenario is becoming reality through the electronic data interchange (EDI) systems being put in place by several of the major retailers to automatically replenish stock on the retail floor. Retailers have begun to use bar coding systems to obtain point-of-sale information, providing them with daily sales information and placing them in the position to demand quick response capabilities from manufacturers. Such systems require manufacturers and contractors to make changes in the way they maintain information about inventory, scheduling and accounting as well as in their production methods.

New York firms are also threatened by the recent wave of consolidations, leveraged buy-outs, and business failures in the retail sector and by changes in retailing practices which are having profound impacts on apparel marketing. An increasingly smaller number of retailers are controlling a larger

■ *Wages are relatively low: the union base rate is currently just over \$7.00 plus benefits while workers in non-union shops receive the minimum (or less).*

■ *GIDC, founded in 1984, is dedicated to assisting and strengthening New York's apparel industry.*

■ *The focus of the training and education programs is on skills upgrading and retraining for incumbent workers and management.*

portion of all apparel distribution in the United States, dramatically reducing the number of channels of distribution while at the same time increasing the importance of each buyer's decision. The smaller and mid-size manufacturers typical of New York's industry are at a growing disadvantage in competing for these larger sales.

New York City apparel manufacturers also face the additional challenge of stiff competition from overseas producers, who have gained an ever-increasing share of the domestic market. These overseas producers employ workers who command wages that are on average less than 1/10th of the wages paid in the U.S., resulting in lower-priced finished products that New York firms find it very difficult to compete with. Overseas producers have also benefitted from mass production techniques that have made it easy to assemble garments with relatively low skilled workers, as well as U.S. trade policy which has opened the domestic market to an increasing flood of off-shore goods. In addition, market restructuring has separated the contractors (who employ the bulk of the industry workforce) from the manufacturers that have maintained control of the higher value added functions (i.e., design, pattern making, grading) that could offer higher wages.

It is not surprising that the workforce itself faces myriad problems as well. Wages are relatively low: the union base rate is currently just over \$7.00 plus benefits while workers in non-union shops receive the minimum (or less). The work is volatile, with seasonal downturns and frequent job loss. Workers are overwhelmingly immigrant women with little English and low formal education. Workers are often extremely specialized; some workers spend entire careers sewing the exact same seam (e.g., setting sleeves or sewing hems).

Clearly, New York City's apparel industry and its workforce face multiple challenges. In order to compete in a world of small inventories, quick response and high standards for quality, today's manufacturers must be proactive in their pursuit of modernization for their facilities and equip their workforce with the necessary skills to

compete in the next century. GIDC, founded in 1984, is dedicated to assisting and strengthening New York's apparel industry to meet these needs.

GIDC's Mission and Structure

GIDC was established in 1984 by the City of New York, the International Ladies' Garment Workers' Union (now known as the Union of Needletrades, Industrial and Textile Employees, or UNITE), the New York Skirt and Sportswear Association and the Greater Blouse, Skirt and Undergarment Association to undertake special projects to "keep jobs in fashion" in New York. The City of New York, UNITE, and the management representatives each appoint one third of GIDC's Board of Directors and contribute to GIDC's financial support. With an annual budget of \$1.8 million and 15 staff, GIDC is an innovative program because of this unique tripartite structure and its sectoral strategy to economic development and employment creation, specifically for the apparel industry.

Labor representatives currently on GIDC's Board of Directors include the President and Executive Vice-President of UNITE, as well as the managers of three locals. Trade association representatives currently on GIDC's Board include the National Association of Blouse Manufacturers, the Apparel Manufacturers Association, the Greater Blouse, Skirt & Undergarment Association, and the New York Skirt & Sportswear Association. Finally, Government Board members include the New York City Deputy Mayor of Community Development & Business Services, the Deputy Assistant Commissioner of the New York City Department of Business Services and the Assistant Commissioner for Workforce Development, New York City Department of Employment. There is also one NGO and one educational institution represented.

Most of the training and education delivered by GIDC is provided to workers within union shops, which constitute GIDC's core constituency. The focus of the training and education programs is on skills upgrading and retraining for incumbent workers and

■ *As a singular combination of municipal, state, trade and union cooperation, GIDC provides the training leadership that industry studies have long advocated.*

management. In addition, GIDC runs a dislocated worker program to assist unemployed apparel workers to reenter the job market with improved workplace skills.

Approximately 20% of GIDC's funding comes from the City of New York. About 40% comes from the state government. About 17% comes from the federal government. Business and labor contribute approximately 20%. The state has been a particularly large contributor to the Fashion Industry Modernization Center (FIMC), which is discussed below. The Council for American Fashion Industry Development Fund provides labor/management funds to GIDC. This fund was created by the collective bargaining agreement. Employers contribute 1/10 of 1% of payroll to the fund. Other industry contributions come through fee-for service projects and individual contributions.

In brief, labor, business and government conceived of GIDC and fund GIDC for the purpose of furthering their common interest of reducing the welfare roles, helping New York businesses become more competitive and helping workers receive the training they need to be productive and remain employed.

GIDC's Emphasis and Strategy

GIDC has sought to assist New York firms to respond to the above-mentioned challenges by improving their efficiency and upgrading the skills of both management and labor. In particular, GIDC seeks to strengthen New York City's garment industry by building the training, marketing, and modernization infrastructure required for advanced production in apparel. GIDC's training programs help firms cut costs, increase productivity, improve the quality of production and increase the earnings of workers.

Over the last 15 years GIDC has provided training to thousands of apparel industry workers as well. Most of these workers are recent immigrants, who, because of language limitations, have significant barriers to employment. The needle trades provide them with meaningful jobs. However, few sewing contractors and manufacturers have

the resources to invest in training for their employees or potential new hires. Most of these businesses are under-capitalized and dangerously dependent on one or two clients to provide them with production orders. As a singular combination of municipal, state, trade and union cooperation, GIDC provides the training leadership that industry studies have long advocated: one that is geared toward producing a high quality workforce that can also operate on quick turnaround, so that the city's apparel industry can be better able to meet the demands of an increasingly exacting retail and consumer market.

GIDC's strategy relies on the city's existing competitive advantages—i.e., proximity to market and proximity to designers—and on changes in the apparel market—i.e., the increasing number of “seasons” and constantly changing inventory on retail floors. As discussed above, these factors should place New York producers in a good position if they can adjust to the market reality and obtain contracts in which their proximity to the market and designers allows them to produce small lots that rapidly move to the retail floor. In order to do this, garment manufacturers must modernize their production technologies and processes and to move into high-end niches where quick turnaround and high quality are key. To accomplish this, manufacturers need skilled and versatile workers, good knowledge of industry trends, and access to and information about the latest production and process technologies. GIDC's programs, ranging from export marketing to displaced worker training, respond to these needs.

While initial efforts focused on providing real estate assistance to the Chinatown sportswear industry, GIDC has grown into a City-wide, multi-service organization serving the sportswear, better dress, coat and suit, knitwear, belt, children's wear, and intimate apparel segments of the industry. With the June 1995 merger between the ILGWU and the Amalgamated Clothing and Textile Workers Union, GIDC's constituency now encompasses additional sectors such as millinery, neckwear and menswear manufacturers.

■ *GIDC provides classroom training to approximately 600 people in the industry each year, from both management and labor.*

■ *The curriculum is tailored to improve the speed and quality of their work, provide proficiency in a broad range of sewing operations, and develop their understanding of whole garment construction.*

GIDC's Services

Despite the great need to employ a highly skilled and flexible workforce, manufacturers have been slow to adopt changes in work organization, management practices and technology. The many reasons for the delay range from the costs and perceived risks involved in making change to a lack of general knowledge and understanding about how and why to implement improvements. GIDC's services respond to this need and help manufacturers overcome the obstacles. Services include, among others,; (1) modernization through training in the latest technology, (2) classroom training, (3) labor market information, (4) on-site consulting, and (5) marketing programs.

Modernization Through Training in the Latest Technology: The Fashion Industry Modernization Center

During the fiscal year 1997–1998, GIDC constructed and opened The Fashion Industry Modernization Center—New York's first centralized training and technology center. With over 4,000 production facilities, the garment industry is a vital contributor to the City's economy as well as an important source of employment for over 85,000 workers. The new FIMC provides garment workers and managers the opportunity to meet the ever-changing needs of the apparel industry.

The FIMC is located at 193 Centre Street, Manhattan, amidst the City's greatest concentration of apparel manufacturing. Occupying 9,500 feet, the FIMC houses modern production equipment including computerized lockstitch and speciality machines, state-of-the-art pressers, and a computer lab carrying CAD/CAM software. The equipment is used for technology demonstrations to garment contractors and manufacturers as well as hands-on skills training for garment workers.

Most of the courses in the Apparel Skills Training program—described below—are held at the FIMC. The Center also provides numerous services to management including technology demonstration shows, management training seminars, a computer laboratory and business consulting services.

The FIMC is made possible by a broad group of public and private supporters including the New York State Assembly, the U.S. Department of Labor, UNITE, the Council for American Fashion Industry Development Fund, the National Institute of Standards and Technology, JUKI/Union Special Inc., and Christidis & Lauster Architects.

Classroom Training

GIDC provides classroom training to approximately 600 people in the industry each year, from both management and labor. The GIDC Training Center is located in the High School of Fashion Industries (HSFI). It consists of two classrooms dedicated to GIDC by the New York City Board of Education and fully outfitted the by City's Department of Business Services. The center is equipped with 74 state-of-the art industrial sewing machines, including 48 programmable lockstitch machines and 26 specialty machines. Two continuously running programs are conducted at the Training Center: (a) The Super Sewers program for unemployed sewing machine operators; and (b) the Apparel Skills Training program, which provides job-specific instruction to hundreds of garment industry workers and employers per year.

Super Sewers Program

Each year, GIDC's Super Sewers Program provides advanced sewing machine skills to 140 operators who have been displaced by plant closings or lay-offs. The program is designed to support apparel producers by training highly skilled, cross-trained workers. The eight weeks of intensive instruction and practice are offered to experienced sewing machine operators in order to increase their earnings and employment opportunities. The curriculum is tailored to improve the speed and quality of their work, provide proficiency in a broad range of sewing operations, develop their understanding of whole garment construction, and help them master workplace English in order to communicate with factory supervisors. In addition to improving the productivity and quality of their work, the Super Sewers program provides trainees with

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■ *Despite the great need to employ a highly skilled and flexible workforce, manufacturers have been slow to adopt changes in work organization, management practices and technology.*

enhanced self-esteem, a knowledge of industrial health and safety issues, world-of-work understanding, and job placement assistance. Four 40-day cycles of vocational training are conducted per year. One hundred and thirteen participants completed the program during 1997–1998; about half of whom were of Asian background, and the rest were Latino.

Super Sewers is supported by a grant from the Federal JTPA-Title III program awarded to GIDC by the New York City Department of Employment. In kind support has been contributed by the Fashion Institute of Technology (FIT), the Consortium for Worker Education and the UNITE Health & Safety Department. GIDC also works with the Worker Career Center (WCC) and UNITE locales 23–25, 89–22–1, 91–105, 155 and 62–32 to recruit, train, advise and place program graduates.

Apparel Skills Program

The Apparel Skills Training Program encompasses a range of seminars and courses that provide job-specific classroom instruction to hundreds of workers and managers per year employed in the garment industry. As individual firms find it difficult and costly to provide the training necessary for state-of-the-art production techniques, through the program they benefit from training provided in a group setting where resources can be shared to cut costs and opportunities for networking can be gained. With the expert instruction offered by GIDC staff and experts from FIT and HSFI, these courses provide concrete, hands-on experience in several disciplines in the apparel industry.

GIDC's Apparel Skills Training Program provides more than skills upgrading and cross training, however: it advances a *career path* for people in the industry. For example, fabric cutters can aspire to better paying jobs as pattern graders; manual marker makers are prepared to enter the modern world of Computer Aided Manufacturing (CAM) by learning to apply state-of-the-art technology to their craft; and owners of small businesses experience

the advantages of quick response when they learn immediate solutions to industrial machine problems. The following are examples of some of the courses offered in the Apparel Skills Training Program.

Pattern Making I & II: Participants include sewing machine operators who wish to diversify their skills and gain a better understanding of whole garment construction. This introduction to pattern making and the subsequent intermediate level course are important requisites for becoming a sample maker.

Manual Pattern Grading and Marker Making Courses: Manufacturers benefit from the multi-skills training provided to their cutters and fabric spreaders because they following the course they are able to shift graduate trainees to where production needs are greatest, thereby increasing plant flexibility and shortening lead times.

Supervisory Training: For most apparel manufacturers, the supervisor plays the key role in the daily operations of the shop. However, few have had any formal training. In this course, supervisors broaden their knowledge and skills in a variety of areas, from human resources management to machine maintenance and production planning.

Sewing Machine Maintenance & Repair: Participants discover significant savings in overhead and better position themselves to offer consistently on-time deliveries, the key to building on-going, steady relationships with manufacturers and retailers.

CAM (Computer Aided Manufacturing) Marking/Grading: Graduates provide industry with a labor pool of seasoned graders and markers with the cross skills to transfer their craft onto the computer. Most major manufacturers have converted to computerized grading and marking and realize substantial savings both in production time and labor costs. However, smaller jobbers are reluctant to invest in the new technology unless they know they can hire people already trained to operate the software.

Computer Applications: Administrative staff as well as small business owners are

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■ *The TTES program is designed to help New York apparel firms adopt modern technologies and production methods and to develop high performance work organizations in order to compete more effectively in the global marketplace.*

learning to use computers in the management of their business. GIDC offered courses in Intro to Windows, Basic Excel, Excel for Factory Management, and Microsoft Word. In the Excel for Factory Management course, participants learned to develop spreadsheets to track production and maintain payroll records. These courses made use of GIDC's new Computer Training Lab at the Fashion Industry Modernization Center. The Lab was created with the assistance of the Industrial Technology Assistance Corporation Manufacturing Extension Partnership with funding from the National Institute of Standards and Technology.

Profit Maximization: Contractors and manufacturers learned how to evaluate factory costs to accurately determine a profitable garment selling price; methods to improve product quality; and techniques to cut factory costs through more efficient factory layout, workflow management, and through improved operator training.

Labor Market Information (JobNet)

Established in 1991, JobNet is a centralized job referral system coordinated by GIDC in conjunction with the UNITE. JobNet helps apparel producers locate employees with the production skills they require and assists unemployed UNITE members and GIDC trainees to find work where jobs are available. During the 1997–1998 program year, JobNet received 664 calls from employers and was able to provide more than 900 job referrals.

On-Site Consulting Services

GIDC provides on-site, employer specific training to New York apparel manufacturers and contractors through its Training and Technology Extension Service (TTES). This program is designed to assist New York apparel firms to adopt modern technologies and production methods and to develop high performance work organizations in order to compete more effectively in the global marketplace. During 1997–98, the TTES team conducted assessments and provided consulting at 17 garment companies and trained approximately 315

workers and supervisors. Average reported productivity gains for participating companies ranged from 16 to 20%.

The assistance included a variety of services, including assessments, systems evaluations, team building programs, technology improvements, management training, garment costing training, statistical quality control, human resources services, workers training, ergonomics and safety, mediation and other services. While some of the above mentioned activities were conducted on a “fee for service” basis, much was financed by the CAF Industry Development Fund, the New York City Department of Business Services, and the State of New York.

On-Site Productivity Improvement Program

The On-Site Productivity Improvement program is designed to increase competitiveness by providing companies with cost-effective and comprehensive operations analysis and solutions to their business needs. Through both industry funding and public grants, GIDC provides companies with the following:

Needs Assessments: Assessments range from several hours to a few days, depending on the size and complexity of the company and its needs.

Management Assistance: Management consulting and training for companies experiencing a shrinking market, changing growth patterns or personnel/leadership transition. Assistance includes: developing business plans, systems and operating procedures and assessing product development, quality control, human resources, marketing, finance and alternative manufacturing methods.

Engineering Assistance: Engineering consulting focuses on improving productivity and shop layout, evaluating systems and technology, conducting time studies and rate setting and developing product costing.

Employer Specific Training: On-site training programs provide individualized training assistance to New York apparel manufacturers and contractors. Bi-lingual Vocational Trainers work with operators and their supervisors to upgrade and diver-

■ *GIDC's strategy is to build the training function within the industry through the Train-the-Trainer program.*

■ *With over 4,000 apparel contractors, New York's fashion industry is the country's largest production center of women's apparel and home to the City's largest manufacturing sector.*

sify the skills used on the sewing floor. GIDC's Train-the-Trainer program (See below) is the key to the success of employer specific training.

Statistical Quality Control Training The Statistical Quality Control program develops the apparel manufacturer's capability to meet standards and specifications, reduce the number of defective units, improve overall production quality and minimize the costs associated with quality manufacturing.

Train-the-Trainer Program

All too frequently, manufacturers and contractors overlook the training function. If conducted at all, training often occurs on an informal, ad hoc basis. More often than not, new hires are put right to work without any structured training while long-term employees weather changes in style, operation or machine without any sort of instruction. As a result, many shops operate at sub-optimal levels of productivity due to the poor quality and slow work pace associated with inefficient production skills and methods. GIDC's strategy is to build the training function within the industry through the Train-the-Trainer program.

The role of the in-house Trainer is to address these issues by providing on-going learning in the sewing department. She or he is responsible for all matters pertaining to training. The principal function of the Trainer is to impart trade knowledge to new hires and to upgrade the technical skills of existing employees. During 1997-1998, GIDC trained new trainers at ten apparel manufacturing facilities and contracting shops. At the same time, over 315 production workers received on-site skills upgrading and cross-training from GIDC's Vocational Trainers.

Marketing Programs

GIDC's sectoral approach also involves marketing programs that increase business for New York-based manufacturers. These projects enhance the image of New York's apparel industry in New York and abroad and generate millions of dollars of new business for companies that employ New York workers.

The Domestic Sourcing Network

With over 4,000 apparel contractors, New York's fashion industry is the country's largest production center of women's apparel and home to the City's largest manufacturing sector. It is not surprising that navigating the world of New York's contractors can often prove a difficult task. In an effort to help manufacturers and retailers find appropriate contractors that meet their needs, GIDC created the Domestic Sourcing Network to serve as a personalized link between contractors and manufacturers/retailers. The Domestic Sourcing Network is the industry's only personalized and computerized sourcing network of New York City contractors. Its goal is to enable clients to effectively navigate the New York garment industry and establish appropriate partnerships with a suitable contractors that meets their particular needs. Through the creation of GIDC's Internet site at www.gidc.org, the Domestic Sourcing Network was enhanced.

Fashion Exports/New York

Launched in 1991, Fashion Exports New York (FE/NY) is dedicated to assisting NYC manufacturers to export overseas and promote New York fashion internationally. FE/NY serves as a link between New York apparel manufacturers and international buyers, agents, and importers shopping the New York market. FE/NY provides the international buyer with up-to-date information on New York collections, arrangements for meetings with New York City manufacturers, and assistance with sales and negotiations. FE/NY's services also extend to helping the international buyer navigate the New York market through its association with the Fashion Center Business Improvement District (FCBID).

FE/NY provides the following programs and services:

- Assisting apparel manufacturers realize their full export potential;
- Providing foreign market research and education on international markets;
- Export related assistance through seminars, publications, and individual export consultations;

■ *Output per worker following GIDC training has increased anywhere from 20–30%.*

- Arranging for visits of special buying delegations for international buyers shopping the New York market;
- Organizing group exhibitions of New York manufacturers to participate in overseas events such as trade shows or trade missions;
- Helping access the resources of other governmental and professional organizations.

Funded by UNITE, the City and State of New York, and the Council of American Fashion, FE/NY provides free or below market rate fees to bring New York fashion to the world.

New York Fashion International

New York Fashion International (NYFI) seeks to increase the ability of New York manufacturers to pursue exporting and to raise the profile of New York City as a world fashion capital. NYFI is a joint project between the Fashion Exports New York and The Fashion Center Business Improvement District (FCBID) and is supported by the U.S. Department of Commerce (DOC). NYFI assists New York manufacturers in exploring foreign markets, developing export strategies, and in showcasing their designs through foreign trade shows, trade missions and other international events. In addition, NYFI promotes the quality and variety of the New York market to encourage visits from foreign buyers. With the assistance of the DOC's Office of Textile and Apparel (OTEXA) and working with local designers, appropriate countries are identified for initiatives such as:

- Marketing the New York fashion industry to the international Market;
- Organizing group showcases of New York apparel manufacturers at overseas events;
- Promoting the support services offered by FE/NY, FCBID and OTEXA for international buyers and domestic manufacturers;
- Conducting an international advertising, public relations and direct mail campaign promoting the New York market;

- Providing information on overseas markets to New York manufacturers;
- Conducting seminar and producing educational publications on the benefits of exporting.

Outcomes and Lessons Learned

Since its inception in 1984, GIDC has made several key impacts upon New York City's garment industry. Its programs have strengthened local businesses in the following ways. Output per worker following GIDC training has increased anywhere from 20–30%. There is also evidence that defect rates have gone way down as a result of GIDC's focus on encouraging factories to switch from a piece-rate incentive structure—in which workers have no incentive to correct the defects of their colleagues—to a team based approach in which they are paid according to the quality and volume of the output of 8–10 team members. GIDC has also enhanced the computer skills of many managers and workers, and has otherwise granted them access to the latest technology. By enhancing the skill set of their work force and exposing their managers to new technologies, GIDC has also helped several businesses become less seasonal by enhancing their ability to shift production in response to demand.

GIDC has worked to prevent the closure of several factories and is thus responsible for the creation or retention of many jobs. Through its technical assistance to businesses and skills training to workers it has indirectly saved or created still more jobs. Job Net, its job referral service, has placed hundreds of unemployed workers in jobs. The stronger businesses and higher rates of employment that GIDC has helped bring about have also enriched the tax base and otherwise enhanced the City's overall economic development.

GIDC's marketing programs have generated over \$35 million in increased sales for NYC manufacturers. The figure of \$35 million comes from receipts generated at GIDC-sponsored exhibitions. The figure is therefore likely an underestimate because it does not account for sales subsequent to the exhibitions resulting from contacts made at

■ *GIDC has also helped raise labor standards in the New York garment industry.*

■ *GIDC's strategy involves both worker and employer input at the strategic planning level down to project implementation.*

■ *As a tripartite consortium of labor, management and government, GIDC has found that it is able to access funding.*

the exhibitions. The thousands of potential buyers that these marketing programs bring to the city each year also indirectly benefited the City's retail, tourism and entertainment industries.

GIDC has also helped raise labor standards in the New York garment industry. It has provided training to factories in ergonomics, promoted the adoption of ergonomically correct chairs, and, with the assistance of the federal and state departments of labor, it has conducted labor law seminars for owners and managers. While it has not become involved in union organizing, it has promoted worker rights in its training programs by encouraging a strong worker voice at the factory level.

Lessons Learned

GIDC's experiences constantly reconfirm what was thought upon its inception, that the key to success lies in the collaboration among labor and management. Industrial development or business retention programs that do not work hand-in-hand with labor are often ineffective. Change on the factory floor must involve the active participation of the workforce. Front-line workers have knowledge that managers do not possess. Their opinions, buy-in and collaboration are essential. By the same token, training programs that have no connection to employers often miss the mark by failing to meet the industry's needs. GIDC's strategy involves both worker and employer input at the strategic planning level down to project implementation.

GIDC has learned that a strong Union can play a critical role in the revitalization and modernization of an industry. UNITE has had a progressive vision for the garment industry and has taken the lead in pushing for high performance manufacturing. In many cases, UNITE has played a pivotal

role by identifying companies that could benefit from customized on-site services, communicating with workers regarding workplace change and providing a mechanism for worker participation.

Although GIDC does not conduct direct organizing, it does play an important role in building the union. Workers who participate in training and education programs receive new exposure to the union. Managers and owners find GIDC's services an incentive for maintaining positive labor relations. Union employees deepen their knowledge of the issues affecting the industry through GIDC's research and modernization projects.

As a tripartite consortium of labor, management and government, GIDC has found that it is able to access funding. When GIDC was formed 15 years ago, labor, management and government each contributed equal shares of funding for a total budget of \$120,000. Today GIDC's annual budget is close to \$2 Million. Most of this funding is from the public sector. We have learned that GIDC's unique structure has been key to leveraging this support.

Finally, we have learned that a high road approach can make the New York garment industry competitive. GIDC's study entitled, *Keeping Jobs in Fashion*, identified two key components of a successful strategy New York firms: Quality and Quick Response. GIDC's experience validates this argument. Tens of thousands of domestic apparel production jobs were lost to low-wage countries during the 1970's and 80's. However, New York employment in the garment industry has actually risen during the three most recent years. The reason is that manufacturers and retailers have learned that for high quality goods and merchandise for which quick production times is critical, it makes sense to manufacture in New York.

REPUBLIC OF THE PHILIPPINES

Area	298,000 km ²
Population:	73,530,000 (1997)
GDP per capita:	1,118 (\$US, 1997)

In 1997, real GDP grew by 5.2 percent amidst the financial crisis that swept through the Asian economies during the second half of the year. This was a modest reduction from the 5.7 percent pace of expansion achieved in 1996. Total employment increased by 1.9 percent to 27.7 million in 1997 (1996: 27.2 million), but lagged labour force growth of 2.1 percent, resulting in the unemployment rate increasing slightly from 8.6 percent to 8.7 percent in 1997. The weaker level of economic activity in the first half of 1998 resulted in the unemployment rate rising sharply to reach 13.3 percent in the first quarter and 8.9 percent in the second quarter of this year.

LABOR-MANAGEMENT COOPERATION PROGRAM

Buenaventura Magsalin

Introduction

The Philippine Government encourages the setting up of voluntary modes of settling disputes in the workplace in order to foster industrial peace. Through the National Conciliation and Mediation Board (NCMB), which is mandated to promote the programs on conciliation-mediation, voluntary arbitration and labor-management cooperation, the government is able to respond to improving the workers' welfare at the plant level.

In particular, through the Labor-Management Cooperation Program, which works on proactive approaches towards labor dispute settlement at the workplace, labor and management sectors have become better partners in ensuring the survival of their respective companies—especially in today's global financial crisis. With labor-management councils/committees as avenues for open communication with regards to issues that affect the benefits, rights and welfare of the workers, the partnership of labor and management is founded on mutual trust and respect.

Furthermore, advocacy for the Labor-Management Cooperation Program is manifested through the creation of Regional LMC Practitioners Associations in the Philippines. These associations have a common goal to share their Best LMC Practices for other companies to emulate or

learn from. With this information sharing of LMC experiences, the industrial sector is able to deal with issues in a non-adversarial way concerning productivity, health and safety and other concerns not covered by the Collective Bargaining Agreement.

NCMB for its part continues to facilitate the creation of LMCs and monitors its activities. LMCs that are successful are documented and published. In this APEC Workplace Practices Colloquium, three (3) successful LMCs, which are able to turn very adversarial labor relations to non-adversarial ones, creating an atmosphere of harmonious labor relations in each workplace, will be presented. These are the Lapanday Agricultural Development Corporation, Davao Light and Power Company and the Central Azucarera Don Pedro.

CASE 1: CENTRAL AZUCARERA DON PEDRO

Background Information

Central Azucarera Don Pedro (CADP) is one of the pioneer sugar millers and the second largest producer of refined sugar in the country, established in 1927. With a grinding capacity of 1200 tons cane per day in 1930, the mill was upgraded to a rated production capacity of 6500 tons in mid-1980s and in 1990, its production capacity was further upgraded to 10,000

■ *CADP finds itself an active partner of management in the quest for lasting industrial peace, productivity and excellence.*

■ *Labor-management relations are enhanced through communication programs.*

tons. Its refinery is capable of processing up to 700 tons or 14,500 at 50 kgs bags of sugar per day.

CADP's plant is located in Nasugbu, Batangas which is strategically located near Metro Manila and the surrounding industrial parks, commercial zones and port facilities. Its proximity and the availability of excellent infrastructure ensures the Company's access to its customers and sources of cane, principally in the areas around the plant and in Negros which produces more than half of the country's sugar cane produce. It has 36 operating sugar mills, eight which are located in Luzon, the country's largest and most populated island. Luzon accounts for 62% of total Philippine Sugar Consumption.

CADP established a strategic alliance with La Carlota, a sugar farm in Iloilo, catapulting it to the position of leadership in the Philippine sugar industry. With its combined production capacity of 20,000 tons of raw sugar and 925 tons of refined sugar—plus a strong presence in the robust consumer market—the company is geared to post strong performance in the coming years.

Currently CADP has 879 employees, 554 of which are covered by the Batangas Labor Union, an independent union established in 1954. It has been and is at present the sole and exclusive bargaining representative of the 554 workers. CADP finds itself an active partner of management in the quest for lasting industrial peace, productivity and excellence. The union had its first Collective Bargaining Agreement (CBA) with management in 1961 and its 1996—2001 CBA is the tenth Agreement.

Labor relations in CADP in the early 1930s and 1940s were very chaotic. Management subscribed to an autocratic style where workers dared not question their decisions. Never were the workers consulted on any matter, even those which affected them. There was a big unseen wall separating labor and management. Thus, laborers would not even go near the doors of manager's offices or be seen by the latter. There was a demarcation line between the two and management saw to it that labor felt this cold distinction.

This indifference and seeming lack of concern might have been the compelling reason why labour formed the Batangas Labor Union (BLU) in 1954 to be the voice of the workers.

With improving CADP's labor relations, the Pulungan System (*pulungan* means consultation in English) was established as its labor management cooperation (LMC) mechanism. It is founded on a strong belief that an efficient and open communication system will enable CADP to realize its goal to ensure lasting industrial peace, improve its productivity and quality of the work place. This practice has enabled the company to conceive its Code of Industrial Harmony, develop and manage income generating projects to augment family income and receive recognition and awards from the government and non-governmental agencies for its holistic program in looking into the welfare of its people.

Organizational Structure

As an organization, CADP is headed by a President and five Vice Presidents. Down the organizational line are 25 Division Managers and Department Heads, 65 managerial supervisors, 86 technical staff, 143 monthly paid rank and file and 549 daily paid rank and file. (See Annex A—Employment Statistics)

Within this organizational structure, the pulungan system is built in. It has four levels, namely: the executive pulungan, division pulungan, department pulungan and sectional pulungan. (See Annex B—Pulungan Systems Structure)

The Pulungan System established its goal to improve speed and accuracy of organizational communication in all levels by setting the following objectives:

1. To provide a structure for the Supervisor and/or the Department Head to conduct regular staff meetings in their sections/department;
2. To ensure the quality of communication process in the unit/ organization;
3. To serve as a clearing center for changes, issues, problems and

difficulties affecting the unit or the organization as a whole.

4. To provide a forum for effective communication and information dissemination.

Workplace Issues and Benefits

With the Pulungan System, labor-management relations are enhanced through communication programs like the following:

- A. *Talakayan*—it means forum in English. It aims to disseminate information about current issues and other concerns affecting the workplace, the company and industry. It also aims to enlighten the workers, thus, promoting awareness among its workforce.
- B. Publications—there are monthly and quarterly publications in order to maintain a continuous flow of information within the organization. For the *Katas* and *Tambuli* Publications, the contributors are employees coming from different sections and departments of CADP while for the *Bukluran* Publication, the contributors are community leaders under the supervision of CADP Community Development Office.
- C. Workers' Training and Development—these programs are given to employees in order to help them cope with the impact and meet the challenge of globalization. For example, a comprehensive Technical and Skills Development Program for blue-collar workers is implemented to upgrade the skills of our workers.
- D. *Oplan Sagip Buhay*—it is a program that equips spouses and children of workers to learn about budgeting, tips for the wives on marketing, ways on how children can help the family save, some livelihood projects to go into in order to augment the workers' family income.
- E. Early Retirement Package—the company in consultation with its union came up with a reasonable early retirement package in order to

have a non-adversarial situation in its manpower reduction program.

- F. Family Welfare Program—it helps strengthen the workers' families such that their productivity level is improved.

Included in CADP's aim to provide for a quality workplace are the following programs:

- a. Annual Sports and Physical Fitness Program
- b. Safe Drinking Water Facilities
- c. Implementation of No-Smoking Policy
- d. Safety Programs/Use of Safety Equipment
- e. Job Evaluation of Daily-Paid Position
- f. Livelihood Programs
- g. Clean and Green Program

CADP, with its holistic workers' program through the help of its Pulungan System has earned it special recognition such as the following:

- a. Special Citation for Quality of Worklife—an award given by the Employers Confederation of the Philippines (ECOP) in recognition of CADP's unflagging concern to upgrade the welfare and the working conditions of its employees which is the heart, of the stable labor-management relations in the company.
- b. Outstanding Sugar Mill Award—an award given by the Department of Labor and Employment through the Bureau of Rural Workers on April 1996, for CADP's vigorous efforts in promoting the welfare of sugar workers and to promote industrial peace, in line with the provisions of Republic Act 6972 otherwise known as the Social Amelioration Program in the Sugar Industry.
- c. DENR Award of Recognition—the award was given by the Department of Environment and Natural Resources for CADP's successful implementation of Waste Minimization in a manufacturing facility through Pollution Management Appraisal (PMA) under the Industrial Environmental Management Project (IEMP).

■ *CADP, with its holistic workers' program through the help of its Pulungan System has earned it special recognition.*

■ *CADP maintains harmonious labor-management relations using an effective communications system.*

■ *The Labor-Management Council introduced a new kind of relationship which is based on trust, respect, and cooperation.*

■ *The Philippine Government has played a vital role in encouraging CADP and other companies in sustaining harmonious labor relations through tripartite activities.*

- d. PSMA-AIM Environment Award—an award given by the Philippine Sugar Technologies Association, Inc. (PHILSUTECH) as the “Most Environment Friendly Sugar Mill in the Philippines.”
- e. Plaque of Appreciation—given by the Pollution Control Association of the Philippines, Inc. for CADP’s pioneering efforts and successful implementation of waste minimization.
- f. Pro-Active Achievement Award—given by DTI-CLARA and PALMCO in recognition of CADP’s struggle to forge a lasting partnership with labor in their effort to promote industrial peace and harmony. The award also acknowledges CADP’s successful implementation of its family welfare program and community relations projects.
- g. SIKAP-GAWA Industrial Peace Award—given by the highly prestigious Bishop-Businessmen’s Conference for Human Development the Industrial Peace Award was given to CADP for its effectiveness in maintaining harmonious labor-management relation using an effective communication system, thus realizing concrete and positive results in dealing with labor and in the conduct of day-to-day business.
- h. 1992—One of the 20 Most Outstanding Companies with Family Welfare Programs in the Philippines
- i. 1994—One of the 24 Most Outstanding Companies with Family Welfare Programs in the Philippines
- j. Outstanding Company with Responsible Parenthood and Maternal and Child Health Program—an award given by the Philippine Center for Population and Development.
- k. Outstanding Corporate Citizenship Award—awarded by the Philippine Business for Social Progress.
- l. Hall of Fame Award—awarded by the Philippine Center for Population and Development for being a consistent recipient of the Outstanding Company

Award for its sustained efforts in bringing about the successful implementation of the Responsible Parenthood Maternal and Child Health Program.

Lessons Learned and Conclusions

Since 1984, the Pulungan System has yielded positive results in improving CADP’s communication system. Its concrete results can be gleaned from the parties’ meaningful interaction:

1. Adoption of a jointly conceived Code of Industrial Harmony containing general guides of conduct and behavior in the day to day interaction.
2. Creation of Collective Bargaining Negotiations at the Nasugbu Plant rather than in Makati City (business office). The change in venue is significant because previously the parties were represented at the negotiation tables mostly by lawyers, but the past three negotiations were concluded by “insiders”—union officials represented the union and corporate officials, the company.
3. Creation of a sub-committee that conducts job evaluation and adoption of the results thereof.
4. Development and management of income-generating projects to augment family income. Such community projects include swine fattening, poultry raising and backyard gardening.

Its Pulungan System as its Labor-Management Council (LMC) has accomplished a lot in fostering a more harmonious association. It introduced a new kind of relationship which is based on trust, respect, cooperation and mutual concern, and on a strong belief that their destinies are inextricably linked with the well-being of the company, workforce and community.

The creation of its LMC paved the way for the active participation of workers, as represented by the officers of the union, in the promotion of lasting industrial peace, improvement in productivity and quality of

work life. The council also serves as an umbrella committee that would oversee the activities of family planning and community development committees.

One last proof that management has really made a change in attitude in dealing with labor was the appointment of a non-lawyer, Mr. Jaime Umandal, as Head of the Human Resources Department, a break in tradition since this company was established.

The Philippine government has played a vital role in encouraging CADP and other companies in sustaining harmonious labor relations through tripartite activities. For CADP and its Union, it joined the Program for Industrial Peace and Productivity towards Global Competition launched by the government in the CALABARZON

Area (Cavite, Laguna, Batangas, Rizal and Quezon) considered as a prime growth area.

With government technical support not only for good labor relations but also that for the maintenance of a clean and green environment, it is able to improve its revenues in spite of the decline in its production outputs of raw and refined materials. For fiscal years 1997–1998, it improved its net revenues to 2.66 billion from 2.34 billion. Likewise, for its income from operations, it increased from P415.1 million to P423.8 million.

CADP gives credit to its Pulungan System, which was truly helpful in enabling the company to provide a quality worklife for its employees in spite of the financial crisis.

ANNEX "A"

TABLE 1. MANNING LEVEL

LEVEL	1986-1987	1999
Executives (President and Vice Pres.)	3	11
Division Managers and Dept. Heads	20	25
Managerial Supervisors	40	65
Technical Staff	41	86
Monthly Rank and File	144	143
Daily Rank and File	1,008	549
Total	1,256	879

TABLE 2. SEX PROFILE OF CADP WORKFORCE (AS OF FEBRUARY 28, 1999)

LEVEL	MALE	FEMALE	TOTAL
Executive Staff	10	1	11
Department Head/Supt.	20	5	25
Managerial/Supervisory	46	19	65
Professional/Technical	46	40	86
Monthly Rank and File	95	48	143
Daily Rank and File			
Skilled	301	37	338
Non-skilled	211	0	211
Total	729	150	879

TABLE 3 . AGE PROFILE OF CADP WORKFORCE (AS OF FEB. 28, 1999)

LEVEL	AGE BRACKET					TOTAL
	18-25	26-35	36-45	46-55	56-65	
Executive Staff		1	4	2	4	11
Department Heads/Supt		4	6	8	7	25
Managerial/Supervisory		21	24	15	5	65
Professional/Technical	6	35	28	15	2	86
Monthly Rank and File	2	39	49	42	11	143
Daily Rank and File	16	105	210	177	41	549
Total	24	205	321	259	70	879

ANNEX “B”

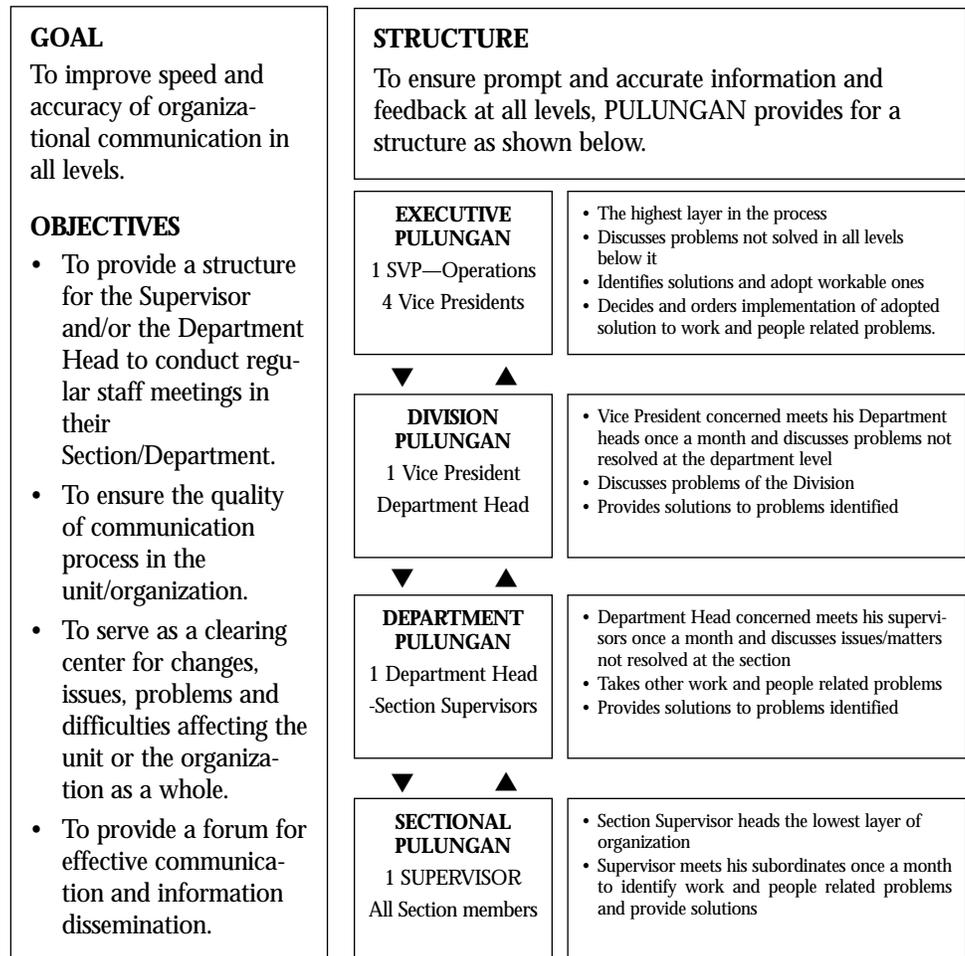
Communication Programs

Pulungan

Established in 1988, PULUNGAN (which means in English dialogue or communication) is the company-wide communication program providing superiors with the structure to conduct regular staff meetings with their subordinates. Through these meetings, management policies, work and people related issues and concerns are discussed and given solutions if possible by all the members of the work team irrespective of rank. With Pulungan in place, Management provides a healthy feedback system between rank and file employees and top management and at the same time, encourages employee participation in addressing work and people-related problems at the shop-floor.

The term Pulungan was chosen because in Nasugbu, when people would like to talk or confer with each other, they say “pwede ka bang makapulong sandali.” Since the said word is the most commonly used in the area, it was chosen to make it more meaningful to the employees concerned.

In 1998, all supervisors and department heads underwent a Communication Program Seminar (How to Conduct Effective PULUNGAN) to fine-tune their skills in handling PULUNGAN MEETINGS.



**CASE 2:
DAVAO LIGHT AND POWER
COMPANY AND ITS “KAIBIGAN
COUNCIL”**

Background Information

Davao Light and Power Company (DLPC) is a power generating and distributing company established in October 1947. It is a Filipino owned corporation with the Aboitiz Equity Ventures. It started with an initial capital of P400,000.00 and now has a total capitalization of P110M. Its 345 manpower complement is relatively young with an average age of 35. DLPC has one (1) union for its supervisors and rank and file which was formed in 1957, it is called the Davao Light Employees Union (DLEU).

With its 345 workforce of 224 rank and file, 49 confidential staff, 41 supervisors and 31 managers, DLPC is considered the third largest electric utility in the Philippines serving the City of Davao and the municipalities of Panabo, Carmen, and Sto. Tomas. As of July 1997, it has a peak demand of 140.7 MW. Its energy sales reached 426,639,601 kwh during the same period. The company boasts of a stand-by diesel plant with a capacity of 42.5MW.

DLPC is headed by a Chief Executive Officer and down the organizational line are the supervisors, division heads, department heads and the rank-and-file employees. Through this organizational set up, teamwork between labor and management is strengthened through its labor-management cooperation mechanism called the Kaibigan Council. (“Kaibigan” is a Tagalog word for friend.)

Before the Kaibigan Council, DLPC had a major strike from February to August 1991, a labor-management clash which left hundreds out of work and created among those who returned to work a general feeling of uneasiness. With practically more than half the workplace replaced, management recognized the need to rebuild the organization with a new dynamism, to lay aside old feelings of distrust and give way to openness and communication and mutual respect. The old and new workforce had to be united.

In November 1991, AIM sponsored a three-day live-in seminar on Labor—Management Cooperation, and was attended by two DLPC representatives, one from Labor and one from Management. Recognizing the objective of LMC to foster labor and management relationship in order to attain industrial peace, management embarked on a value formation program entitled Kaibigan for all employees. This was conducted in coordination with the Department of Labor and Employment—RB XI. The Kaibigan Seminar managed to bring each employee closer and this started the foundation of DLPC’s LMC which the company later named the Kaibigan Council. The Kaibigan Council’s first task force met on February 26, 1993. The meeting discussed the creation of LMC Sub-councils, in the four divisions of the company: Power Production, Transmission and Distribution, Electrical Operations, and Administration. Eventually, DLPC became one of the incorporators of the Association of Labor-Management Cooperation Practitioners (ALMACOP) of Region XI, which was formally installed on May 6, 1993.

Through the Kaibigan Council, DLPC developed a new philosophy reflected in its vision and mission which is the commitment towards providing excellent service to the people of Davao and towards harnessing the full potential of its employees. DLPC started to call itself one big TEAM. The labor group was composed of team members while the management group is considered the leaders. Throughout the company each one was called “Kaibigan” and labor-management cooperation took on a more sincere meaning such that its latest Collective Bargaining Agreement (CBA) was concluded in only four days unlike its previous CBA negotiations which lasted for months and, at one time, the company even experienced a strike due to a CBA deadlock.

Workplace Issues Being Addressed

The Kaibigan Council workplace issues that are being addressed are as follows:

- A. 5S—Japanese Approach on Good Housekeeping

■ *Teamwork between labor and management is strengthened through its labor-management cooperation mechanism called the Kaibigan Council.*

■ *Workers are trained not only to look at their own welfare but also to consider their role in the community.*

- B. Safety, Security and Disaster Preparedness
- C. Family Welfare and Livelihood
- D. Community Projects
- E. Physical Fitness and Peer Counselling (See Annex A)

In the 5S Program, DLPC is able to develop a more systematic way of working through its inventories. It enables the workers to improve their respective workplaces and provides timely and quality service to their clientele. DLPC's Safety, Security and Disaster Preparedness Program equips workers in administering first aid, fire prevention skills and in assisting during times of calamities.

Issues that affect the workers productivity are dealt with through the Family Welfare and Livelihood Program. Through this Program, workers are more informed on responsible parenthood, maternal and child care approaches. It also provides for free skills trainings for the workers' dependents to enable the family to augment their income.

The physical health of the workers is also addressed through physical fitness programs. DLPC through its Kaibigan Council has availed the use of the Rondez Work-out Gym Facilities. Moreover, other sports and recreation activities are available. Workers are trained not only to look at their own welfare but also to consider their role in the community. Thus, DLPC engages in community tree planting activities and other charitable functions.

Since work excellence is a primary concern of DLPC, it engages in training that increases the capacity of its workers to be better teammates. Such training addresses the technical, behavioural, managerial/supervisory, computer skills and government regulations know-how of its employees. Included in the training are the following:

A. On Technical Concerns

- District Substation Application Course
- Telephony Course for Engineers and Technicians
- Distribution Transformer Maintenance

- Supervisory Control and Data Acquisition
- AB Chance
- Prepaid Metering System
- Protective Relaying
- Economic Management of Distribution Companies
- Commercial/Industrial Distribution Systems
- Load Dispatching and Management
- Maintenance of Substation Equipment
- Power Systems Control and Stability, and
- Basic and Advanced Lineman's Course.

B. On Improving Work Behaviour

I For team leaders

- Basic Principles of Frontline Leadership (Zenger-Miller)
- *Kaibigan*—Work Attitudes and Formation
- Advancing Behavioural Change
 - * Active Listening
 - * Use of Reinforcement
- Motivation
- Counselling in the Workplace
- Managing Change
- Giving Constructive Feedback
- Recognising Positive Results
- Winning Support from Others
- Resolving Team Conflicts
- Stress Management
- Seven Habits of Highly Effective People (Covey)
- Team-Building
- Team Diagnostics

II For team members

- *Kaibigan* Work Attitudes and Values Formation
- Stress Management
- Working (Zenger-Miller)
- Basic Principles
- Listening to Understand Clearly

■ *Suggestions from members are welcomed to address various concerns raised to improve the working conditions of the workers.*

- Taking on a New Assignment
- Participating in Group Meetings
- Resolving Issues with Others
- Dealing with Changes
- Being a Team Player
- Team-Building
- Team Diagnostics

C. For Developing Managerial/ Supervisory Skills

The Power of Supervision

Enhancing Supervisors'/Managers' Productivity Masters Courses (Masters in Engineering, Masters in Management, major in Development Management/Employee Relations, Masters in Business Administration/ Management)

Asian Institute of Management (AIM) Programs such as Basic Management Program and Management Development Program.

Computer Skills Training, meanwhile, has the following components:

- Anixter Certified Installer Training Program
- Oracle Presentation
- Energising the Structured Cabling and Lotus Notes Training
- IBM Technical Training and IBM PC Server/WIN NT Installation and Performance
- Oracle Course
- Basic Programming
- Lotus Smartsuite
- Microsoft Office
- E-mail
- Windows
- Lotus Notes, and
- Lotus Domino

Furthermore, to continually enable DLPC to improve its competitiveness, it addresses this concern again by way of training in the following:

A. Total Quality Management (TQM) Awareness

- Quality Principles

- Customer-Supplier Interfacing
- Value Chain
- 5S
- Kaizen
- Visioning
- Organisational Diagnostics
- Benchmarking

B. Personnel/Company Policies and Procedures

Strategies Undertaken

DLPC aligned the activities of its Kaibigan Council based on the company's vision that balances company excellence to that of the welfare of its workers.

To ensure proper communication flow and clear-cut functions among members of the Kaibigan Council, team leaders are assigned in each sub-committee. Each team leader is assigned to monitor the accomplishment of the committees' action plan. Monthly meetings are held, minutes of meetings are drafted and updates are posted in their bulletin boards. Effects of accomplished activities are reviewed by the committee. Suggestions from members are welcomed to address various concerns raised to improve the working conditions of the workers.

For better networking among the workers, DLPC invests in seminars on training in leadership, teambuilding and other skill trainings to upgrade the capability and competence of its workers.

DLPC also looks into the welfare of its workers' dependents by hosting livelihood programs and providing scholarships. It seeks to create a more personal atmosphere through rest and recreation activities like sports festivals and Christmas parties.

Moreover, supplementing the Kaibigan Council are committees on Personnel Matters and Quality Management. These committees were organized by management to evaluate fairly the performance of its workers and serves as a basis for improving the career path of its workers. Based on evaluations, management is able to determine what training is needed by its employees. Employees with exemplary

■ Available data for the period 1993–1995 reveals that its emergency services are seen to improve from year to year.

performance are given scholarships by the company.

Whenever DLPC encounters a grievance case, they have a grievance machinery specified in their CBA which they observed before they engage the involvement of the government like the National Conciliation and Mediation Board, National Labor Relations Commission and the Department of Labor and Employment Proper.

Outcomes and Lessons Learned

Due to good work relations as an effect of its Kaibigan Council, DLPC was able to improve its customer service. Its latest survey showed that a combined ninety-three percent (93%) of DLPC customers, included in a survey, regarded the services of the company as *Satisfactory* or *Better*, with a meager 7% saying the company's services are *Below Satisfactory*. None among those who were polled rated the company *Poor*.

Those who rated the company as *Satisfactory* comprised 67% of all respondents, while 22% regarded the company's services as *Above Satisfactory*. Four percent (4%) meanwhile claimed the company's services to be *Excellent*.

This relatively high customer satisfaction rating is a reflection of the services offered by DLPC to its customers. Available data for the period 1993–1995 reveals that its emergency services are seen to improve from year to year. Moreover, records of its response time on applications disclose that as much as 82% to 92% of applications are attended to and completed within one day (that is, from the signing of a contract to meter installation).

The quality of installations are also high, as approval rates range from 86% to 94%, based on figures recorded for the period September 1996 to May 1997.

This exemplary performance of the company has led other companies to benchmark the systems of DLPC noting that it has been a recipient of numerous awards, namely:

- 1997 National Pro-Active Achievement Award as the Most Outstanding Company in Quality and Productivity.

- 1995 Sikap-Gawa Awards for Labour-Management Co operation
- Grand Champion, 1993 National Linemen's Rodeo
- Finalist, 1996 Outstanding Corporate Social
- Involvement Award, Region XI, Philippine Business for Social Progress
- Datu Award for Excellence in Corporate Community Service
- Recipient, P250,000 grant for Davao Light Employees Union Library
- The company also received various plaques and certificates of recognition and appreciation for invaluable support and dedication to service from the following:
 - National Conciliation and Mediation Board—LMC Annual and Regional Congresses
 - BIMP-EAGA Working Group for Energy
 - Kadayawan Festival Committee
 - Philippine National Red Cross
 - Community Chest and Council for Greater Davao
 - Boy Scouts of the Philippines
 - Department of Labour and Employment, Region XI
 - Tagum National Trade School
 - Rizal Memorial Colleges
 - Xavier University, Cagayan de Oro
 - University of Immaculate Conception
 - Brokenshire Memorial College
 - Philippine Society of Mechanical Engineers
 - Integrated Institute of Mechanical Engineers
 - Other LMC and Quality Practitioners

Conclusion

At the current rate, DLPC does not have to worry about having any serious competitor in the utilities market, nor does it fear having to lose some of its customers because of the present government thrust of industry deregulation. The present state of affairs in the company and the high satisfaction rating

■ *Having correctly diagnosed the problems and threats to the viability of its operations, the company responded accurately by developing its manpower and human resources.*

given by its customers is an indication that DLPC will continue to cruise along unchallenged in the power and utilities market in its sphere of operations and hence continue to be the main source of power and illumination for the people of Davao City and the municipalities of Carmen, Panabo, and Sto. Tomas.

Having correctly diagnosed the problems and threats to the viability of its operations, the company responded accurately by developing its manpower and human resources. This it did by investing heavily in human resources training and development and in finding ways to maximize the capabilities of its employees, aside from providing an atmosphere that motivates the employees to give their best. Company policies on recruitment and promotion, wage and salary administration, and the company's resolve to uphold the welfare of its employees and their families are a never-ending source of motivation for DLPC employees.

These human resources development practices would not have been successful, though, without smooth labour-management relations that made it possible for the partners to implement the above-mentioned strategies.

And this smooth relationship, in turn, was realised through the establishment of a sound and potent communication and infor-

mation system that facilitated openness between and among the partners, and built mutual trust between them.

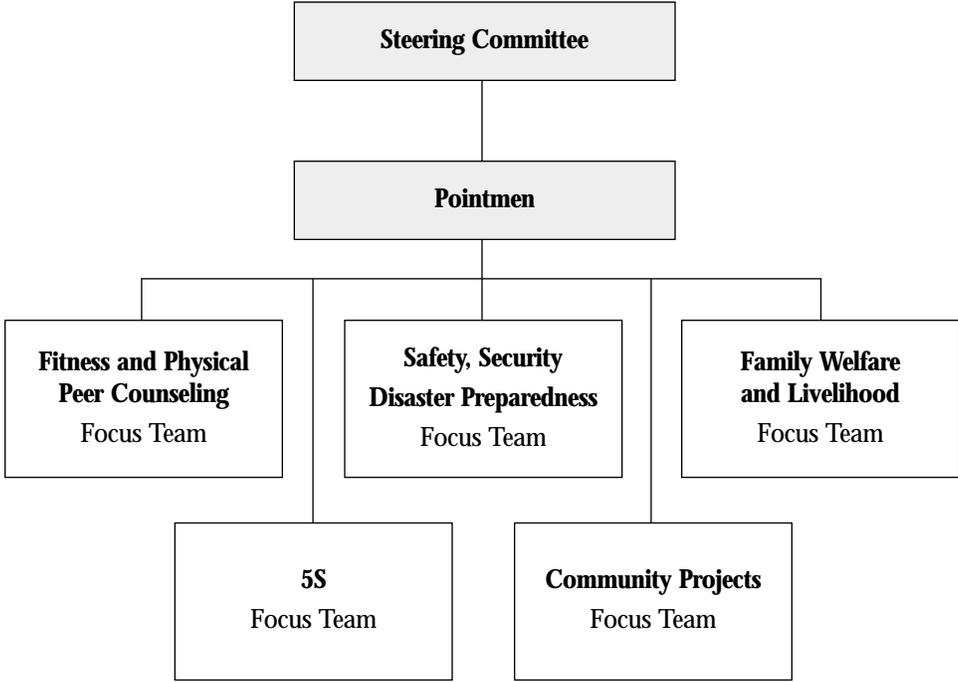
The important role of the Kaibigan Council which is DLPC's Labour-Management Cooperation (LMC) scheme in implementing this communication and information system and in opening the communication line between the partners is invaluable for it was instrumental in fostering a closer, more intimate and more cordial dealings between and among the parties.

And for this, both team leaders and members recognize the contributions of their institutional partners—the Asian Institute of Management, which introduced to them the concept of LMC, the Department of Labour and Employment of Region XI, which took over from where the AIM left and which strengthened the partners' faith in the advantages of the program and the National Conciliation and Mediation Board which nurtured and sustained their interest toward the program.

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ANNEX "A"
LABOR MANAGEMENT COUNCILS
NEW LMC Organizational Set-up



■ *LADECO formed its Labor-Management Council which served as a forum to discuss workplace issues not necessarily covered in their Collective Bargaining Agreement.*

■ *Both labor stewards and management supervisors are represented by virtue of a memorandum designating officially and specifically labor and management representatives.*

CASE 3: LAPANDAY AGRICULTURAL AND DEVELOPMENT CORPORATION

The Lapanday Agricultural and Development Corporation (LADECO) is a company that produces and exports cavendish bananas. It was purchased by the Lorenzo family from Aboitiz in 1983. From the time of its acquisition up to 1988, the company was beset with operational and labor problems. Strikes and slowdowns caused by very common or minor and, at times, trivial reasons were staged by a very radical union. That radical influence has been strong in LADECO since the Lapanday Valley situated in three (3) barangays namely Tigatto, Mandug and Callawa, which were under the control of the Communist Party of the Philippines/National People's Army (CPP/NPA) from 1979 to 1988. With NPA intervention, management had difficulty in restoring order and productivity in the plantation. Supervisors and managers were threatened to death if workers were sanctioned for violating company rules and regulations. Workers rendered work for only three (3) hours and got paid for a full day's work. A large number of plantation workers realized that the company could not survive at the rate they were working. But fear reigned. Taxation was at its best for the NPAs. Workers, management and the community were taxed. Killings became a common occurrence.

However, with the new government in 1986, peace and order in the Lapanday Valley gradually grew. In 1988, the protracted battle between the Armed Forces of the Philippines (AFP) and the National People's Army (NPA) ended. Consequently, LADECO's union chose to be independent rather than be affiliated with the Kilusang Mayo Uno (KMU), a militant labor arm of the CPP. Thus, in August 1988, the Department of Labor and Employment, through the National Conciliation and Mediation Board Region XI, conducted a seminar on Labor Management Cooperation (LMC). As a result, LADECO formed its Labor-Management Council (LMC) which served as a forum to discuss

workplace issues not necessarily covered in their Collective Bargaining Agreement (CBA).

Now that LADECO has a total employment of 1,506, composed of 626 regular, 34 confidential, 109 supervisory, 483 rank and file and 254 contractual employees, it managed to address its employees interests through continuous dialogue in their LMC. Its two (2) unions, namely the Lapanday Employees Union (LEU) and the Callawa Employees' Union (CEU), have proved to be good partners of management. As trust and confidence developed in the LMC, the unions found it easy to work with their management. Moreover, its LMC helped in the conclusion of its 1995 CBA in just one (1) day.

Organizational Structure of the LMC

LADECO's LMC has defined its objectives as follows:

1. Bring healthy and constructive communication between labor and management;
2. Improve interpersonal and group relations within the organization in order to develop teamwork among employees;
3. Encourage active employees' participation at the workplace in order to develop dedication and commitment to the company's thrust;
4. Inculcate the spirit of joint responsibility to all parties concerned in implementing productivity improvement programs for the success of the company; and
5. Provide recognition to the contributions made in order to motivate all employees.

To meet its objectives, LADECO structured its LMC as a 3-tiered organizational structure covering the area, department and farm levels. Both labor stewards and management supervisors are represented by virtue of a memorandum designating officially and specifically labor and management representatives in each department and each farm levels. It therefore, created a steering committee with six (6) subcommittees whereby it adequately

■ *The proposal was for the establishment of a Human Resource Development Center that would prepare the workforce for the paradigm shift.*

■ *Its LMC has become a vital forum in fostering open communication and trust between labor and management.*

represents its management and three (3) sub-groups namely:

- a. Lapanday Employees' Union (LEU)
- b. Callawa Employees' Union (CEU)
- c. Quality Improvement Team (QIT)

The Quality Improvement Team is composed of Area Managers from the Production, Engineering, Research and Administrative, Accounting, Purchasing Departments and PVI (company commissary). (See Annex A—Organizational Structure)

Through LADECO's LMC, workplace issues like workers' health conditions, safety devices, promotions, labor education, incentives and awards are discussed and appropriate activities are launched. Among the activities undertaken are:

1. Productivity Seminars—to address the decreasing productivity due to human errors and deviation from Standard Operating Procedures.
2. Lot Grants—a 180 sq. m. lots are awarded to qualified LADECO employees as part of their housing program.
3. Free Health Services—medical, dental clinic, mass blood donation family planning programs.
4. Donation of Goods—during times of natural calamities, goods are donated to victims.
5. Safety Measures—safety procedures to deal with farm, traffic, chemical hazards to protect workers and their dependents.
6. Lapanday Skills Training Center—it provides skills training on Basic Masonry, Rough Carpentry, Rebar, Industrial Trade, Basic Computer Operation, Industrial Sewing and Basic Food Processing and Catering.

Workplace Benefits

The Lapanday Skills Training Center (LSTC) was put up through the LMC in anticipation of the negative effects in the market on the farm's production arising from the country's participation in the UR-GATT and the planned conversion of the LADECO Farm from an agricultural

estate to an industrial estate. LADECO's LMC prepared a proposal that would cushion the impact of the aforementioned to its workforce. The proposal was for the establishment of a Human Resource Development Center that would prepare the workforce, including their dependents and the residents in the neighboring communities, for the paradigm shift.

On May 1, 1996 (Labor Day), the LSTC was established in a 1,939 sq. meter lot inside the LADECO Compound in Mandug, Davao City. It provides the beneficiaries with highly employable skills. In its first year and a half of operation alone, it was able to produce almost a thousand graduates and about 40% (excluding the incumbent workers) have found jobs or are self-employed. LSTC has received numerous citations from the Productivity Center for Women Development-Department of Social Welfare and Development, Construction Manpower Development Foundation (the Department of Trade and Industry's Construction Manpower Development Arm) and the Technical Education and Skills Development Authority (TESDA). Its latest citation is considered one of the most prestigious awards given by TESDA, the Kabalikat sa Laang Bisig Award in August 1997. This award is given yearly by TESDA to its sectoral partners, individuals and institutions that have made an impact in the search for excellence in Technical Vocational Education and Training (TVET). The award is given in recognition of great awareness of the significance of TVET in improving the lives of the people and its role in nation building.

LADECO's LMC has also made a tremendous contribution in sustaining production even at the time when quality specification of the Japanese market started to get stricter in the second half of 1993. It has also contributed to increasing the assets of LADECO's Cooperative, called LGC Development Cooperative, from P1.3 M in 1988 to P13.3M in 1997. (See Annex B and C—Tables on Comparative Production and Package Recovery)

Furthermore, LADECO's workers enjoy an

■ *Through the LMC, they were able to join hands and collectively work together to meet the stringent quality standards of the World Market.*

environment where safety is a priority. Its LMC has established the Occupational Health and Safety Program covering four areas namely: farm, traffic, chemical and industrial safety. Hence, there has been a record of zero accidents in relation to its operations. (See Annex D—Occupational Health and Safety Program)

Lessons Learned and Conclusion

Under an environment where a union is often at odds, with management, nobody wins. Each sector is always at each others' throats and there is mistrust over each others actions or decisions. Working seems to be a burden when one feels trapped in a vicious cycle of disputes. However, when parties begin to regard each other as partners in the growth of their company, there is lightness in going about one's work. With LADECO, this has been a good lesson. From bloody labor disputes, where fear over one's life has been a crippling threat in administering any change for what is perceived as good has transformed into a flow of communication that enables labor and management to see issues in relation to their survival as a company and as individuals. Its LMC has become a vital forum in fostering open communication and trust between labor and management. With government as third party in enabling LADECO's LMC to become functional, its seminars and training on LMC have proved effective in nurturing truly harmonious labor relations.

LADECO claims the fact that its LMC has significantly contributed to the promotion and sustenance of industrial peace in its workplace. They say that they have reached the point where labor and management see each other as partners, respecting each other as people and believing that we can only achieve peace and prosperity if we work together in synergy.

One challenge LADECO is facing now is the following: In the middle of 1993,

bananas from Central America poured into Japan, thereby eating up the market share of Philippine Bananas. The over-supply of bananas resulted in a more selective market where quality standards were stricter, which eventually resulted in a tremendous drop in prices. It can be recalled that Philippine bananas controlled 80% of Japan's market but under those conditions, it plummeted to 60%. This might go down further if quality is not improved and prices are not competitive. The situation was further aggravated when other countries started supplying bananas to Japan, such as Indonesia, Malaysia and other neighboring nations.

The challenge therefore is to produce bananas of high quality, at the right volume at a given time, and more importantly, at a lower cost.

Through the LMC, LADECO is able to communicate what its employees must do to avoid wastage in material and human resources, and survive fierce competition.

Through the LMC, they were able to join hands and collectively work together to meet the stringent quality standards of the world market. Moreover, they believe that through their LMC, they can survive any challenge that will come their way as they are all in its together, as a cohesive team.

The Philippine Government, then recognizing that this kind of mind-set prevails in its agricultural sector, and considering the fact that the Philippines is an agricultural country that seeks to improve local product competitiveness in the world market as well as to improve the working conditions of employees, it declared LADECO's LMC the 1998 National Outstanding LMC. With this award, the Philippine Government foresees better labor relations among its companies that produce agricultural products for domestic as well as for export purposes. This way, the country can maintain if not expand its market share in agricultural products in the world market.

ANNEX "A"

The Labor Management Cooperation made a tremendous contribution in the promotion of industrial peace in the plantation as can be seen in Table 1.

Table 1. Annual production of LADC and CADPI before and after the establishment of the LMC, 12 kg/13kg/boxes/ha/yr.

BEFORE LMC					
Plantation	1986	1987	1988	1989	Average
LADC	4327	3915	3980	4078	4075
CADPI	3571	3626	3890	3889	3744

WITH LMC									
	1990	1991	1992	1993	1994	1995	1996	1997	Avrg.
LADC	4155	4502	4666	4270	3684	3910	4017	3738	4118
CADPI	3580	4180	4260	3921	3114	3454	3523	3495	3691

Quality specifications of the Japanese market started to get stricter in the second half of 1993 because of an oversupply of bananas. Productivity was reduced because of increased rejections.

ANNEX "B"

Table 2. Annual packing recovery, %. Packaging Recovery is the proportion of the total tonnage packed for export relative to the actual tonnage harvested.

Plantation	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
LADC	82%	83%	85%	90%	88%	87%	91%	85%	70%	87%	90%	86%
CADPI	82%	80%	82%	86%	87%	92%	91%	82%	66%	83%	86%	87%

Although LMC was late in its inception compared to the LGC-DC which was organized in August 1987, it has contributed to the meteoric rise of membership of the Coop and its assets.

a) LGC-DC Membership

Before LMC	WITH LMC								
1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
670	1050	1136	1203	1234	1160	1173	877	650	590

b)

	LGC DCI	CAPITAL DEPOSIT	ASSETS
1988		P1,198,055.97	1.3M
1989		3,725,312.00	4.5M
1990		6,590,875.00	8.4M
1991		9,028,519.00	11.6M
1992		10,745,901.00	13.9M
1993		12,134,525.00	16.2M
1994		9,436,326.00	13.4M
1995		9,079,041.00	13.2M
1996		9,040,838.00	13.6M
1997		9,000,601.00	13.3M

A decrease of membership in 1995 due to reduction of manpower.

ANNEX “C”

LAPANDAY AGRICULTURAL AND DEV. CORP. MANDUG, DAVAO CITY OCCUPATIONAL HEALTH AND SAFETY PROGRAM

Safety is Everybody's Concern and therefore a responsibility of everyone.

I. Farm Safety

All employees entering the area should be required to wear Boots/Shoes and other protective equipment as may be needed in their specific line of duty or operation, and should be inspected daily during assembly time by the supervisor.

Identified Hazards

- Sharp blades and objects
- Foot bridges
- Fruitcare hazards e.g. leaking sprayercans
- Other harvest related hazards
- Others—e.g. broken glass, nails, left-over materials from guying/engineering repairs.

Safety Procedures

- Sharp Objects—e.g. tumbling bolo, deleafing knife, slashing knife
- Only those who have to use tumbling bolo or bladed instruments should be allowed to handle such.
- Before any employee is allowed to handle these instruments
- He should be first instructed with an actual demonstration on the proper use or handling of such instruments.
- A return demonstration of said employee is required.
- Tumbling bolo's handle must be provided with safety guards (also applicable to other bladed objects)
- A cutter should see to it that the Receiver or Backer is at the right position before cutting the stack to avoid field losses and injury on the part of the Receiver or backer.

** Control measure: Regular inspection by safety committee

Foot Bridges

- Regular and proper maintenance of foot bridges.
- Repairs should be carried out as soon as the problem is identified.
- Repairs and maintenance is the responsibility of the harvesting farm supervisor.

**Control Measure: In case of accident arising from a defective foot bridge or a poorly maintained foot bridge, the Farm Supervisor is answerable.

Fruit Care Hazards

- Wearing of longsleeves must be required to protect from direct skin contact with any chemical and from insect sting or bite. Short pants are prohibited.
- Defective or leaking spraycan and its accessories should be repaired at once to prevent losses and direct contact to any solution.
- Wearing of dust/mist respirator (bra type) e.g. model 3M8710 should be required to protect them from direct inhalation of chemical spray.

- Spraying (e.g. Bunch, Weed and Mat Stem spray), against the wind should be avoided in order to prevent direct hit of “fall-out” of chemical sprayed. Specific and individual supervision by Supervisor is needed.
- For Security reasons, all left-over materials or balance of materials of chemicals and materials withdrawn from the Warehouse for a day’s use, should be returned to the Warehouse for safekeeping and not left in the Farm Bodega or shed houses.

Other Harvest Related Hazards

- A harvester, particularly the “Hanger” should see to it that the Fruit Roller used is in good working condition, so as to prevent any fruit falling along the cable line.
- Over speeding by the “Carero” should be avoided to prevent banging of bunches on Oxbow or in-between bunches.
- Riding on Fruit Rollers moving along Cable line should be avoided to prevent accidental fall.
- Weight of materials transported through the cableway should NOT exceed the maximum load limit of 50 kilos/roller.

Other

- Proper housekeeping is the responsibility of the group who undertook the operation or repair in the specific area. Ex. Leftover guying wires, nails,—should be kept by the Engineering group who did the repairs for the guying post.

II. Traffic Safety

- All personnel who were issued with motorcycles (MC) whether company-owned or MC plan, should be licensed to drive a motorcycle.
- All MC drivers while travelling on-board the MC should wear helmet (Travel includes going to work, while working or returning home from work.
- In case a driver meets an accident he/she shall not be covered by AOD rule, unless he/she was wearing the proper protective device at the time of accident.

III. Chemical Safety

(Based from Occupational Health and Standard of the Department of Labor—See Annex “A”)

***For Control Measures

The Safety Committee Chairman will form an investigating team to handle AOD’s involving Chemical Intoxication which will be composed of a minimum of three (3) Safety Committee members, inclusive of the Chairman.

In case of organophosphate Poisoning—the worker should be allowed to resume his previous assignment (prior to the accident) only when his repeat Cholinesterase will show normal levels. Expenses for the fare and test should be shouldered by the Company.

IV. Industrial Safety

Operator Protection for Agricultural and Industrial Tractors

- The batteries, fuel tanks, and hydraulic oil reservoirs shall be constructed and so located or sealed to ensure that spillage will not occur which might be harmful to the occupant in the operator area.
- All sharp edges and corners exposed to the operator shall be covered with rubber or equivalent protective coating.
- No person is allowed to sit beside the operator except in case of testing, but should seek clearance first from the Engineering Head.
- No person is allowed to ride the draw bar between the tractor and the trailer.

- A signboard with a sign “STRICTLY NO RIDERS” should be installed at the back of the operator seat.

Operator Protection for Diesel Feed Pump Engine (Tugaway Pump E 120) and Generator Sets

- All engines should be operated only by those who are responsible and delegated to do so.
- Refuel engine only when the engine has been shut-off. DO NOT smoke or use an oil lantern while refueling.
- DO NOT oil, grease or adjust a machine that is in motion.
- Always stop the engine before removing or replacing belt to avoid being caught between objects.
- DO NOT allow children to operate or bring them inside the pump or equipment shed especially during operation time because they can cause distraction and are themselves liable to get injured.
- Avoid wearing loose, sloppy clothing while operating to avoid getting entangled with moving parts.
- Keep engine in good mechanical condition, check oil line, fuel line, Water line and control mechanism frequently—this is done to offset unpredictable events.
- Pump area should be enclosed by fence and provided with a Warning sign.
- Always keep the area clean and sanitized.

Electrical Facilities

- All connections should be done in permanent junction houses.
- Exposed wires should be placed inside a conduit or moulding.
- Bare wires should be insulated.

V. Health and Hygiene

- Inspection of premises—ventilator, lightning, toilets, and sound levels
- Pre-employment P.E.
- Annual physical examination including BP monitoring
- Separation from employment P.E.
- Diagnosis and treatment of all injuries (occupational and non-occupational)
- Immunization programs—in coordination with DOH
- Education and information on Health and Hygiene—thru Values Day for 5 minutes regarding health tips.
- Sanitation and inspection of foodhouses within the company premises and Staffhouses; Foodstalls in coordination with PVI.
- Cholinesterase test monitoring

***Control Measures are meant NOT ONLY to penalize those responsible but also to encourage EVERYONE to follow SOP. Exercise cautions and implement SAFETY.

Failure to report work-related accidents when there is one or reporting when there is none will be dealt with accordingly.

INDONESIA

Area	1,812,000 km ²
Population:	201,390,000 (1997)
GDP per capita:	1,066 (\$US, 1997)

For several decades leading up to the regional economic and financial crisis that started in mid-1997, Indonesia had experienced a period of remarkable economic performance. Since the 1970s, economic growth averaged 7 percent per annum, raising GDP per capita toward the level of middle income economies. However, there were a number of underlying weaknesses, which made Indonesia vulnerable to adverse external shocks when contagion effects from the regional currency crisis led to an abrupt shift in foreign exchange market sentiment towards the rupiah. The economic crisis in Indonesia has led to a significant rise in unemployment with approximately 2 million workers losing jobs as companies restructured through mergers and consolidations to increase their efficiency.

SKILL TRAINING IN INDONESIA: CONTRIBUTIONS FROM LABOR, MANAGEMENT AND GOVERNMENT¹

*Endang Sulistyarningsih*²

■ *Different elements of the national training system in Indonesia have been continually under review with a view to enhancing the efficiency, effectiveness and the relevance of the system.*

Introduction

The recent economic and financial crisis in the Southeast Asian economies has brought the issue of the relationship between education and training and employment to center stage in these countries. Similar has been the case in Indonesia. The more difficult issue, however, is identifying the precise nature of human resources development. This is especially so in regards to training in interventions that would provide the much needed relief in the member economies concerned, not only in the short term, but also in the long term as the economy slowly resumes the path of growth and development. So far as Indonesia is concerned, at this stage, what seems fairly clear is that the process of recovery of the economy will have to be associated with a degree of restructuring between, as well as within, its various sectors. In the circumstances, human resources development needed for retraining of retrenched workers for redeployment may be regarded as a short-term issue. Human resources development

also needs to be treated in the context of at least the medium term perspective and the existing training system needs to be looked at from that position. This paper will concentrate on training as part of the human resources development in Indonesia.

Different elements of the national training system in Indonesia have been continually under review with a view to enhancing the efficiency, effectiveness and the relevance of the system. Although such a situation should have enabled mapping out of a rapid response of the system to meet the situation arising out of the crisis, not much apparently did happen. One of the factors contributing to this situation was the lack of funds for the purpose. What is more worrisome is that the financial stringency, as a consequence of the impact of the economic crisis, could have a negative impact on the training, especially for those in the formal sector. Lack of investment in new equipment and raw materials and inadequate funding for upgrading the skills of the teaching staff are likely to contribute more to the

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■ *The challenge Indonesia faces is how to mobilize the large human resources into a productive labor force to support on-going national development programs.*

lowering of the quality of training.

There are also signs that Indonesia's system of industrial relations has not kept pace with the multiple and complex labor and social issues arising from the rapid expansion of the political movement, the slowing down of economic activities, and the recent ratification by the Government of Indonesia of the ILO's *Freedom of Association and Protection of the Right to Organize* Convention No. 87, 1948. This condition has the potential to threaten future growth of the economy as well as human resources development, if not seriously and immediately addressed.

This paper examines the existing skill development program and analyzes the contribution of labor-employer-government at the macro level, beginning with exploring the manpower problem and issues faced by Indonesia.

Manpower Problem and Issues

Indonesia is one of four countries with the largest population, ranking after the People's Republic of China, India, and the United States of America. Indonesia's population growth is substantially high. The population and manpower reflect, on the one hand, potential, which can be mobilized for productive purposes to produce goods and services, which meet the needs of the people. On the other hand, they reveal the magnitude of the problem encountered not only in providing the people with such basic needs as food, clothing, housing, health and educational facilities, but also in creating job opportunities.

The challenge Indonesia faces is how to

mobilize the large human resources into a productive labor force to support on-going national development programs. The fact is that today's manpower problem is weighty. It is not confined to itself but is related to other issues such as population size, age structure, population distribution, manpower utilization, quality and growth, and the economy's ability to absorb them.

Population Growth and Size

Indonesia's population increased from 147 million in 1980 to 195 million in 1995, and is estimated to reach 210 million by the year 2000 and 226 million by the year 2005 (see Table 1-1). Parallel with high population growth, the country's work force also increased from 52 million in 1980 to 88 million in 1995.

The working age population is defined as people aged 15 years and above including both the labor and non-labor force. In general, the sex ratio, which is the ratio of males to females, is lower. The female population slightly outnumbers the male population.

The labor force is defined as people aged 15 years and above who are working, or have jobs but are temporarily absent from work, and those who are looking for work. Female labor-force participation rates have been rising during the last decade. It is estimated that participation rate will continue to rise above 51 per cent in 1999 because of several reasons. These include increasing awareness of intellectual life, delay of marriage, increasing social mobility, changing perception of working women outside the home, and increasing employment opportunities for women.

Table 1-1:
Indonesia Population and Labor Force, 1961–2005

Year	Population (000)	Labor Force (000)		
		Male	Female	Total
1961	97 019	25 193	9 641	34 834
1971	119 233	27 009	13 360	40 369
1976	131 797	33 537	17 477	51 014
1980	146 777	35 099	17 322	52 421
1985	165 154	42 541	24 501	67 042
1990	179 322	46 723	25 692	72 415
1995	195 294	53 681	34 815	88 496
2000	210 486	60 269	41 357	101 626
2005	225 748	N.A	N.A	N.A

Age Structure of the Labor Force

As shown in Table 1-2, during schooling years labor participation among females is low but then rises continuously, followed by a slowdown at an older age because the productive peak of female labor is between 20 and 24 years of age. During 1998 the overall labor force participation rate has been around 66 percent. A significant change has occurred in the age structure during the past five years, and will continue to change in the next 15 years.

Table 1-2:
Indonesian Labor Force and Labor Force Participation Rate (LFPR) By Age Group and Sex, 1998 (%)

Age Group	Labor Force			LFPR		
	Female	Male	Total	Female	Male	Total
15-19	9.6	8.7	9.0	32.55	44.26	38.54
20-24	13.3	11.6	12.1	50.66	81.29	64.81
25-29	13.2	13.5	13.4	51.80	94.44	71.87
30-34	12.7	12.6	12.6	56.64	97.72	76.24
35-39	12.9	13.3	13.2	60.38	98.42	79.43
40-44	10.5	10.9	10.7	62.92	98.39	81.02
45-49	8.8	9.1	9.0	62.78	95.27	80.93
50-54	6.9	6.9	6.9	62.65	95.59	79.39
55-59	4.8	5.1	5.0	55.29	87.78	71.86
60+	7.3	8.3	8.1	34.45	67.74	51.77
Total (%)	100.0	100.0	100.0	36.52	83.19	66.93
Absolute (000)	35 973	35 735	6 735	292	735	735

Source: CBS, 1998 National Labor Force Survey (SAKERNAS).

Level of Utilization

Labour utilisation, represented by the working population, increased from 78.5 million in 1992 to 87 million in 1998 (see Table 1-3). The figure for 1998 reflects a 5.46 percent unemployment rate since 5 million people (out of 92.7 million labour forces) were looking for work. Since the economic crisis (1998) the employment absorption has been very low. With the negative economic growth rates of approximately minus 13.26 percent, the level of unemployment became 18.94 percent by the end of 1998. The low level of labour absorption in the economy results in low earnings and a decline in family income.

Table 1-3:
Working Age Population by Activities 1992-1998 (000)

Male	1992	1993	1994	1996	1997	1998
Working	48 167	48 736	50 308	52 990	53 971	53 899
Looking for Work	1 265	1 297	2 020	2 338	2 299	2 862
Labor Force	49 431	50 033	52 329	55 328	56 270	56 762
Attending School	14 817	15 058	14 865	15 651	15 649	5 830
Housekeeping	302	330	293	373	588	597
Others	5 103	5 471	5 183	5 163	5 346	5 043
Not in Lab. Force	20 222	20 859	20 341	21 187	21 583	11 470
Female	1992	1993	1994	1996	1997	1998
Working	30 352	30 465	31 730	32 712	33 079	33 773
Looking for Work	921	949	1 717	2 070	1 976	2 200
Labor Force	31 273	31 413	33 447	34 782	35 055	35 973
Attending School	13 780	14 386	14 124	14 524	14 250	5 443
Housekeeping	21 071	21 884	22 119	23 883	25 667	24 670
Others	4 997	5 217	5 447	4 761	4 571	4 238
Not in Lab. Force	39 848	41 487	41 691	43 168	44 486	34 352
Male + Female	1992	1993	1994	1996	1997	1998
Working	78 518	79 201	82 038	85 702	87 050	87 672
Looking for Work	2 186	2 246	3 738	4 408	4 275	5 062
Labor Force	80 704	81 446	85 776	90 110	91 325	92 735
Attending School	28 597	29 444	28 989	30 175	29 898	11 274
Housekeeping	21 373	22 214	22 413	24 257	26 255	25 267
Others	10 101	10 688	10 630	9 923	9 915	9 281
Not in Lab. Force	60 070	62 346	62 032	64 355	66 068	45 821

Sources: CBS, National Labor Force Survey.
Note: Figure 1995—not available

■ *Enrolment at primary schools has increased each year, indicating an extraordinary accomplishment, particularly since the growth occurred mostly in rural areas.*

Level of Education

The state's Constitution of 1945 states that every citizen has a right to education, which is further reiterated in the law on Education (1989). These constitutional rights have

generated rapid growth in the number of both male and female students attending schools and achieved almost universal basic education at primary school level (see Table 1-4).

Table 1-4:
Working Age Population by educational attainment, 1986–1998
(Percentage)

Sex	Year	No Schooling	Incomplete Primary School	Primary School (General)	Lower & Upper Second. (Voc.)	Lower & Upper Second.	Academy (Dipl. I, II & III)	Univ.	(%)	Total (000)
Male	1986	10.68	33.70	33.48	15.50	5.34	0.81	0.49	100.0	60 395
	1987	10.37	32.57	33.81	16.22	5.40	0.94	0.69	100.0	62 354
	1988	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	1989	9.25	31.34	34.06	17.91	5.83	0.92	0.70	100.0	65 886
	1990	8.70	29.99	35.15	18.61	5.85	0.97	0.74	100.0	67 109
	1991	8.04	28.35	35.50	20.07	6.20	0.99	0.86	100.0	67 942
	1992	7.89	28.85	35.09	19.80	6.42	1.04	0.91	100.0	69 653
	1993	7.39	27.99	35.60	20.41	6.39	1.12	1.11	100.0	70 892
	1994	6.95	28.12	35.77	20.50	6.42	1.12	1.11	100.0	70 553
	1995	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	1996	5.96	23.19	36.38	24.29	7.04	1.58	1.57	100.0	76 515
	1997	5.78	24.11	34.46	25.03	7.49	1.31	1.82	100.0	77 853
	1998	5.87	15.19	35.61	30.51	8.94	1.67	2.21	100.0	68 231
Female	1986	21.72	34.77	29.16	10.49	3.36	0.38	0.12	100.0	62 150
	1987	20.45	34.16	29.58	11.52	3.63	0.45	0.21	100.0	63 840
	1988	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	1989	18.78	32.08	31.15	13.14	4.09	0.52	0.25	100.0	67 020
	1990	17.82	31.91	31.93	13.46	4.02	0.57	0.29	100.0	68 624
	1991	16.40	29.97	33.72	14.67	4.26	0.62	0.36	100.0	69 366
	1992	16.25	30.42	33.11	14.57	4.57	0.64	0.43	100.0	71 121
	1993	15.03	29.63	33.79	15.59	4.74	0.70	0.52	100.0	73 200
	1994	14.44	28.36	34.07	16.60	4.98	0.89	0.66	100.0	75 188
	1995	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
	1996	12.30	24.67	36.32	19.54	5.24	1.04	0.89	100.0	77 950
	1997	12.14	25.75	34.03	20.28	5.72	1.09	0.99	100.0	79 541
	1998	12.82	17.99	35.05	24.77	6.73	1.46	1.17	100.0	70 325

Since the implementation of the Second Five-Year Development Plan, known as Repelita II (1974/75–1978/79) the government has focused on the expansion of primary school infrastructure. This primary education policy is known as the SD INPRES program, which was introduced in 1973 and first implemented in 1974. As the SD INPRES program got underway, the trend has been toward accepting more six-year old children. By 1987, children reaching the age of 5.5 and 6 years were allowed to enter primary school because the increased number of primary schools allowed them to enroll at a younger age. Enrolment at primary schools has increased each year, indicating an extraordinary accomplishment, particularly since the

growth occurred mostly in rural areas.

Although compulsory primary education was introduced and primary school fees were abolished in 1977 (grades 1 through 3) and in 1978 (grades 4 through 6), which gave the poorer socio-economic groups the opportunity to enroll in primary schools, the attendance rate is still low because they are very poor. Consequently, lots of the working age population have an educational attainment “without schooling” and “incomplete primary schooling.” Primary school dropout rates for females are higher than males.

Although school fees have been eliminated at primary level, there are still other costs, such as for uniforms, school supplies, and parents' association contributions to the

■ *The industrial sector is demanding more skilled workers, which the education system cannot supply in sufficient numbers.*

■ *Efforts have been made to improve, develop and reform the training program, for instance, by eliciting the participation of industrial corporations, private training institutions and associations especially related to on-the-job training.*

school. These costs may have prevented some children from attending school. In addition, many poor parents need their children's labour services to supplement their income.

The demand for secondary and higher education continues to rise far beyond the available facilities. This is partly a consequence of the expansion of primary school facilities. Enrolment ratios continue to rise particularly among females. Those who do not continue their education are likely to join the labor force.

The Vocational Training

The Dual System—Ministry of Education and Culture

The "dual system" of education, which was introduced in 1994, is a government initiative designed to encourage joint programs and cooperation between educational institutes and the business/industrial sector in providing professional education and skilled training. This initiative intends to bring industry and schools together to provide alternative educational pathways for vocational training programs. It will provide structured on- and off-the-job training.

At the vocational secondary education level, the dual system was implemented to bring formal education closer to the needs of the working world, and to respond to market opportunities by producing skilled labor at the middle level, the type most needed by the industrial sector at the present time. The industrial sector is demanding more skilled workers, which the education system cannot supply in sufficient numbers.

The goals of the dual system of education are:

- 1) to improve vocational education to develop a skilled and professional workforce that has the knowledge, education, training, and work ethics needed to meet the demands of the current labor market;
- 2) to strengthen the link and match between school and work;
- 3) to increase efficiency in the process of education and training of qualified workers; and
- 4) to recognize and appreciate work experience as part of the educational process.

The dual system as a systematic approach to education that integrates off-the-job education provided by schools with on-the-job training acquired in the work place. Industries will provide training places for students in a real setting. In this way there will be a closer link between formal education and real, applicable skills.

The success of the dual system will, of course, depend very much on cooperation with the business and industrial world. Vocational schools take the initiative in approaching industries or enterprises. Technical vocational schools that previously cooperated with industries would be best positioned to extend this cooperation as a basis for the dual system by making it more intensive and effective. Some of the problems of the dual system have been the limited number of available training facilities in industries and the fact that students do not fulfil the minimum requirements of the job. As a result, the number of students exceeds the number of places in training facilities.

Vocational Training Institutes—Ministry of Manpower

According to Presidential Decision (No. 34/1972) and Instruction (No.15/1974), the Ministry of Manpower is responsible for the guidance of professional skills and vocational training for non-civil servants. The Ministry of manpower organizes 153 training centers/courses, called *Balai Latihan Kerja* (BLK) and *Kursus Latihan Kerja* (KLK).

In rural areas, Mobile Training Units conduct training programs. The objectives of these centers and courses are to provide training to job seekers in order to help them acquire skills needed in the labor market, and to improve labor skills in accordance with the rapid industrial development in technology.

BLK and KLK conduct three kinds of programs. The first is a standard program; the second is a program conducted by the work-training center (*Pusat Latihan Kerja*); and the third program is a program implemented by each region according to its local needs. The courses conducted at the BLK and KLK include mechanical technology, automotive, electrical engineering, building construction, business administration,

■ *The industrial relations system of Indonesia was generally based on the state ideology of Pancasila (five principles) which is enshrined in the Constitution.*

agriculture and vocational training. The ratio of practice to theory is 2 or 3 to 1. Unfortunately, courses or programs on modern industrial management, such as production management, quality control and corporate management are not provided. Efforts have been made to improve, develop and reform the training program, for instance, by eliciting the participation of industrial corporations, private training institutions and associations especially related to on-the-job training. Corporations or other parties do have the opportunity to use BLK and KLK as a training facility for improving their staff under the authority of the Minister of Manpower Regulation No. 2 of 1987.

Unfortunately, BLKs are not yet operating optimally and most industrial manufacturers have not yet benefited from or used the services and facilities provided by BLKs because the training skill methods and equipment seem to be outdated. Training facilities often suffer from a lack of funds, especially for the maintenance of equipment.

Retraining for the Retrenched Workers

Although precise figures for workers retrenched, due to the impact of the economic crisis on the enterprises, are not available, there seems to be a general consensus amongst the policy planners that the figure is indeed sizeable. It is also recognized that the data available with the Ministry of Manpower (MOM), for example, 182,442 workers retrenched during 1998, and 17,083 during the months January until May 1999, are only the tip of the proverbial iceberg. The MOM task force (1998) had estimated that nearly 5.4 million workers would be displaced by the economic crisis in 1998, although half of them would be absorbed in the informal sector since many could not afford to remain unemployed. This being the situation, the case for providing retraining to the retrenched workers with a view to enhancing their access to income generating opportunities hardly needs any further justification.

Industrial Relation in Indonesia—Until May 1998

The industrial relations system of Indonesia was generally based on the state ideology of Pancasila (five principles) which is enshrined in the Preamble of the 1945 Constitution of the Republic of Indonesia. The transposition of the Pancasila principles in industrial relations consists essentially in the following:

- Recognition and belief that work was not just a means of earning a worker's livelihood but is also a devotion to God (this also implies that at the workplace, there should be a space for worship);
- The worker was not merely a factor of production, but also a human being with integrity and dignity and must be treated accordingly;
- The interest of workers and employers were not in contradiction, but always common, mutual, reciprocal, consensual;
- Any difference of opinion (divergence of interest) between workers and employers should be resolved through the process of "deliberations" for reaching a consensus within a spirit of brotherhood (implying also that strikes or lockouts or other means of industrial action should not, in principle, be used);
- There should always be equilibrium between the rights and duties of both labor and management in the company, and such equilibrium should be achieved through cooperation, justice and fairness.

The Pancasila philosophy was meant to be applied in all the various aspects of social life at all levels of the industrial relation system, including all the facets of the employment relationship.

Industrial Relations Institutions

A number of industrial relation institutions and measures were designed to put into practice the *Pancasila* ideology. Some of these institutions or measures follow:

Tripartite Bodies

Tripartite bodies exist at national, provincial

■ *Workers and employers at the enterprise level jointly establish bipartite bodies.*

■ *Genuine reforms in the industrial relations system will depend to a large extent on political decisions.*

and district levels. The Indonesian Tripartite Cooperation Body at the national level was set up in November 1983 in accordance with Decision No. KEP-258/MEN/1983 of the Minister of Manpower. In May 1984 decision No. KEP-101/MEN/1984 of the Minister of manpower established working guidelines for the national body. Its main functions are the following: (a) to promote the best mutual cooperation and communication among all member parties; and (b) to accommodate and solve national, regional or sectoral issues. It also has the role of suggesting, guiding, cooperating and communicating with the other tripartite bodies. To implement the work of the National Tripartite Cooperation Body, a permanent secretariat has been created.

In addition to the national tripartite body, the Ministry of Manpower has also established several tripartite councils such as the National Productivity Council (DPN), the National Wage Council (DPPN), the National Training Council (DLKN) and the Occupational Safety and Health Council (DKKN).

Bipartite Bodies

Workers and employers at the enterprise level jointly establish bipartite bodies. The workers' representatives are usually consensually elected, usually by a show of hands, by the workers. These bodies serve as a forum for consultation, communication and "deliberation." They are expected to implement the *Pancasila* philosophy. Their role and functions are aimed at improving productivity, promoting industrial peace, formulating codes of conduct in the enterprise, and valuating the application of collective agreements.

Employers' Organization

On the side of the employers, the situation was clearly different. APINDO, the Employers' Association of Indonesia, was founded in 1952 and represented about 9,000 member companies nationwide. APINDO is part of KADIN, the Indonesian Chamber of Commerce. APINDO provides services to employers in the field of

industrial relations and acts as the sole employers' agent in the tripartite institutions at the various levels, national, regional and district.

APINDO does not welcome the creation of more union confederations, since it believes that the creation of more unions at the central level would complicate the negotiating process.

Workers' Organization

Trades unions were largely under government control and independent trade unions were strongly discouraged. The only central union recognized by the Government was the All Indonesia Workers' Union (SPSI), which became the umbrella organization for industrial unions representing workers in 13 sectors. It includes more than 7 000 companies' unions

In various circles in the country, serious reservations and criticisms have been made, among others, vis-à-vis the Government's policy; the inertia of the All-Indonesia Workers Union (SPSI), which was the only central trade union recognized by the Government to adequately and effectively respond to workers' demands; the attitude of many employers who refuse to recognize trade unions and to pay the minimum wage; and the role of the police and military in the settlement of labor disputes.

Industrial Relations in Indonesia After May 1998

The formal industrial relations system in Indonesia is generally reflected in the official institutions, which have been established. It seems, however, that the implementation of policies and programs can be rather difficult and problematic in practice. The rapid national transformation process to a more sound democratic system, for instance, can bring about grave political, social and economic problems, which will necessitate urgent reforms in the industrial relations system.

Social and political tension and a number of problems currently characterize industrial relations in Indonesia, which can be an inevitable consequence of the process of transformation in the society.

■ *Training has always been closely linked to labor relations.*

■ *Indonesian employers are being encouraged to play a leading role in various spheres, vocational training among them.*

The recent ratification by the Government of Indonesia of ILO's *Freedom of Association and Protection of the Right to Organize* Convention No. 87, 1948 is a significant step in promoting workers' basic rights. This ratification underlines the Government's recognition of multiple independent trade unions, and is further reflected in the Ministerial Regulation No. 5 of 1998 on the registration of trade unions. The trade union bill currently being drafted should fully incorporate the recognition of independent trade unions to provide the ratification with a stronger legal basis. In addition, the Government has announced its intention to ratify the following ILO core Conventions: No. 105, 1957 on the Abolition of Forced Labor; No. 111, 1958 on Discrimination (Employment and Occupation); and No. 138, 1973 on Minimum Age. If adopted, these will lay the foundation for improved working conditions.

Following the new transformation in the country and, in order to address the new ratification of the ILO core Conventions, some changes have been introduced particularly in legislation. It is too early to say how far these changes will be translated into day-to-day practice. Needless to say, genuine reforms in the industrial relations system will depend to a large extent on political decisions.

The future developments of the industrial relations is unclear, especially in the implementation of democratic principles hand-in-hand with the choice to have an open market economy. This includes, first and foremost, the application of the principle of freedom of association, enshrined in Article 28 of the 1945 Constitution of Indonesia, and which constitutes one of the fundamental principles on which the International Labor Organization is based.

Training and Contribution of the Institutions

Training is, today, a central and strategic component of labor relations systems. This is confirmed by the interest and growing involvement of firms and workers, of organizations representing the former and the latter, of the Labor Ministry through units specialized in the subject, training and

skills development programs and the new active employment policies, as well as the most recent labor laws and the increase in collective agreements containing arrangements regarding training.

In fact, training has always been closely linked to labor relations. Even in the pre-industrial stage, when production was craft-like, there already existed the figures of the master craftsman and the apprentice, where the former gradually allowed and stimulated a progressive accumulation of knowledge and ability on the part of the latter who, finally, became the bearer of the tradition of the trade. That is to say, even at that time the learning process was completely integrated within those initial labor relations and was a part of the "rules of the game" of production and work in that era.

The development and rise of the industrial era, however, occurred jointly with the trends towards specialization and greater levels of division of labor in society. Although, learning never stopped being something important in work centers, at a certain time the responsibility for training people who were to occupy certain jobs began to be dislodged towards these other areas, both physical and institutional, which became the training centers.

The relevance of training, within the labor relations systems of Indonesia, is today an indisputable fact. It suffices to consider the background of tripartite sectoral or national pacts or contracts on employment, productivity and labor relations that introduce training proposals; the growing number of collective agreements that explicitly incorporate training and skills development within their clauses; the development of labor laws referring both to the right to training and its implementation, or the appearance of various instances of dialogue and arrangements, bipartite and tripartite, in this field. The links of training with subjects such as productivity, competition, wages, occupational health, working conditions and environment, social security, employment and social equity makes it increasingly a key element in the present labor systems in Indonesia.

■ *Training is seen as an instrument that can also be used to upgrade middle managers, executives and even employers themselves.*

■ *Developing courses for junior officers and for worker representatives at the company level is essential for promoting stable labor management relations.*

■ *The employers' and workers' organizations have an interest in the efficiency and effectiveness of the national training system, not only from the perspective of their constituents, but also from the stand point of societal welfare.*

The Government and Occupational-Vocational Training

Training, in Indonesia, was partly centrally designed, planned and implemented, by a public body, formally dependent on the Ministry of Manpower, and financed by the Government through the annual budget and the Central Fund for Increasing Workers' Skill (*Dana Peningkatan Ketrampilan Karyawan—DPKK*). This fund was collected from foreign workers, and was of national coverage, with varying degrees of administrative and functional decentralization. The skills and vocational training for non-civil servants depended on the existence of Vocational Training Institutes managed by the Ministry of Manpower (BLK, KKK and MTU), and private-training centers recognized and approved by the Government. In addition, the Ministry of Education was also responsible for designing, planning and implementing the vocational secondary, and dual-system of education.

Both regarding the definition of policies and strategies and the implementation of training action, the Government through various mechanisms such as outside contracting of courses, accreditation of training activities and institutes, cooperation agreements, support the upgrading of training.

Employer's Organizations and Occupational-Vocational Training

At present, in Indonesia, employers are being encouraged to play a leading role in various spheres, vocational training among them.

This latter trend, in Indonesia, occurred parallel to the first industrializing efforts, through the rise of specialized firms, which began to take charge of the training function. The apprentice, at this stage, is typically a young individual, who attends training courses in an institution for a certain period of his or her life and becomes a worker when finally hired and located in a job where he applies the knowledge, ability and skills previously acquired. This was, however, a predominant but in no way absolute situation. In fact, the Association of the Private Vocational Training Institutions in Indonesia (HILSI), began to worry about

delineating and applying standards that would enable certification of workers who, through their own occupational performance, had reached levels of qualification which deserved formal recognition.

Thus, referring to the first stage of industrialization which occurred in Indonesia, at the onset of the development model, it might be said that, in a general way, training played a role, which was to a certain extent disguised within the labor relations systems of the times. Although at any place and, under any circumstances, qualification was an important component of production, the truth is that during the stage when reference was made to "labor relations," it meant basically talk of facts and processes of negotiation and/or disputes around subjects such as wages, stability and job promotion methods, and extension of social benefits.

Apart from the corporate initiatives and efforts, training practices implemented by enterprises have expanded. Sometimes, services are out-sourced, but on other occasions in-house training is developed. This is a growing trend, empirically associated with the most successful competitive strategies.

On the other hand, the interest of employers in training goes beyond the concept of a tool solely devoted to improving workers' skills. Quite the contrary, it is seen as an instrument that can also be used to upgrade middle managers, executives and even employers themselves.

Workers' Organizations and Vocational Training

In Indonesia, the interest, involvement and participation of workers' organizations in vocational training was undermined in the last-era by a number of factors, mainly to the detriment of public freedom in general and trade union rights in particular.

Secondly, the different manner in which economic sectors of Indonesia found access to international markets, through open trade policies, radically upset the characteristics of local markets and labor relations. Until then, the representative membership of those organizations had been urban, and industrial wage earners were predominantly male. After these processes the industrial

sector began to lose weight in terms of employment; participation of women in the labor force increased, as well as new contractual arrangements, self-employment, informal work and unemployment. Faced with all these developments, many trade union organizations found it very difficult to adapt to the new situation and lost bargaining power in various ways.

In the third place, together with the above transformations new notions were accepted in Indonesia about economic development strategies and labor and production management that were diametrically opposed to the old production paradigms. Although they strongly emphasized technology and qualification, they tended to consider training as something almost exclusively dependent on productivity and competitiveness strategies, objectives normally linked to the employers viewpoint. The fact often led unions to see occupational training as one more instrument at the service of capital, so that imparting it was more the responsibility of enterprises than of workers.

There is therefore a turning point, and what, until May 1998 had been a situation of equal participation by employers and workers (although in contexts of strong Government intervention) became a scenario in which workers' organizations drifted away from decision-making in vocational training, and employers took the lead in that respect. This picture, hopefully, will push some positive changes in coming years, owing to a number of factors, namely: more sound industrial relations with ILO's Freedom of Association and Protection of the Right to Organize Convention No. 87, 1948 which is a significant step in promoting basic workers' rights during the national reforms.

As far as training is concerned, workers' organizations always concentrated on developing courses for junior officers and for worker representatives at the company level. This is essential for promoting stable labor management relations at company and other levels. For the latter, day-release courses with employers' cooperation offer very good prospects. Fellowships and grants

by industrial institutions (local and or overseas) are used to conduct such training. The training material may include organization, labor rights, work requirements, social welfare etc. but does not deliver or conduct skill training for productivity. In addition, training of grassroots trade union officers should go hand in hand with the training of rank-and-file workers on the fundamentals of trade unionism and labor relations.

Recommendations

- Retraining of retrenched workers with a view to enhancing their access to income generating opportunities needs to be a priority area for action. Recommendations on this have been made in the context of the suggestion on setting up an "employment fund."
- Greater attention should be paid to imparting skills needed in industries, which are likely to have potential for growth during the recovery period. The sectors and type of training required need to be identified carefully, and the program of training provides should be geared accordingly.
- Employers' and workers' organizations have an important role to play in the national training system. Their role encompasses all facets of skills training: from participation in policy forums to collaborating in the implementation of training programs. Needless to say, the employers' and workers' organizations have an interest in the efficiency and effectiveness of the national training system not only from the perspective of their constituents but also from the stand point of societal welfare. It would therefore be important to involve these organizations in all deliberative forums aimed at addressing the concerns of the national training system. The National Training Council in Indonesia, structurally, is one such body.
- Adequate facilities for skills testing and certification should be created in collaboration with the employers' and workers' organizations.

THAILAND

Area	511,000 km ²
Population:	60,600,000 (1997)
GDP per capita:	2,540 (\$US, 1997)

The crisis of confidence in Thailand's economy, which set the Asian crisis in motion, occurred against the background of financial sector exposure to an overbuilt property market, a weakening equity market, a slowdown in export growth, and a deep current account deficit. With the economy slowing over the course of 1997, the labour market became increasingly soft, with sharply rising layoffs in the construction, real estate and financial sectors. In 1998, the unemployment rate remains high owing to the persistence of overall slow economic conditions. However, the government has developed concrete measures to strengthen the social safety net and to maintain the employment-generating public works programs, and has allocated an additional 0.5 percent of GDP in the 1997/98 budget for this purpose.

SUCCESSFUL PRACTICES IN HUMAN RESOURCES DEVELOPMENT IN THE WORKPLACE: (CONTRIBUTIONS FROM LABOUR, MANAGEMENT AND GOVERNMENT) TWO CASE STUDIES FROM THAILAND

Areeya Rojvithee

■ *Although Thailand has enjoyed rapid economic growth over the past few decades, the relative lack of adequate human resources prevents the country from moving to the next stage of economic development.*

Introduction

This paper examines the critical issue of low qualifications of the Thai labour force and the need for upgrading through the awareness and participation of employers, employees and government, in providing training for workers. This responsibility cannot be left solely to either government, employers or employees, but should be approached in a collaborative manner. The successful case studies presented in this report involve exclusively Thai-owned industries—both large and medium in size. At its initiation, and working closely with the Department of Skills Development (DSD), the Ministry of Labour and Social Welfare undertook the restructuring of the personnel structure in the workplace, the reclassification of the workers' skill levels, through the National Skills Standard testing and the provision of training for workers. The main concept of this paper focuses on the tripartite mechanism of cooperation in the development of the Thai labour force. This tripartite cooperation will help Thailand pass through its economic crisis and enable it to compete in the world market.

Background

Human resources are the main factors of the production process—either labour-intensive or capital-intensive—in industry, commerce, and services. Thailand is now facing a serious problem concerning the quality of human resources. Although Thailand has enjoyed rapid economic growth over the past few decades, the relative lack of adequate human resources prevents the country from moving to the next stage of economic development. It has a population with little specific skills training or the necessary academic background for training in higher level technical skills.

The Thailand Development Research Institute reported that in 1996, about 78% of workers in Thailand had an educational background of primary education or less. By the year 2000, about 70% of all industrial workers will still only have a maximum of elementary school education or no direct skills training. In 2000, about 25% of the labour force is expected to comprise young workers aged 13–25 (2.7 million school youths and 7 million young adults aged 20 to 25 years). The constraining effect of this under-educated and unskilled base of the labour pyramid and the possibility of its continuing for some

■ Besides skills training courses, non-technical skills were provided, such as labour relations and foremanship training.

time, appears likely to limit the country's pace of economic development, and constrain gender equity.

Definitions

In this report there are three main definitions that need to be presented for mutual understanding. They are as follows:

Labour

Unions, workers' organizations, or other groups helping workers that have the support of organized labour.

Management

Employers and management in all sectors, including small and medium-size businesses (SME), business associations, women's business associations and networks.

Government

Ministries dealing with labour issues, women's affairs, human resources development, skills training and industrial policy, and regional and local governments.

Methodology

Establishments selected for this study had to have initiated contact with DSD to seek help in developing the skills of their workers. Researchers went to the chosen establishments to interview the management team and employees as well as to conduct inspections and check information with the Department of Labour Protection and Welfare which is responsible for working conditions, safety in the workplace, and labour relations issues.

From the five case studies analyzed, two case studies were selected for presentation. They are both totally Thai-owned companies.

The Case Studies

CASE STUDY OF TEM-CHAREOENSUK STEEL KOPLING CO. LTD.

Tem-Chareoensuk Steel Koplring Co. Ltd. is located at 103, 103/6 moo 7, Soi Suk-Sawasdi 78, Phra-Pra-Dang Samutprakarn Province, 10130 and primarily produces steel sockets. Current employees include

170 men and 60 women. Employees come from different regions of the country and have varied backgrounds, cultures and ways of living. All employees, however, have to work and stay together at the company. The company has been established for 12 years and is a family-based industry. Starting with 6 employees and producing for the domestic market, the business expanded into its present state through a long-range vision, hard work, dedication and an honest owner. During the bubble economy, the company gained high profits and these profits, in the form of annual bonuses, were shared by all employees. Welfare provided for employees includes uniforms, shoes, and educational loans for children of workers.

In order to cope with an increasing amount of business, the company decided to change the mode of production by purchasing new high capacity machines. After the installation of the machines, all the workers working in the production lines were trained to operate the machines. Unfortunately, the output was not up to the capacity of the machines, which can produce an expected amount of 2,100 pieces per day. Employees were paid by piece rate of 26 satangs per piece (100 satangs = 1 baht) Workers produced an average of 600 pieces per day which meant that they could earn 156 baht per day—higher than the daily minimum wage of 135 baht. With employees satisfied with the amount of money earned each day and the failure of employers to encourage production, low productivity resulted.

Dr. Jitr Temchareonsuk, the owner of the company, came to DSD for advice. The Department sent officials to analyze the cause of the low productivity and found that the workers lacked:

- industrial habits;
- proper skills relevant to their work; and
- a good system of working.

The Department sent instructors to organize various training courses in the work place. Before training began, various production line workers' skills were measured through the national skills

■ *A workers' committee was initiated by the employer, which in turn, helped create employees' feelings of gratitude and loyalty toward their employer as well as dedication to their organization.*

standard to ascertain who possessed up-to-standard skills. Those who did not have the required skills were directed to attend specific upgrading training courses. Besides skills training courses, non-technical skills were provided, such as labour relations and foremanship training. Management officials also were provided with specific training courses. After three months of training, the working environment improved, productivity increased up to 1200 to 1400 pieces per day. Workers undertook full responsibility and seemed to understand that the workplace was their rice bowl.

As a result of the training, the employer committed to:

- Organize upgrading training courses continuously for the workers, both in technical and non-technical courses.
- Set up a Workers' Committee, with members elected by the workers, which serves as the welfare committee in that establishment. The Committee, designed to facilitate understanding between employer and employees, is based on the fact that employees know better than outsiders what goes on in their place of work. This is why the employees had refused to join the Steel Trade Union. Mutual consultations between employers and employees promote mutual cooperation. In fact, this committee was initiated by the employer, which in turn, helped create employees' feelings of gratitude and loyalty toward their employer as well as dedication to their organization.
- Restructuring the administration of the company, especially with respect to personnel development. Through restructuring, the employer can put the right person on the right job. The salary structure has been modified based on the skill levels of the workers.
- In order to upgrade the basic knowledge of workers, from primary to lower/upper secondary educational background, the company set up a center for non-formal education in the workplace by providing a room and facilities and paying for the teachers

who come to teach in that center.

Besides workers, people in the area are allowed to learn at this center. This illustrates the social accountability of the company owner.

The company was less affected by the economic and financial crisis. Due to the expansion of the overseas market, no layoffs were recorded. During the crisis, the Workers Committee played a vital role in minimizing the operation costs, such as electricity charges, as well as working hard in order to fill orders on time and being concerned with the quality of the products.

Dr. Jitr Temchareonsuk, the Company owner, received an honorary PH.D from Rajmankala Institute for his contribution to the social and economic well-being of the Country. He fully agrees with continuity of training in the workplace for the entire work history of all employees. He is now launching ISO 9000 for his industry.

CASE STUDY OF SOMBOON GROUP COMPANY

This establishment is located at 112, Moo 2, Bang Na-Trat Road, Samutprakarn Province. In 1941, Mr. Somboon Kitaphanich set up a small Company to sell the spare parts of imported cars. Owing to the expertise of Mr. Somboon Kitaphanich, the business went well and was expanded to include a factory that produces the spare parts. The Company has continued to grow and presently has 15 firms under the Somboon Group. Among the 15 firms half of them are joint ventures with Japanese companies. Production items include drum brakes, disc brakes, fly wheels, exhaust systems, hubs, gear boxes, and timing covers. The proportion between domestic market and abroad is 80:20 and is targeted to be 50:50 in the near future. The main foreign markets are in Japan and other neighbouring countries such as Indonesia, Vietnam, United States and Canada.

Current employees number 749 persons and work in the following areas:

- Administrative section—200 persons, 139 men, 61 women.

■ *The economic and financial crisis that had started in July 1997 severely effected the company. Sales targets of all products dropped by 50 percent.*

- Production line—334 persons, 301 men, 33 women.
- Other supporting tasks—215 persons, 183 men, 32 women.

The educational background of workers is:

- Primary/upper secondary level 57%
- Vocational school level 25%
- University level 18%

Status of the Company Before the Economic Crisis

The company had good financial status and liquidity that could pay salaries, fringe benefits, and welfare for 1,400 employees. Welfare that was provided to workers included dormitory housing, transportation, food, uniforms, hospital fees, life insurance, an educational fund for employee's children, and recreation.

But this company had no system of training continuity. Employees could only work on what they were assigned, without creativity, innovation, problem-solving, or even decision-making and there was no standard of performance.

Adaptability During the Crisis

The economic and financial crisis that had started in July 1997 severely effected the company. Sales targets of all products dropped by 50 percent. As a consequence, the company implemented the following survival plan:

- A. Downsizing the structure of the company from 15 satellite firms to 5 firms.
 - Restructuring by reducing the level of hierarchy, dissolving some sections and combining some tasks under one section, made the organization flexible, smaller and ready for adaptability.
- B. Developing of the productivity potential of personnel by:
 - Setting up the Personnel Development and Performance Promotion Section in the company.
 - Providing a master plan for personnel development that shows the clear roles and responsibilities of personnel at each level. A standard

career path development plan has been written for personnel in the company in order to ascertain their progress and use the information for training relevant to the system of work in the firms.

- Acquiring a license from DSD to be the centre for skill testing for workers of the company using the National Skills Standards. Certificates were issued by DSD. Through the development of the Centre, the Company could obtain information about its workers' level of skills and could develop a wage structure accordingly. By knowing the skills of the employees, the employer could put the right person on the right job. Employees were encouraged to learn multiple skills.
- Training for middle level staff in the factory in order to increase their planning, management, and teaching techniques and be ready for promotion.
- Upgrading basic knowledge and skills of the workers who already had a lower secondary background to obtain a vocational certificate of higher standing in machinery. The training course lasted for 1 1/2 years. The training was organized by the employer in the factory and allowed one hour of work per day for training time. A Labour committee of the company was responsible for selecting workers who wanted to be trained.

The Role of Employees

Although there is reasonable remuneration and welfare provided for employees for their contribution to the company, there is no labour union in this company and the employees are not members of any trade unions. The company set up a Recreational Committee that is an employees' committee elected by employees in the company. This Committee is responsible for all activities of workers and communicating to the employer. Information from management flows to the employee through this

■ *The joint consultation system creates understanding between employees and employers and promotes the participation of workers.*

■ *The training is intended for workers already in the labour market, those preparing to enter the labour market, those who have been laid off and those who want to increase their income or wages and to upgrade their proficiency or quality of life.*

Committee. The joint consultation system creates understanding between employees and employers and promotes the participation of workers.

The employer's acceptance of the role of the Committee supported strong communication in the company. Cooperation between workers at all levels led the strategic remedial plan to success.

The Result of Employee Development

The personnel director of the company said that Thailand's economic crisis would be a good opportunity for the company to carefully investigate all units in order to minimize operational costs, and work effectively and efficiently. Now the company is small and strong, able to face all obstacles and be ready for the new era of trading. Specifically, employee development results were:

- Productivity increased although the number of employees was reduced, enabling the Company to survive the economic crisis by reducing its operation costs.
- Employees received fair remuneration for their work, benefited from skill training, and continued on their career paths. The employees demonstrated good behaviour and industrial habits and were responsible in their jobs. The rate of claiming compensation for injuries on the job was reduced from 135 cases in 1997 to 29 cases in 1998.
- Unencumbered labour relations in the company is healthy as a result of an objective of the government not to interfere if labour and management can solve their conflicts.
- The system of working has been improved at the international standard. The company got ISO 9000, 9002 and plans to apply for ISO 14000. In 1998 the company was selected by the Thailand Productivity Institute to be the best company on productivity for the whole process of production. Now the company cooperated with Thai Environmental Institute running the pilot project of

clean technology and was selected by the European Foundation to award 5 million baht for reducing the cost of production and getting rid of waste.

The Department of Skills Development

The Department of Skills Development is a government organization working closely with these two companies. As a department under the Ministry of Labour and Social Welfare, DSD provides pre-employment training for school drop-outs between ages of 15–25 years, and also provides upgrading training in technical and non-technical areas to develop workers knowledge and equip them to deal with new technology. Altogether there are 396 courses. In order to assist rural people in finding non-agricultural jobs, DSD operates mobile training in the rural areas to upgrade their technical skills and knowledge. In non-technical areas, DSD provides specific training based upon request from enterprises such as receptionists, foremanship, and quality controllers. From time to time, DSD is also required to organize special training programmes according to government relief programmes such as training for draught and famine victims, and off-season farmers. The total trainees for the fiscal year of 1998 are around 240,000 persons. In 1999 the training target is up to 650,000 people.

To achieve this target, DSD runs training programmes through its training institutes and centers as well as in cooperation with other government agencies. As the secretariat of the National Vocational Training Coordination Committee (NVTCC), which was chaired by the Prime Minister, the Ministry of Labour and Social Welfare signed agreements with eight ministries to co-operate in skills training, namely, the Ministry of Defense, the Ministry of Science Technology and Environment, the Ministry of Education, the Ministry of Interior, the Ministry of Industry, the Ministry of Transport and Communication, the Ministry of University Affairs, the Tourist Authority of Thailand, the Bangkok Metropolitan Authority, and some industries and establishments. Furthermore, DSD has modified the training system, which is now the

■ *In cooperation with the Ministry of Labour and Social Welfare, the Ministry of Industry and the private sector organized non-formal education for upgrading the basic knowledge of workers who only have primary education.*

Competency Based Training and uses CD-ROMS as the medium of delivery.

The Department of Skills Development provides the following training programmes:

Pre-employment Training Courses

Provision for trainees to develop knowledge, proficiency and skills in various professions at the basic level. Theoretical and practical training is provided in agencies of DSD for 2–10 months. This is followed by practical training at private enterprises for 1–2 months.

Skills Upgrading Training Courses

Provision for trainees to increase knowledge and skills, commerce and services. The training is intended for workers already in the labour market, those preparing to enter the labour market, those who have been laid off and those who want to increase their income or wages and to upgrade their proficiency or quality of life. The training lasts over 60 hours.

Upgrading Basic Knowledge and Skills Development

DSD in cooperation with the Ministry of Education provides the basic knowledge courses in Science, Mathematics, English, for workers who only have primary education or lower. They need to test and classify the skills that they accumulated from work experience according to the national skill standards. The lowest level is the first level, and the highest is the third level. They can transfer the credit that they acquire to the total credit of this course of the Ministry of Education. After they pass the examination, they get a certificate co-issued by the Ministry of Education and DSD. There are similar courses for upgrading the basic knowledge of workers to the level of upper secondary and vocational certificate.

The Incentives Provided for Private Enterprises

In order to encourage the enterprises to organize training for their workers, DSD has issued the following incentives :

The Vocational Training Promotion Act, 1994

The purpose of this act is :

- to encourage and support vocational training to people in the working-age group so that they may possess the vocational skills required by business and industry;
- to upgrade the skill of the work force, and to test skill standards; and
- to promote cooperation between private enterprises and educational institutes.

The goal is to accept students for training in private enterprises as well as sending trainees to train in educational institutes or government training institutes.

Privileges for Private Enterprises

Registration as a provider of training in accordance with the Vocational Training Promotion Act, 1994 allows for the following.

- Private enterprises benefit from certain privileges, such as a 50 percent deduction of the training expenses from their income tax. Other benefits include exemption from laws governing private schools, labour protection laws and labour relations laws, as well as receiving assistance in the form of curriculum material, equipment and trainers from DSD.
- Employers who provide training for employees with 6 months experience may deduct the cost of training and an additional 50 percent as provided under the Royal Decree enacted in accordance with the Fiscal Code on tax exemption (Volume 298), 1995. The curriculum and the cost of training must be certified and approved by the DSD.
- The private sector can request loans from the Government Savings Bank to establish or enlarge their education institutes or vocational training institutes that provide training in fields that are in demand. Private Vocational Training Institutes will receive an income tax exemption for profits and dividends under the Royal Decree

■ *Government plays the supporting role by providing incentives for enterprises.*

enacted in accordance with the Fiscal Code exempting taxes (Volume 284), 1995.

The Skills Development Fund provides new entrants to the labour market, laid off workers, or those wishing to upgrade their skills an opportunity to seek loans at a very low interest rate (1%) to upgrade their quality, proficiency and skills.

Occupational Skill Standards Promotion

DSD is responsible for establishing occupational skill standards and organizing the national skill competition as well as for coordinating participation in international skill competitions. The national skill standards are classified into 3 grades starting from the lowest grade (grade1) to the highest grade (grade 3) The standards serve as benchmarks for skills. They can be guidelines for private firms in recruiting personnel, establishing salary rates, increasing productivity and position classification in the company.

The Government Policy on Upgrading Basic Knowledge

Aware of the low qualifications of the Thai labour force, the Cabinet has approved a proposal of the Ministry of Education on 29 November 1995. In cooperation with the Ministry of Labour and Social Welfare, the Ministry of Industry and the private sector organized non-formal education for upgrading the basic knowledge of workers who only have primary education. The non-formal education and training are the main components of the life long learning process that relates to the formal education and training and informal learning.

The Role of Employers

Some employers support upgrading the quality of their workforce through non-formal education and training and through the

period of their employment. The organizing of non-formal education and training should have the following components:

- a suitable room as the center for learning in the establishment;
- teachers and instructors, who can be selected from the personnel of that establishment;
- a suitable medium for delivery of the instruction; and
- coordination with the center of non-formal education or skills development center in the area of technical works, curriculum, examination, testing and evaluation, certification, and transferring credit.

Conclusion

These two case studies show that the consciousness and collaboration of employers and employees to develop the workplace, human resources, and production process, are the keys to success. Government plays the supporting role by providing incentives for enterprises. The establishments should be standardized up to an international standard. The structure should be small, flat and flexible for adaptability. Since technology is the main component of working, personnel should have multiple skills in order to work in various tasks and technologies, and training should be continuously provided.

It is clear that organizations representing the interests of workers can take a number of forms, including formal or informal employee committees. The priority is to create an effective forum so employers and employees can communicate with each other in an atmosphere conducive to mutual understanding and joint strategies to resolve human resources issues.

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CHINESE TAIPEI

Area	36,000 km ²
Population:	21,680,000 (1997)
GDP per capita:	13,070 (\$US, 1997)

In 1997, Chinese Taipei maintained high growth with low inflation, successfully withstanding the negative impacts to its agricultural sector in the second quarter in the form of an outbreak of foot-and-mouth disease and the more general impact of the Asian financial turmoil in the fourth quarter. Growth was mainly due to significant increases in private consumption and investment. In line with the changing employment structure, the unemployment rate rose to 2.7 percent in 1997—the highest in a decade. Chinese Taipei had a stable labour market situation in the first half of 1998 with the unemployment rate averaging 2.4 percent.

CHANGE MANAGEMENT OF THE HUMAN RESOURCES DIVISION: A CASE STUDY OF THE TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY

Meiyu Fang

The Semiconductor Industry in Chinese Taipei

According to Porter (1998), “clusters” are striking features of every national and regional state, which are also found in the cities of industrialised economies. Clusters are geographic concentrations of interconnected companies and institutions in a particular field and dominate many industrial sectors around the world. Silicon Valley and Hollywood are well known examples of clusters.

In 1970, Chinese Taipei invested NT\$16 billion to develop the Hsin-Chu Science-Based Industrial Park. The Industrial Park, located near Taipei, is now the centre of the third-largest high-tech industry in the world. In the late 1990s, it accounted for a third of Chinese Taipei’s manufacturing exports and a huge share of the world’s computer production—total revenue from the park equalled 47 per cent of Chinese Taipei’s export earnings (Statistics Quarterly, 1997). Certain industries in this park have been allowed special privileges, such as tax reductions, however, the park is running out of space due to its own success. In the late 1990s there were around two hundred and forty firms in this industrial park that generated a combined annual revenue of approximately US\$12 billion.

Chinese Taipei’s share of the world memory-chip market is nine per cent. While this may appear relatively small compared with the South Korea’s 40 per cent, Chinese Taipei’s huge investment in new equipment to increase its chip-making capacity suggests that it will be a force to be reckoned with in the semiconductor industry by the first few decades of the new millennium. Chinese Taipei’s semiconductor firms invested an amount equal to their revenues in 1997, whereas South Korean firms invested less than 40 per cent. In absolute terms, for the first time Chinese Taipei spent more on increasing its semiconductor capacity than South Korea, and invested more than three times as much in 1998. This was partly due to the Asian economic crisis that saw troubled Korean firms, such as, Samsung, LG Semicon and Hyundai Electronics, reduce their capital spending by up to two-thirds. Japanese firms are not only spending less but also increasingly paying Chinese Taipei’s companies to make chips for them on a contract basis. Most analysts see Chinese Taipei’s share of the world memory chip market doubling to more than 15 per cent over the next year (The Economist, July 4th–10th 1998).

Only recently has the “pure foundry,” which focuses on Integrated Circuit (IC)

■ *It is not difficult for a visitor to pick up a sense of pride from TSMC's employees. The organisational culture of TSMC is energetic and results-driven.*

manufacturing services, become an industry in its own right. In the beginning, the fabrication process was integrated with other steps in the chip-making processes. Then firms began to separate into the different sections of the production process, such as, silicon manufacturing, IC packaging, and testing (Wilson, 1996). Chinese Taipei's share of the world market for foundry work is expected to reach 70 per cent this year (The Economist, July 4th–10th 1998).

Company Profile of the Taiwan Semiconductor Manufacturing Company

Taiwan Semiconductor Manufacturing Company (TSMC), located in the Hsin-Chu Science-Based Industrial Park, is a joint venture between Chinese Taipei, Philips Electronics NV of the Netherlands and private investors. Established in 1987, it was the world's first pure foundry operator. According to a survey conducted by Common Wealth Magazine (1998), TSMC, with a revenue of US\$1.3 billion, ranked eleventh among the top 1000 manufacturing companies in Chinese Taipei. TSMC currently operates five fabrication factories in the Industrial Park. A new manufacturing centre that will employ an estimated 2000 workers is also planned for Tainan, in southern Taiwan. TSMC has also invested overseas. WaferTech, established in 1996 and located in the United States, is a new joint venture between TSMC and several long-standing customers. WaferTech has already operated at full capacity by 1998.

The workforce at TSMC grew from approximately 1000 workers in 1987 to almost 6000 in 1999. The education and age distribution of TSMC's workers are shown in Figures 1 and 2, respectively. Because the semiconductor industry usually requires more research and development (R&D) employees than other industries, its workforce generally exhibits a higher than average level of education. In TSMC, 40 per cent of the workforce have high-school diplomas, 38 per cent have junior college or college degrees and over 20 per cent have Masters or PhD degrees. Over 60 per cent of the workforce are under 30 years old. The average age of the TSMC workforce is about 33 years old.

Virtual Foundry

One special feature of TSMC is that the firm's charter precludes it from designing or manufacturing its own IC products. According to the chairman of TSMC, Dr. Morris Chang, TSMC's long-term vision is to offer a comprehensive range of services including a "Virtual Fab" for TSMC's customers around the world. It is generally acknowledged that the capital investment entry level into the semiconductor industry is at least US\$1 billion, to which must be added a fixed cost of \$600 million per year for equipment (Wilson, D. 1996). The entry barriers to this industry are very high. The techniques are hard to master and the company must have a neutral status to win business. As Bob Tsao, Chairman of United Microelectronics Co. noted, "it is not easy for a big company to have the expertise of being flexible about customers' needs while maintaining high-quality manufacturing" (Wilson, D. 1996, p. 28).

TSMC turned the barriers of entry into their special competitive advantage and developed the concept of the "Virtual Fab." Under this arrangement, TSMC acts as the customers' own manufacturing facility. The "Virtual Fab" gives an integrated device whereby TSMC's clients can access the technology, information and support they need. Therefore, customers can gain access to a manufacturing operation without the huge investment and maintenance required for an in-house facility. Moreover, the customers can monitor the manufacturing progress of their IC orders through interconnected and interactive computer systems.

TSMC envisioned the concept of the pure-play foundry, creating what has become a multi-billion dollar industry. TSMC has committed more than US\$14 billion towards capacity expansion and leading edge facilities over the next decade. By the year 2000, they will produce more than 2 million 8-inch equivalent wafers. Since 1992, until the Asian economic crisis hit in 1997, TSMC was booked to capacity. Seventy per cent of TSMC's customers are non-foundry chip companies, so TSMC can

■ *The HR division initiated a new program in 1998, entitled “Performance Management & Development” (PMD), to restructure the performance management process.*

break-even no matter what a given customer’s silicon cycle is. The annual revenues of TSMC from 1991 to 1998 are shown in Figure 4, with sales reaching US\$1 billion in 1996.

It is not difficult for a visitor to pick up a sense of pride from TSMC’s employees. The organisational culture of TSMC is energetic and results-driven. The human resources (HR) division is guided by ten business philosophies created by the founder, Morris Chang (see Table 1). In many of Chinese Taipei’s companies the business philosophy is not taken very seriously by the workers. However, in TSMC workers are encouraged to integrate this belief into their daily operations and policy-making.

Performance Management and Development

Because of the profits being realised in the semiconductor industry, more semiconductor firms have turned to the foundry business for IC manufacturing. Some forecasts predict that by the year 2000 almost twenty per cent of the world’s ICs will be produced in foundries. As a pioneer in the semiconductor foundry industry, TSMC believes that foundry manufacturing services will continue to play an increasingly important role in the IC industry.

In spite of optimistic predictions for the future of the foundry business, the economic slump in 1996 saw the price of memory chips fall. Consequently, many memory chip manufacturers began to lose money, while the Asian economic crisis in 1997 made the situation worse. Due to the economic crisis, the total market value of the semiconductor industry worldwide decreased by approximately ten per cent in 1997. But TSMC was still able to record fourteen per cent growth in sales in that year. After it peaked in 1995, some commentators believed that the four-year cycle of the semiconductor industry would come to an end soon. However, the strategy of TSMC in this environment is to keep the organisation lean and flexible in bad times, so the organisation can catch up quickly when another peak arrives.

Just like one of the business philosophies

says “aiming at the world market,” TSMC often benchmarks its productivity with other leading competitors, such as Intel, Texas Instruments, and United Microelectronics Corps. As shown in Table 2, in the late 1990s TSMC’s revenue per worker was US\$276,000, which was relatively good compared with the other competitors. For instance, the total revenue of Texas Instruments was US\$9.8 billion, which was more than six times that of TSMC’s total revenue of US\$1.5 billion, however, the revenue per worker at Texas Instrument was US\$55,000 lower than at TSMC. Intel’s worker productivity was the best amongst the manufacturers listed in Table 2, with Intel being regarded as a role-model organisation by TSMC. In many ways, TSMC benchmarks its operations with Intel.

TSMC’s sales and operating income per worker decreased from its peak in 1996, while its production of wafers per head also went down after 1997. The slow recovery of the semiconductor industry was partly due to world economic conditions. However, TSMC strove to combat such problem from within and believed that the late 1990s were a good time to examine the competitiveness of the firm, which for much of the 1990s had been busy dealing with its rapid growth. Therefore, the HR division initiated a new program in 1998, entitled “Performance Management & Development” (PMD), to restructure the performance management process.

The main theme in PMD is multiple-source performance evaluations, with the final evaluation being a combined result from several review processes. In addition to performance management, TSMC believes that employee development is the key activity in PMD because a good development plan can increase workers’ competencies, which will contribute to the firm’s performance. Director Wu of the HR division believes that the traditional training curriculum, designed and based on a training-needs survey, is not as effective as job-based training. Instead of asking what the training needs are, the top-level supervisor should have a clear mind about the kind of competencies that will contribute to a winning

■ *The purpose of the on-going performance reviews is to avoid unexpected results at the end of the year.*

■ *The objectives of the cross-team reviews are to provide the opportunity to learn across different teams.*

organisation. It should be the top-level managers' responsibility to communicate the required professional or core competencies to their subordinates. The subordinates then have a few days to think about the goals, before coming back to discuss them with their supervisor. Supervisors should have a good understanding of how their workers operate. In sum, the PMD is a results-driven program.

At the first phase, the HR division was reorganised into two sections: "the Centre of Excellence" and "the Site Service." "The Centre of Excellence" is responsible for making strategic HR plans and delivering HR expertise. "The Site Service" is responsible for the delivery of HR functions, such as staffing, compensation, and employee relations. The short-term goal of PMD is to enhance current on-line communication within the firm. The long-term goal is to integrate and globalise the HR system.

There are five principles of PMD. They are as follows:

1. Make people the most important asset;
2. Maximise employee performance and potential;
3. Provide a supportive environment to develop employees;
4. Align individual goals to team and corporate goals;
5. Create a culture of meritocracy and strive for excellence.

Implementation schedule of PMD

The HR division and the line managers are all involved with the implementation of PMD. The HR division first communicates the concept of PMD with the line managers, and their departments in face-to-face meetings. Second, the HR division announces the change processes of PMD to all employees. Third, the HR staff and the line managers work together for the necessary education and training programs in order to carry out PMD. Fourth, the line managers implement the PMD with their subordinates, with assistance from the HR division. Supervisors and subordinates are engaged in the PMD process through goal setting, development plans, feedback and

coaching. Finally, the HR division collects, consolidates and reviews the results of PMD with the department.

There are four schemes of performance reviews in PMD: periodic, mid-year, cross-team, and joint reviews. The periodic and mid-year reviews monitor on-going performance evaluations and help to create a development plan. The purpose of the on-going performance reviews is to avoid unexpected results at the end of the year. The mid-year review starts with an interview between the worker and their immediate supervisor. The purpose is to review the worker's accomplishments, update goals, and identify the support or resources required in order for the worker to achieve his/her goals. The department head has the responsibility to identify top and low performers and provide corrective action for the low performers. At the last stage, a cross-review team examines and discusses the decisions made by the mid-year review. Usually, the HR division will participate and facilitate the divisional review meetings.

The objectives of the cross-team reviews are to provide the opportunity to learn across different teams, to set standards of fairness and to develop an "action plan" for low performers. In a department, the section heads will identify the top and low performers in lower job grades, while the department heads will identify the top and low performers of higher job grades. Their decisions, with regards to the good and poor performers, are then forwarded to the cross-team reviewers. After passing through the cross-team review, the head of the department or the division grants the final endorsement. The cross-team review is conceptually similar to the idea of a 360-degree feedback on performance, except that there is no evaluation from the subordinates in PMD.

The last performance review scheme is a joint review that emphasises teamwork and customer orientation. First, the line managers decide who should become members of the joint review team. The best candidates are usually the workers' supervisors and major customers. The timing for the joint review is in the period from January to February, when new projects are

■ *The joint reviewers give performance feedback to the workers in the beginning of the following year.*

beginning or new goals are being set. Then the joint reviewers observe and coach the workers' performance from March to December. The joint reviewers give performance feedback to the workers in the beginning of the following year.

New evaluation scale for performance

In addition to a clear behavioural definition for each performance level, a forced distribution of the frequency in each level is also necessary for the purpose of distinguishing good and poor performers. Therefore, less than 10 per cent of the whole division will get "outstanding"; 25 per cent to 45 per cent get "excellent"; 50 per cent to 70 per cent get "good"; 5 per cent get "improvement needed"; and 5 per cent get "unacceptable." The unacceptable performers will be rotated to a job from which they can hopefully make progress and are given a period of time to show some improvement in their performance. If no progress has occurred after a certain time, the workers may be asked to leave.

The five levels of performance standards as outlined in the PMD are as follows:

- Outstanding: Workers with this rating usually perform more than their job requirements, can work independently and require little guidance or assistance from others;
- Excellent: Workers sometimes meet or exceed job requirements, but still require some direct supervision or guidance, but generally can work independently;
- Good: Workers can meet their job requirements, but also require some direct supervision or guidance;
- Improvement Needed: Workers can

not consistently meet the job requirements. They might require some improvement of performance. They might require a greater amount of supervision and guidance in order to produce adequately.

- Unacceptable: Workers with such ratings usually perform below their job requirements. There is a lack of interest in improving performance. This group of workers has difficulty in doing the job as indicated. Unless some improvement occurs within a specified period of time, it is likely that their jobs might be terminated.

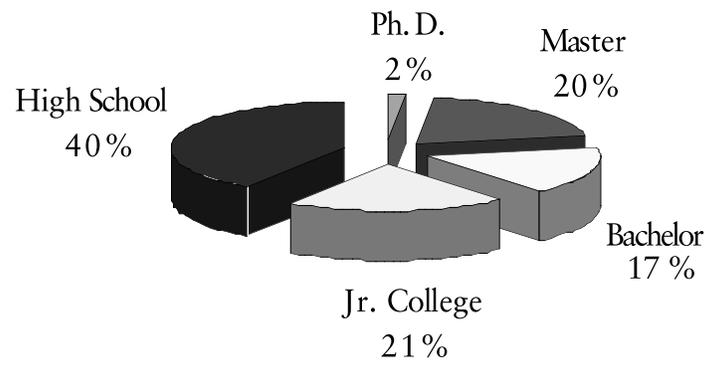
Performance reinforced

TSMC's current compensation includes a 14-month annual salary, the quarterly incentive bonus and the yearly profit sharing. None of them directly links with individual performance. In other words, the good performers and poor performers might be rewarded with similar amounts of compensation. The salary level in Chinese Taipei is based on a combination of a worker's education, tenure and/or work experience—profit sharing is tied to the firm's financial performance. Therefore, the difference in pay between good and poor performers should be more significant, as there is little incentive for workers to make greater efforts if compensation packages and/or career advancement opportunities do not recognise individual performances. The next step for the PMD process is to make pay structures better reflect the differences in the efforts that workers put into their jobs. Thus, the differences between key performers and poor performers will become more significant.

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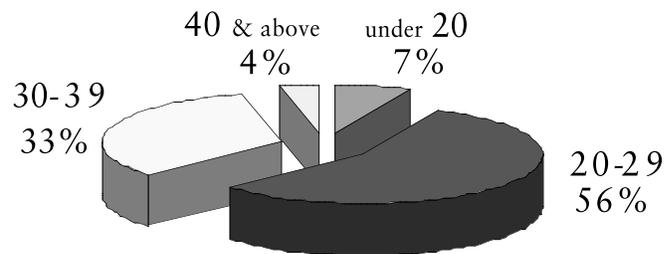
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Figure 1: The Educational Distribution in TSMC



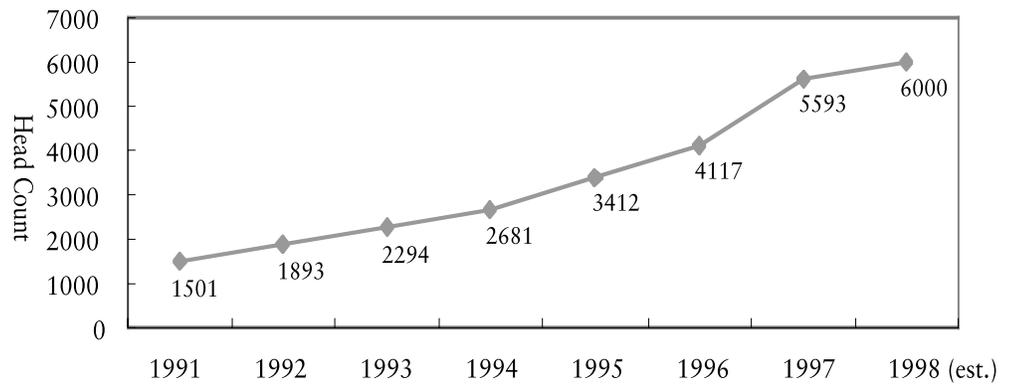
(Source: from TSMC)

Figure 2: The Age Distribution of TSMC



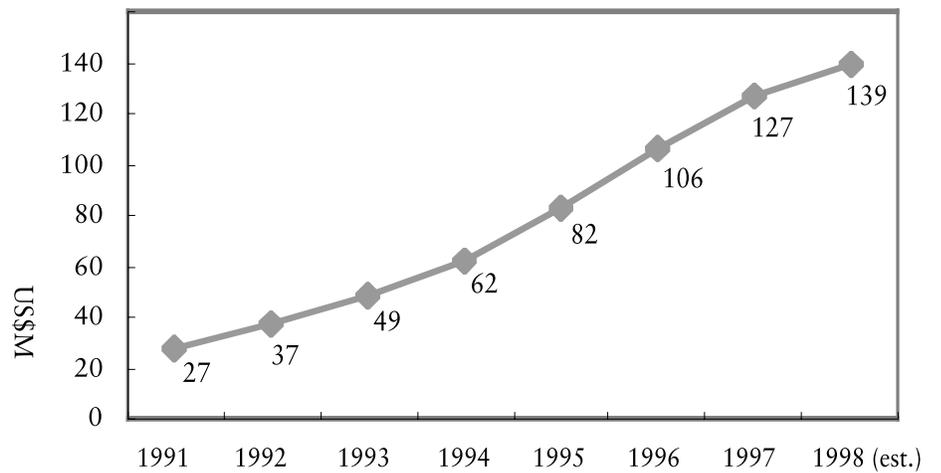
(Source: from TSMC)

Figure3: The Growing Workforce of TSMC



(Source: from TSMC)

Figure 4: The Total Revenue of TSMC from 1991 to 1998



(Source: from TSMC)

Table 1: TSMC's Business Philosophies

1. Integrity

We tell the truth. We believe the record of our achievements is the best proof of our merit. Once we make a commitment, we devote ourselves completely to meeting that commitment. We compete with competitors to our fullest within the limits of the law. We also respect the intellectual property rights of others. We maintain an objective, consistent and impartial attitude with vendors.

2. Focusing on the Core Business: 1C foundry

We are a dedicated IC foundry, and do not distract ourselves with other pursuits.

3. Aiming at the World Market

Our target is, and has always been, the global market. We recognize that the semiconductor business has no national boundaries, and that to be competitive anywhere we must be competitive in the whole world.

4. Pursuing Long-term Strategies

We truly believe that a person, or a company, that does not plan carefully for the future will soon face challenges in the present. We believe that if we do a good job of long-term planning and execution we will greatly reduce the need for crisis management.

5. Treating Customers as Partner

At TSMC, customers come first. Their success is our success, and we value their ability to compete as we value our own.

6. Building Quality into All Aspects of the Business

Every TSMC employee is responsible for providing the highest quality service. Our greatest goal is to achieve and maintain complete customer satisfaction.

7. Constant Innovation

Innovation is the wellspring of TSMC's growth. It is vital to all sectors of our business, from strategic planning, to marketing, management, technology, and production.

8. Creating a Dynamic and Enjoyable Working Environment

To retain talented people who share our goals and interests, we work hard to foster a dynamic and enjoyable working environment.

9. Keeping Communication Channels Open

TSMC has implemented an open-style management system designed to keep all lines of communication open in the working environment. Everyone welcomes constructive criticism and is willing to seek improvement in his or her working role.

10. Caring for Employees and Shareholders and Being a Good Corporate Citizen

Employees and shareholders are important constituents of our company. Our goal is to provide salary and benefit packages that are above the industry average. We also target to earn a return on investment above the industry average.

(Source: from TSMC)

JAPAN

Area	377,000 km ²
Population:	125,640,000 (1997)
GDP per capita:	33,222 (\$US, 1997)

The Japanese economy is in a prolonged slump, owing mostly to fragility in its financial sector and to spillover effects of the Asian financial crisis. The government has responded to the downturn of the economy by taking measures with respect to fiscal and monetary policy, the financial sector and other structural areas in order to revive the economy. The decline in employment has resulted in difficult labour market conditions, with the unemployment rate rising to a historical high of 4.3 percent in June 1998.

■ *Human resources development is for the interest of individual workers and industry as well as of society as a whole.*

TRIPARTITE COOPERATION THROUGH ESTABLISHMENT AND IMPLEMENTATION OF THE “BASIC PLAN FOR HUMAN RESOURCES DEVELOPMENT”

Shinichi Ozawa

Preface

Japan's orderly economic growth, on cooperative terms with other countries, will depend on ensuring that there are workers who can promptly and properly respond to the remarkable socioeconomic changes, which include technological progress. In developing such a highly technical and professional work force, step-by-step as well as systematic human resources development is imperative. The human resources development in Japan is twofold: the in-house education/training the private sector delivers, and the vocational training the public sector (both the government and the prefectures) provides. The two types of training can be implemented in an effective and harmonized manner with a solid standard plan. In light of this, the Labour Minister draws up a plan which serves as a basis for human resources development, from which various measures derive.

For preparation and implementation of this basic plan, contributions from Labour, Management and Government, the theme for this Colloquium, are indispensable. Some successful practices of cooperation in the past six Basic Plans will be introduced hereinafter.

PART 1:

OUTLINE OF THE BASIC PLAN FOR HUMAN RESOURCES DEVELOPMENT

Background and Aim of Basic Plan

Human resources development is for the interest of individual workers and industry as well as of society as a whole. For this reason, the government and the prefectures have the responsibility not only to provide vocational training programs of their own from the public standpoint but to offer assistance to the private sector for its vocational training activities and its efforts for improvement. Both sectors will enhance the overall promotion of human resources development. The Human Resources Development Promotion Law stipulates that the Labour Minister decides the basic plan for the following three items so that human resources development activities in every sector are implemented in harmony and with efficiency as a whole:

- Supply and demand trends of the labour force of skilled workers;
- Implementation targets for developing vocational abilities;
- Basic measures for human resources development.

The Basic Plan should be based on the long-term prospect of economic trends and

■ *Human resources development is an area with few conflicts between labour and management, which results in comparatively smooth deliberations in the Council.*

■ *In 30 years the Japanese economy went through many business fluctuations, and each Basic Plan aptly reflected the socioeconomic situations of the time.*

labour market fluctuations and take such aspects into consideration such as supply and demand situations of the skilled workers by industry, by type of job, by industry size and by age, working conditions, labour efficiency and so forth.

Cooperation among Labour, Management and Government in the Process of Draft Making

The law stipulates that there should be a prior hearing of an opinion from the Central Human Resources Development Council when the Labour Minister finalizes the Basic Plan. The Council consists of 20 representatives from labour, management and the government. The present members are 8 professors of economics and social science who represent the public interest, 6 labour representatives from the National Centers, and 6 employers recommended by the employers' associations. Chairman of the Council is elected from among the public-interest representatives by voting to chair the Council.

Human resources development is an area with few conflicts between labour and management, which results in comparatively smooth deliberations in the Council. As is often the case in many of the councils in Japan, prior explanations are given to council members whenever necessary, prior efforts are made to find a compromise if parties concerned stand in opposition, and revisions are made to the drafts as occasion demands. When new ideas are introduced, a study committee is formed by the three parties and these ideas are discussed before completing a draft of the basic plan. The discussion in this study committee is reflected on the basic plan, so the following deliberation progresses smoothly.

The Sixth Basic Plan, started to conceptualize in May, 1995, and announced publicly in February, 1996, introduces an idea of Self-Development of Vocational Abilities by Individual Workers. Director General of Human Resources Development Bureau formed Self-Development Promotion Experts Committee comprising 4 representatives from each of the three parties. This committee examined the new concept

partly in parallel with the Council, submitted a report in December, 1995 and the result was fed back to the draft.

Local governments at the prefectural level prepare the local version of the basic plan, which is equivalent to the implementation schedule of the national Basic Plan. The local basic plans are decided by the governors of the prefectures after deliberation in the local human resources development council consisting of the three parties, just like the national council.

Outline of Past Basic Plans

So far six Basic Plans have been made with the span of five years. In those 30 years the Japanese economy went through many business fluctuations, and each Basic Plan aptly reflected the socioeconomic situations of the time. The changes in the Basic Plans will be briefly reviewed in order to better understand the Sixth Basic Plan, major themes of which will be explained later.

The First Basic Plan for Vocational Ability Development (1971–1975) was to cope with serious labour force shortage and rapidly progressing technology in the high economic growth period. Its aims were to materialize a life-long education system where workers can receive education/training at any stage of their career throughout their life for the purpose of improving their abilities and flexibility. Under the system, vocational training started for high school graduates and adults. The system, however, had to come to a halt just at the first stage because of the severe business recession which the 1973 oil crisis triggered.

The Second Basic Plan for Vocational Ability Development (1976–1979), with the aim of Laying Groundwork for Life-long Education, strove to reach the goal of the life-long education system the First Plan initiated. Society in this era, learning from the experience of the high economic growth days, tried to achieve quality improvement rather than quantity. It was the turbulent era of prolonged stagnation after the oil crisis throughout the world, and also the era of an accelerated demographic change into the aging society. Reflecting the time,

■ *In the era of high economic growth when active demand increased by a large measure, resulting in more demand in employment, Japan was able to solve various employment problems.*

■ *In a low economic growth period, however, great difficulty is expected in ensuring smooth job changes since there is little voluntary mobility and fewer employment chances against the relatively greater involuntary unemployment.*

the Plan was targeted to provide vocational education/training at each stage of the career, and new education/training was introduced to satisfy the needs of aging workers and workers with higher academic background. As employment situations worsened, vocational training was offered, for stability's sake, to workers who were to leave or change their jobs.

The Third Basic Plan for Vocational Ability Development (1981–1985) was regarded as the last stage, completing the life-long education system. In response to the increased demand for knowledge-intensive industry, the contents of the training were upgraded. Restriction in natural resources and energy and a shift in the manufacturing industry into international division of labor system brought about a change in the industrial structure, which created excess work force. In order to achieve a full employment and a healthy economic growth, strengthened supports were provided to employers who delivered training to the workers who were to leave or reassigned them to different jobs inside the company.

Since the Fourth Basic Plan (1986–1990), the name has become the Basic Plan for Human Resources Development. The fourth plan was given a subtitle, Human Resources Development in New Era. Technical innovation such as further replacement with microelectronic equipment in manufacturing sites, more heavily service- and software-oriented economy and globalization accelerated demands for workers with higher skill, more experience, more sophisticated technology and better adaptation. This era also witnessed more women enter into the labor market, and new training was prepared for them.

The Fifth Basic Plan for Human Resources Development (1991–1995) focused on a theme, materialization of society where affluence is felt. A new way to promote human resources development was sought in order to accomplish diversified individual self realization depending on their diversified values.

PART 2: EXAMPLES OF SUCCESSFUL PRACTICES

Example 1: Employment Adjustment Grants, A Support for Labour Mobility without Creating Unemployment

Background of Introduction of the System

The oil crisis in the fall of 1973 triggered drastic changes in both the domestic and international economies. The changes together with many other factors, which include need for more international cooperation, natural resource and energy issues, public pollution and environmental problems, forced the Japanese economy to shift its gears from the high growth so far into a stable one. In the era of high economic growth when active demand increased by a large measure, resulting in more demand in employment, Japan was able to solve various employment problems. Under the circumstances with declined economic growth rate, however, more aggressive employment policies were necessary to achieve full employment and maintain it.

Decline of economic growth rate has brought about two problems in employment. One is recession and the other the changes in the industrial structure. In an era of low economic growth, economy tends to become unstable, which will lead to recession. Once recession takes hold, it is highly likely that it will develop into depression for a prolonged period of time. This will lead to pessimism in the employment policies in the industry, further to a standstill of employment demand, still further to a high possibility of increased unemployment by dismissal. Once unemployment starts, it would most probably stay for an indefinite length of time.

In the process where the basic economic policy shifts from the high growth to stable, a drastic change in the industrial structure is apt to take place. The change will no doubt bring about declining industries and unemployed workers as a result. In a high economic growth period, the involuntary mobility is minimized and reemployment of the

■ *The labour market, both supply and demand, inevitably will face drastic changes as a result of the structural changes brought about by declining birth rate and accelerated aging of the society.*

■ *It is essential to develop a business environment for smooth labour mobility by transferring and recommending reemployment for the workers so as not to produce unemployment.*

unemployed workers is easy because of the abundant employment chances and high voluntary mobility. In a low economic growth period, however, great difficulty is expected in ensuring smooth job changes since there is little voluntary mobility and fewer employment chances against the relatively greater involuntary unemployment. In coping with such circumstances, it was necessary to make every effort to stabilize the economy by proper administration. It was also necessary to take drastic measures in employment policies, which used to be remedial to unemployment, by promoting constructive measures for unemployment prevention and stable employment.

Description in the Basic Plan

The Second Basic Plan 1976 states as follows regarding the Future Trend of Labor Force Demand, stressing the need to smoothly promote labour mobility among industries.

At the time of business recession in stable economic growth, unemployment issues tend to surface, and care has to be taken to the employment trends for the aged and female workers. ... As there is a fear that supply and demand imbalance in labour force among industries and occupations may become greater, workers' inter-industry and inter-occupation mobility is essential. The percentage of labour mobility inside and between the second and third industries is expected to rise. The task to challenge is the smooth mobility of the middle-aged and aged workers.

The present Plan, the Sixth Plan, is more specific about the necessity of labour mobility without creating unemployment as the following excerpt (Tentative Translation in the Human Resources Development Bureau, the Ministry of Labour, Japan) shows:

Under these circumstances, it is important for stabilizing and expanding employment to develop new industries and also to exert efforts to expand the sectors of internationally competitive businesses in the whole socioeconomic structure of the nation. In promoting the creation of new employment opportunities, consolidation of human resources basis remains an important issue. It is also important under the ongoing changes in labor demand in industries to facilitate inter-industry/company mobility through human resources development efforts while assuring stability of employment, and also to effect proper evaluation of occupational skills as a basis for their development and improvement.

Outline of the System

Purpose

The purpose of the system is to prevent unemployment by providing grants to employers. The grant covers part of the cost paid to their workers as temporary leave allowance, ordinary wages, and the wages for the transferred workers. These benefits are paid when they offered the workers a temporary leave, provided them education/training or temporarily transferred them to other companies, due to reduced business activities caused by business fluctuations and changes in the industrial structures.

The present employment/unemployment situations are still severe, and employment creation, promotion of labour mobility which does not produce unemployment, and promotion of reemployment of the unemployed workers are urgent issues to solve. The future prospect is much severer with the anticipated changes. The labour market, both supply and demand, inevitably will face drastic changes as a result of the structural changes brought about by declining birth rate and accelerated aging of the society, together with the shifts in the industrial structure by rapid technological innovation and internationalization of the industrial activities. Unless the right measures for employment are taken to cope with these situations, it is highly likely that more unemployment will take place.

In adjusting employment structure which meets the changes in the industrial structure, it is desirable from the standpoint of employment security to transfer the business activities and the workers from the declining industries to new industries. As the number of newly graduates is shrinking, the employment adjustment has to rely greatly on labour mobility among the industries and companies. This implies that unemployment is imminent. When recovery of employment from the structural changes is difficult and employment adjustment by labour mobility is inevitable under such conditions, it is essential to develop business environment for smooth labour mobility by transferring and recommending

■ *The grant system was meant to cover only the employment adjustment brought about by the short-time business fluctuations.*

reemployment for the workers so as not to produce unemployment.

Employers Covered by the System

The major recipients of the grants are (a) employers and their subcontract employers who belong to certain types of industry which force them to go through labour adjustment by inter-industry/company mobility when recovery of employment is impractical, and (b) subcontract employers who suffer from the effects of the bankruptcy of their contractor companies. As of June 1, 1999, the grant system covers 77 types of industry to which 111,570 companies belong with 733,690 workers for the category (a), and 180,937 companies with 4,119,303 workers in 220 types of industry for the category (b).

Contents of Grants

Eligible employers are entitled to the grants which cover part of the cost they paid for the wages and for education/training to their workers who were to be transferred to other companies, to be dismissed with advice for reemployment or to be reassigned to other job inside the company. Depending on the size of the company, the grant ranges from 50 to 80% of their wages. As a training fee, separate 3,000 yen per day for each worker is subsidized also. The maximum duration of the training grant is 200 days before and after the labour mobility.

Employers who want to apply for the grants must submit an Employment Maintenance Schedule or Unemployment Prevention Plan to the local public employment security office. At this point the employers need to have concluded an agreement with the labor union. Application for the grants is made with the confirmation of the labor union that the education/training the employers delivered to the workers satisfy the type of education/training prescribed in the agreement.

Achievements and Future Tasks

In Japan where the most effective social welfare measure is regarded to be employment maintenance, this system has been widely received because of the substantial

contribution it has made to labour mobility without creating unemployment. The statistics in the past 10 years show the year 1994 paid the greatest amount of grants, total 13,442 million yen, while 1991 paid only 42 million yen, which signifies that the grants are utilized flexibly depending on the business fluctuations.

From the very beginning, the system was meant to cover only the employment adjustment brought about by the short-time business fluctuations. This is because there was a discussion of a negative view of the system that the longer the protection by the government continues, the less room for the initiative the workers may have in taking up different employment, and the less chance for the next job. The recent criticism for the system is that such a protection measure will slow the speed of structural change of the industries which are losing the competitive edge.

Example 2:

Education/Training Benefit, a Support for Workers' Voluntary Ability Development

Introduction of the System

In November, 1997, a report was submitted from Chairman of the Central Human Resources Development Council regarding the workers' voluntary ability development.

Importance of Voluntary Vocational Ability Development

It will become indispensable to develop and improve vocational ability of the workers who are responsible for making products more value added and challenging new areas of industry in achieving stable economic growth in Japan to survive the drastic changes in the industrial structures and on-going globalization of economy.

The occupational competence required for the workers is diversified including the abilities to plan, develop and make practical application. The conventional, standardized education/training is not appropriate for developing such abilities. They will be acquired only when each worker is well motivated to make every effort to do so.

When the tendency towards the merit system is strengthened and labour mobility increases, the conventional employment practices will undergo changes in the future. It is more and more important for individual workers to cope with this prospect by voluntarily developing their own vocational abilities on their own

■ *Designated in the system are diversified courses which help workers improve their vocational abilities.*

responsibility. Development of the vocational ability is a key to employment stability for them, too.

Necessity of Supporting Voluntary Vocational Ability Development

Basically each worker is responsible for developing his own vocational abilities, but self-development not only benefits the individual workers, leading to stable employment, but also benefits the socioeconomy in this country, by improving productivity and expanding the industrial activities, which leads to stable economic growth. Improved vocational abilities of each worker are an asset to the society as a whole.

In this respect, it is necessary for the government to support the voluntary vocational ability development plan in an effective and rational manner.

Description in the Basic Plan

Excerpt from Sixth Basic Plan:

2. Human Resources Development Emphasizing Individual Initiatives

Since occupational competence desired in the course of personnel updating includes not only high levels of skills and knowledge but also creativity and other elements the development of which depends largely on the initiative of individuals, individual-centered approach to human resources development is needed in addition to workers themselves too, as HRD along the career plan of each worker will have to be conducted on occasions and in a manner appropriate for the goals of an individual.

It will also help vitalize enterprises and also the society as a whole. It is also important to ensure that HRD is conducted according to workers' individualities and in such a manner as will encourage their initiative.

The measures are developed as follows in the Sixth Basic Plan.

Excerpt from Sixth Basic Plan

Individual-Centered Human Resources Development

In order to enable individual workers including those out of or changing jobs to take various opportunities and to develop their occupational skills on their own initiative, active support for individual-centered approach to HRD is needed, in addition to in-house and public vocational training and other means of assistance for learning.

HRD Planning for Individuals

It is necessary for a worker wishing to develop his occupational capabilities on his initiative to have a HRD plan linked to his career design drawn up through career counseling. Public authorities will provide professional advice to individuals who wish to initiate their own HRD and encourage them to prepare such plans. Assistance will be given to help individuals undergo train-

ing to match the plans thus drawn up by collecting and disseminating information concerning education and training in public HRD facilities and elsewhere. Supply of information concerning HRD to meet individual needs and counseling services will be effected by utilizing relevant databases of various agencies working in cooperation.

Enriching Opportunities for HRD

In order to meet various types of learning needs in respect of course contents, duration, time, location, tuition fee, method of learning, etc. efforts will be made to enlarge opportunities for participating in various types of programs in cooperation with other government departments concerned. The programs include those offered by public HRD facilities to begin with, and those by such educational institutions as universities, graduate schools, special training colleges, miscellaneous schools, and also by local authorities and employers' associations, etc. Also, in order to facilitate learning of those unable to spare time to attend courses at public HRD facilities and to increase learning opportunities for people in local districts, such learning systems as study-at-home utilizing multimedia equipment or distant learning by means of correspondence or satellites will be considered.

Strengthening Support for Self-Development

Enterprises will be urged to institutionalize paid educational/training leave more widely. At the same time, institutionalization is desired of other types of leave or leave of absence for voluntary HRD such as a long-term educational leave to enable workers to undertake advance study at each vital stage of their life. Attempts will be made to create a social atmosphere conducive to consideration about working time to enable workers to attend classes during normal working hours and also to provision of various supports for workers' self-development such as facilities and equipment, and publicity will be made to employers and others in this respect.

With respect to financial support for spontaneous HRD, schemes such as Self-Development Grant or Tuition Fee Rebate for Older Workers will be strengthened. In addition to the subsidies to employers, schemes of direct support to workers for reducing their financial burden will be considered.

Outline of the System

Workers under the employment insurance scheme for 5 years or more both at present and in the past are eligible for the subsidy which covers part of the education/training cost paid to training institutions on the condition that the training courses are the ones designated by the Labour Minister.

Designated in the system are diversified courses which help workers improve their vocational abilities; some are geared to national qualifications such as information processing engineering, bookkeeping and social insurance specialist, and others are for improving technical knowledge and ability for white-collar workers. As of April 1, 1999, there are more than 4,000 courses which have been designated.

Upon completion of a course designated by the Labour Minister, 80% of the total cost paid for the education/training to the institution by the course participant is paid through the local public employment security office. If the 80% exceeds 200,000 yen, the benefit paid is 200,000 yen, and the 80% of the cost is less than 8,000 yen, there will be no benefit paid. The cost will include admission and tuition fees, necessary for participation, for maximum 1 year. Tuition fee includes tuition and other costs for textbooks, for example,

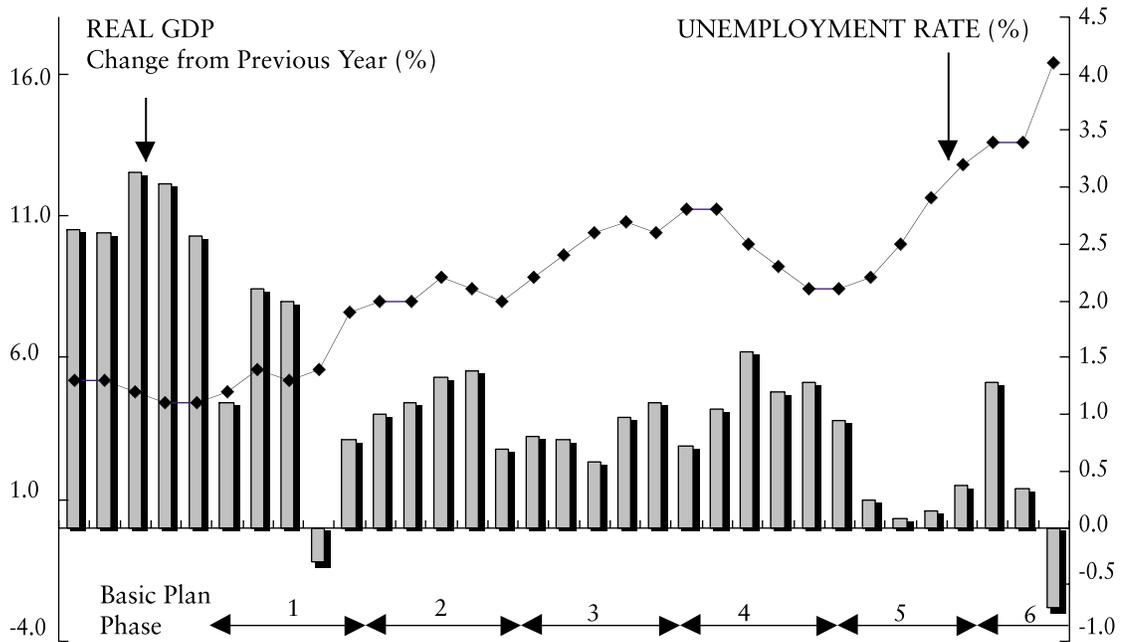
which are required for attendance. Examination fees for qualification examination, costs for supplementary textbooks and additional lectures, transportation fees, and fees for equipment such as a personal computer are not included.

Achievements and Future Tasks

This system started on December 1, 1998, to assist 3,445 courses in 239 institutions throughout the country. Unfortunately the statistics on the course participants and the total amount of the subsidy are not available at the moment, but the system itself has been favorably received by employers, labor unions, mass media and other relevant groups. In April, 1999, the numbers increased to 4,068 designated courses in 301 institutions. The system is now going through preparations to extend the scope of coverage to include courses for working adults in graduate schools, which will start in the coming July.

Appendix A

Phase of Basic Plan and Social Environment



Appendix B
Human Resources Development Promotion Law
(Extract)

Chapter 1. General Provisions

(Purpose)

Article 1: The purpose of this Law is, together with the Employment Measures Law, to promote development and improvement of worker's ability needed for their vocations through comprehensive and deliberate measures which will contribute to the reinforcement and smoother operation of human resources development and vocational ability test and thereby to assure the security of employment and the improvement of the worker's status as well as contribute to the economic and social development.

(Responsibilities of the Persons Concerned)

Article 4: The Employer shall provide his employees with necessary vocational training, and endeavor to promote development and enhancement of the employee's human resources by extending necessary aid in order that they may take human resources development and vocational ability test, etc.

By extending appropriate aides or else under a given circumstance while paying every regard to the self-efforts of the employers or other persons concerned, the State and prefectures shall endeavor to promote and enrich human resources development conducted by the employers or other persons concerned and to encourage the employers to make actions that will facilitate taking the human resources development and vocational ability test for their employees.

Chapter 2. Human Resources Development Plan

(Basic Plan for Human Resources Development)

Article 5: The Minister of Labor shall formulate a basic plan for the development of human resources

The Basic Plan for Human Resources Development shall specify the followings:

(1) The supply-demand trend of labor force, skilled or unskilled

Target to be attained through development of human resources

Basic measures to be taken for the development of human resources

The Basic Plan for Human Resources Development shall be formulated on the basis of the long-range prospect of the economic labor-market trends, while taking into consideration such elements as the supply-demand situation on labor force, skilled or unskilled, by industry, job category, age and the size of enterprises, the working conditions of workers, labor efficiency, etc.

The Minister of Labor shall, if necessary, specify necessary measures for promotion of human resources development for specific occupations in the Basic Plan for Human Resources Development.

The Minister of Labor shall seek opinions from Central Human Resources Development Council as well as the heads of the administrative agencies concerned and the Prefectural Governors before formulating the Basic Plan for Human Resources Development

The Minister of Labor shall make public and outline of the Basic Plan for Human Resources Development upon formulating thereof.

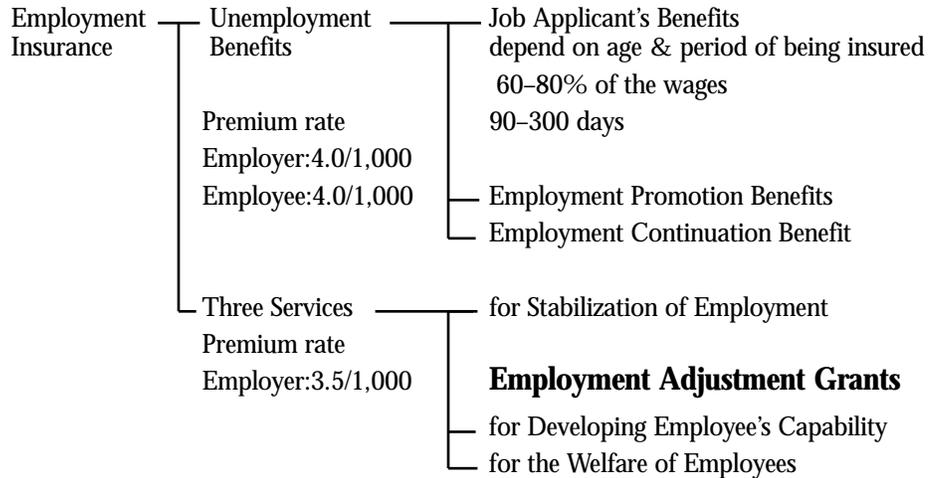
(Prefectural Plan for Human Resources Development)

Article 7: The prefectural Government shall formulate a basic plan for the development of human resources to be implemented in the Prefecture concerned in accordance with the Basic Plan for Human Resources Development/

The Prefectural Governor shall seek opinions from the Prefectural Human Resources Development Council before formulating the Prefectural Plan for Human Resources Development.

Appendix C

Outline of Employment Insurance



Employment Adjustment Grants

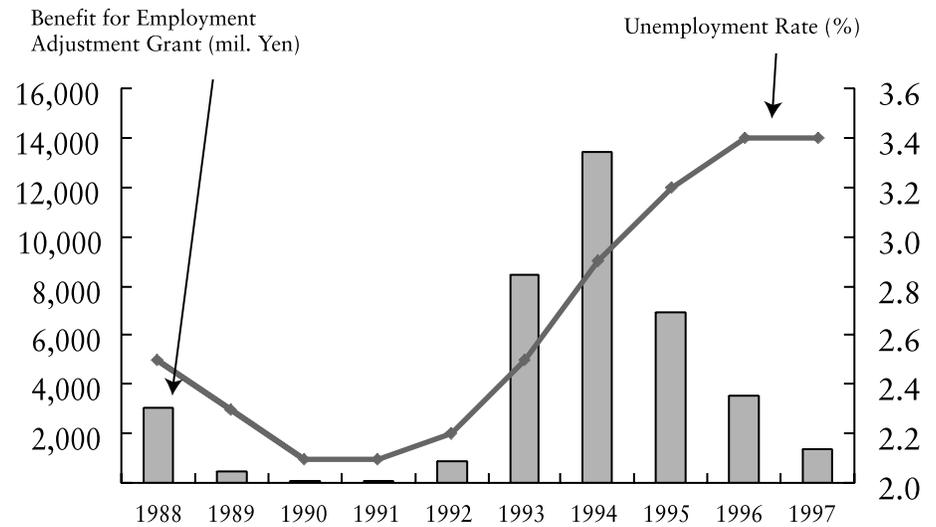
These grants aim to lower unemployment by extending grants to employers who have offered temporary leave, provided education and training, or temporarily transferred employees to another company due to unavoidable reductions in business activity attributable to business fluctuations and changes in the industrial structure. These grants cover part of the costs for temporary leave allowances, ordinary wages and wages for transferred employees.

The following support is being provided to employers in specified employment adjustment sectors who second employees, help to re-employ them or reassign them to new posts accompanying shifts in business operations.

- Counseling and payment of grants (labor shift employment stability grants, labor shift human resources development grants)
- Special consideration concerning cash loans for occupational training facilities (employment promotion loans)
- Loans for the housing of transferred workers

Appendix D

Recent Situation of Employment Adjustment Grant and Unemployment Rate



GLOSSARY OF ACRONYMS

AACC Sacramento Appointment and Advice Call Center Advisory Council
AFL-CIO American Federation of Labor and Congress of Industrial Organizations
AFP Armed Forces of the Philippines
AIM Asian Institute of Management Alliance of Manufacturers and Exporters
ALMACOP Association of Labor-Management Cooperation Practitioners
AMEQ (*Alliance des manufacturiers et des exportateurs du Québec*) Quebec Alliance of Manufacturers and Exporters
AMF American Machine and Foundry
BLK (*Balai Latihan Kerja*)
BLU Batangas Labor Union
CADP Central Azucarera Don Pedro
CAM Computer Aided Manufacturing
CBA Collective Bargaining Agreement
CCTM (*Conseil consultatif du travail et de la main-d'uvre*) Labour and Workforce
CEQ (*Centrale de l'enseignement du Québec*) Quebec Teachers' Corporation
CEU Callawa Employees' Union
CLC Canadian Labour Congress
CPP/NPA Communist Party of the Philippines/National People's Army
CPQ (*Conseil du patronat du Québec*) Quebec Employers' Council
CSD (*Centrale des syndicats démocratiques*) Congress of Democratic Unions
CSN (*Confédération des syndicats nationaux*) Confederation of National Trade
CSSC Connecticut Clinical Services Support Center
CSTEC Canadian Steel Trade and Employment Congress
DKKN Occupational Safety and Health Council
DLEU Davao Light Employees Union
DLKN National Training Council
DLPC Davao Light and Power Company
DOC U.S. Department of Commerce
DPKK (*Dana Peningkatan Ketrampilan Karyawan*) Central Fund for Increasing
DPN National Productivity Council
DPPN National Wage Council
DSD Department of Skills Development
ECOP Employers Confederation of the Philippines
ECOP Employers Confederation of the Philippines
EDI Electronic Data Interchange
FCBID Fashion Center Business Improvement District
FE/NY Fashion Exports New York
FEC Full Employment Council
FETCO Federally Regulated Employers—Transportation and Communication
FIMC Fashion Industry Modernization Center
FIT Fashion Institute of Technology
FMCS U.S. Federal Mediation and Conciliation Service
FTQ (*Fédération des travailleurs et travailleuses du Québec*) Quebec Federation of Labour
GIDC Garment Industry Development Corporation
HACCP Hazard Analysis Critical Control Point
HILSI Association of the Private Vocational Training Institutions in Indonesia
HMO Health Maintenance Organization
HOIP California Division's Hospital Operations Improvement Project
HPWO High Performance Work Organization
HR Human Resources
HRDC Human Resources Development Canada
HSFI High School of Fashion Industries
IAM International Association of Machinists
IAS Industrial Adjustment Service

IC Integrated Circuit
 IEMP Industrial Environmental Management Project
 ILO International Labour Organization
 IUD Industrial Union Department
 JobNet Labor Market Information
 JPIC Joint Partnership Implementation Committee
 KCOS Kansas City Operating System
 KLK (*Kursus Latihan Kerja*)
 KMU Kilusang Mayo Uno Labour
 LADECO Lapanday Agricultural and Development Corporation
 LEU Lapanday Employees Union
 LFPR Labor Force Participation Rate
 LJPIC Local Joint Partnership Implementation Committee
 LMC Labor Management Council/Cooperation
 LSTC Lapanday Skills Training Center
 MOM Ministry of Manpower
 MRL Master Responsibility List
 NAFTA North American Free Trade Agreement
 NCMB National Conciliation and Mediation Board
 NSSC National Seafood Sector Council
 NVTCC National Vocational Training Coordination Committee
 NWGs Natural Work Groups
 NYFI New York Fashion International
 OSR Operations Support Role
 OSR Operational Support Role
 OTEXA Office of Textile and Apparel
 PACE Paper, Allied-Industrial, Chemical and Energy Workers Union
 PHILSUTECH Philippine Sugar Technologies Association
 PIU United Paperworkers International Union
 PLG Plant Leadership Group
 PMA Pollution Management Appraisal
 PMD Performance Management and Development
 POG Process Operational/Operating Group
 PT Production Technician
 PWG Process Work Group
 QIT Quality Improvement Team
 QMP Quality Management Program
 QMPR Quality Management Program Revised
 R&D Research and Development
 RG Resource Group
 RT Resource Technician
 SEIU Service Employees Union International
 SME small and medium-size business
 SPC Senior Partnership Committee
 SPI Sectoral Partnerships Initiative
 SPSP (*Serikat Pekerja Seluruh Indonesia*) All Indonesia Workers' Union
 TESDA Technical Education and Skills Development Authority
 THRC Textiles Human Resources Council
 TMIP Textile Management Internship Program
 TQM Total Quality Management
 TSMC Taiwan Semiconductor Manufacturing Company
 TTES Training and Technology Extension Service
 TVET Technical Vocational Education and Training Unions
 UPIU United Paperworkers International Union
 WCC Worker Career Center Workers' Skills

APPENDIX A: COLLOQUIUM

APEC WORKPLACE PRACTICES COLLOQUIUM

Successful Practices in Human Resources Development in the Workplace: Contributions from Labour, Management and Government

June 25–28, 1999
Victoria BC Canada

PROGRAM

C O L L O Q U I U M O V E R V I E W

- DAY 1 Arrive and Register for Workshops
Set up Member Economy Expositions
Welcome Barbecue Dinner
Reception
- DAY 2 Keynote Address
Plenary Session I
Concurrent Workshops I
Lunch
Concurrent Workshops II
Plenary Session II
Free Time and Dinner at Butchart Gardens
- DAY 3 Concurrent Workshops III
Plenary Session III
Rapporteur
Lunch
Free Time in Downtown Victoria
Closing Dinner
Reception
- DAY 4 Take down Member Economy Expositions
Depart Dunsmuir Lodge

J U N E 2 5 (F R I D A Y)

<i>Airport</i>		Transportation from Victoria International Airport to Dunsmuir Lodge—provided by Dunsmuir Lodge
<i>Dunsmuir Lodge</i>	1500	Arrival and Registration of Participants [Participants check in and pre-register for three workshop sessions]
	1500–1800	Free time [Participants have time to become acquainted with the Colloquium layout, including the business centre, prayer room, and meeting rooms, and to set up their expositions in Atrium I (Room 260). Member Economy expositions will be on display for the duration of the Colloquium.]
<i>Peninsula Lounge</i>	1800	Welcome Barbecue Dinner Welcome Addresses Bill Neilson introduces: <ul style="list-style-type: none"> • University of Victoria—Dr. Tony Welch, International Officer, University of Victoria [pre-dinner welcome] • Government of Canada—Elizabeth MacPherson, Director General, Federal Mediation & Conciliation Service, Human Resources Development Canada [after dinner welcome speech on values and the Canadian experience] Reception [Time for Participants to meet each other]

J U N E 2 6 (S A T U R D A Y)

<i>Arbutus Room</i>	0900–0905	Opening Remarks, Professor Bill Neilson, Director, Centre for Asia-Pacific Initiatives, University of Victoria [Official Welcome and introduction of CAPI Colloquium organizers and facilitators]
	0905–0910	Introduction of APEC Secretariat Representative to officially open the Colloquium: <ul style="list-style-type: none"> • APEC Representative, Dr. Endang Sulistyarningsih, Indonesia [opening speech]
	0910–0930	Keynote Address, Dr. Young-bum Park, Professor of Labour and Industrial Economics, Department of Economics, Hansung University, Seoul
	0930–1030	Plenary Session I: The Challenges and Values of Labour-Management-Government Cooperation in the Workplace Tripartite Panel: Don Brazier, St. Lawrence & Hudson Railway Co., Canada, Carol Kao, Council for Economic Planning and Development, Chinese Taipei, and Ted Harris, AFL-CIO, Harley-Davidson Motor Company, U.S.A.

<i>Peninsula Lounge</i>	1040–1100	Break
<i>Break-out Rooms</i>	1100–1200	Concurrent Workshops I:
	A	Adapting to Change In The Global Workplace Case Study—Japan, Presenter: Shinichi Ozawa, Dept. of Human Resource Development
	B	The Collaborative Approach to Legislation and Policy Case Study—Chinese Taipei, Presenter: Carol Kao, Council for Economic Planning and Development, Indonesia Mini Case Study, Presenter: Endang Sulistyarningsih, Ministry of Manpower
	C	Sectoral Human Resources Development Case Study—Canada, Presenter: George Nakitsas, Canadian Steel Trade and Employment Congress.
<i>Dining Room</i>	1200–1330	Buffet Lunch
<i>Break-out Rooms</i>	1330–1530	Concurrent Workshops II:
	A	Adapting to Change In The Global Workplace Case Study—Philippines, Presenter: Romeo Young, Labour Attache, Office of Labour Representative Case Study—USA, Presenter: Ted Harris, and Greg Smothers, Harley Davidson Motor Company
	B	The Collaborative Approach to Legislation and Policy Case Study—Canada, Presenters: Don Brazier, and Tom Dufresne, Longshore Union Case Study—USA, Presenter: Judi Saunders, Kaiser Permanente
	C	Sectoral Human Resources Development Case Study—USA, Presenter: Linda Dworak, Garment Industry Development Corporation Case Study—Canada, Presenter: John Saliba, Textiles Human Resources Council
<i>Peninsula Lounge</i>	1530–1550	Break
<i>Arbutus Room</i>	1550–1700	Plenary Session II: Emerging Themes and Problems from the Workshops/ Q&A Panel of facilitators: Bill Neilson, John Price and Art Wright Panel Chair: Gay Stinson
<i>Lobby</i>	1730	Board Bus for Butchart Gardens
<i>Butchart Gardens</i>	1815–1945	Dinner
	1945–2130	Free Time to enjoy the Gardens and meet informally
	2200	Board Bus for Dunsmuir Lodge
	2230	Arrive at Dunsmuir Lodge

J U N E 2 7 (S U N D A Y)

<i>Arbutus Room</i>	0830–0835	Chair's remarks to open the sessions
<i>Break-out Rooms</i>	0840–1000	Concurrent Workshops III:
	A	Adapting to Change In The Global Workplace Case Study—Thailand, Presenter: Bhavivarn Noraphallop, Royal Thai Consulate General, Video—Canada (HRDC), Presenter: Gay Stinson “Innovative Workplace Practices Lessons Learned”
	B	The Collaborative Approach to Legislation and Policy Case Study—Canada, Presenter: Luc Desmarais, Ministère du Travail du Québec and Canada, Case Study—Presenters: Don Brazier, and Tom Dufresne, Longshore Union
	C	Sectoral Human Resources Development Case Study—Canada, Presenter: Johanna Oehling,
National		Seafood Sector Council
<i>Arbutus Room</i>	1015–1100	Plenary Session III: Continuing Themes and Problems from the Workshops/ Q&A Panel of facilitators: Bill Neilson, John Price and Art
Wright		Panel Chair: Gay Stinson
<i>Peninsula Lounge</i>	1100–1130	Break
<i>Arbutus Room</i>	1130–1300	Rapporteur Isabel Kelly, CAPI [Synthesis of themes and issues emanating from the Colloquium]
<i>Dining Room</i>	1300–1415	Buffet Lunch
Lobby	1430	Board Bus to Downtown Victoria
	1430–1500	Travel to Downtown Victoria
<i>Downtown Victoria</i>	1500–1830	Free Time in Victoria
	1830	Board Bus to Dunsmuir Lodge
	1830–1900	Travel to Dunsmuir Lodge
<i>Panorama Room</i>	1900	Closing Dinner and Reception Closing Addresses: • APEC/NEDM , Dr. Endang Sulistyarningsih, Indonesia

J U N E 2 8 (M O N D A Y)

<i>Dunsmuir Lodge</i>	0900	Free Time Take down Member Economy Expositions
	1200	Check-out time Transportation to Victoria International Airport—provided by Dunsmuir Lodge

CHANGING EMPLOYMENT RELATIONS AND HUMAN RESOURCES DEVELOPMENT IN COUNTRIES IN ASIA AND THE PACIFIC: IMPLICATIONS FOR COOPERATIVE EFFORTS IN HUMAN RESOURCES DEVELOPMENT IN THE WORKPLACE

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Introduction

How to view human resources labour markets is the basic problem facing all players who are continuously asked to change traditional employment practices with the rapidly changing environment of today's competitive world. Human resources may be viewed either as a cost or an asset. Under the cost approach human resources are treated as costs to be minimized and controlled. The asset approach views fully developed human resources as a source of competitiveness that leads to deep investment in skills.

The second, more beneficial, pattern is not observable in the employment practices of firms, employees, and national economies in Asia and the Pacific. There has been only mixed progress toward implementing the practices that promote mutual gains. In part, this reflects that investment in training and human resource is intangible. While the short-term costs are clear and visible, the benefits are long-term and somewhat invisible, if not uncertain. It also indicates that firm and state level policies must complement each other in order to overcome the inherent market failures when it comes to human resource management.

This paper addresses three questions. Part 1 reviews the consequences of the strategic choices of actors in the labor markets in Asia and the Pacific in recent years. The discussions are based on the research findings of multi-national research teams in which the author also participated. Australia, Canada, China, Hong Kong, Japan, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand and the US are the APEC members that were included in the study¹. Part 2 identifies obstacles to further diffusion of mutual gains from employment practices in Asia and the Pacific. Part 3 addresses needs for tripartite cooperation in human resource development in the workplace.

In addition, the strategy of human resource development is analyzed in the contexts of growing Asian countries, particularly those of fast growing economies such as Korea, Singapore, Hong Kong and Taiwan.

Investment in human resources: Path to competitiveness at high living standards

A range of choices of how to structure employment relationships and human resource practices are open to managers, policy makers and employee representatives. As Kochan (1996) puts it most succinctly, the basic choice is whether to view human resources as assets or costs. The assets (or investment) approach treats human resources as assets to be fully developed and utilized, leading to heavy investment in human resource development. The cost approach translates into minimizing and tightly controlling costs by keeping wages low and spending as little as possible in activities such as training.

The investment strategy requires improvement in productivity. This in turn requires strategies that give high priority to developing and fully utilizing the skills of the workforce. This

¹ In the early 1990s professor Thomas Kochan at the Sloan School of Management at M.I.T. in the US organized a research team which consisted of scholars from various industrialized and industrializing countries in order to investigate the dominant patterns in global employment relations. Teams from ten OECD countries (Australia, Italy, Spain, Japan, France, the US, the UK, Canada, Sweden and Norway) and eight newly industrializing countries (Korea, Taiwan, Singapore, Hong Kong, Thailand, Malaysia, China and the Philippines) participated in the project. The author also participated in the project as the coordinator of the Korean team. This section is based on the results of these researches. See Verma, Kochan and Lansbury (1995), Locke, Kochan, and Piore (1995) and Lee and Verma (1996) for details.

strategy of emphasizing human resources as assets generally involves a set of human resource practices which includes high, deep investment in training and human resource development, broad work organization arrangements that allow for continuous learning and skill training as well as employee participation in problem-solving and continuous improvement activities. In essence, it is an effort to create mutual gains from employment relationships by providing good returns for mutual commitment to each other's key interests to multiple stakeholders, including workers. Investment in training and human resource development is an essential part of this strategy (Kochan and Osterman 1994).

The alternative path to competitiveness is achieved by lowering wages and/or reducing the dependence on permanent staff. Under this strategy, neither firms nor employees have incentive to invest in skill development. In general, this strategy involves a harder stance toward employee representation. Unions are avoided or controlled by the state or employers. In the context of national economies this strategy often leads to a gradual decline in living standards with increases in the competitiveness of the nation's products in an international market.

Human resource experts and industrial relations specialists are likely to promote the investment strategy. However, individual firms have immediate pressures to choose the cost minimizing approach, and developing countries have strong incentives to continue to emphasize low labor costs as a source of competitive advantage. This reflects that achieving and sustaining mutual gains is a long-term proposition.

Any economy or firm cannot continuously rely on an abundant supply of low cost labor as the source of its competitive advantage. As industrial upgrading or capital accumulation reduces the advantages based on relatively lower labor costs compared with the competitors, the economy or firm will face the basic choice concerning human resource policies every time it moves to the next stage of development or growth. Taking the investment approach is the only path to mutual gains among legitimate stakeholders in a company and for the long-term welfare of the country's citizens, which is the purpose of any economy. Lean and mean strategy will eventually reduce the ability to develop the next generation product or transfer knowledge from one product line to another.

For firms in developed economies, taking the investment approach is more compelling since they cannot cut wages and benefit levels of their employees as easily as their competitors in developing economies. Firms in developing economies must prepare themselves to move to more value-added products by adopting more innovative practices. The other route is to move production facilities to another country with lower labor costs, a method that has been used actively by the garment industry and to a lesser extent by the electronics assembly industry. But, a drawback of this option is that the firms lose some larger and potentially lucrative markets in the process.

Under the investment approach, the workforce should be educated and trained adequately to contribute to productivity growth and the organizational practices should be such that human potential is fully utilized on the job.

Part 1: Human resource argument for sustained economic development in developing economies

Korea, Singapore, Hong Kong and Taiwan (the so called the "Asian Four Tigers") had achieved a rapid and sustained rate of economic growth since the 1960s until the recent setback due to the financial crisis. Many believe that human resource policies played a key role in creating and sustaining economic growth in these economies.

A World Bank research paper (1993) argues that the educational policies of the "Asian Four Tigers" were better than those of the rest of the countries. The size of public expenditure on education of the "Four Tigers" was not larger than other developing countries. The only difference between these economies is that more of government budgets were

spent on primary education, and less on higher education. These “Four Tigers” recognized that the difference between private and social returns is higher for primary and secondary level education than for higher education. Then, primary and secondary education itself created demand for universities and tertiary level education. However, the government left it to the private sector to provide a large part of the funding for this.

The state has also played a very influential role in providing the manpower required in the process of the industrial upgrading of these “Asian Four Tigers” with the exception of Hong Kong (Green 1997). Proposing a model of “development skill formation”, which aims to explain the role of state in the East Asian skill formation system, Green describes the following features: First, to the extent that it influences the direction in which the economy moves, government policy has exerted a substantial influence on the demand for skills. Second, there has been a clear mechanism created which ensures that the human resource requirements of existing industries and those the government has decided to promote in the future, are used to guide the future development of the education and training system. Third, the government has had strong control over the education and training systems. Fourth, changes in the education and training system were largely linked to changes in the economy, although such links pose some problems. The human resource development mechanism of high economic growth period in Korea, Singapore and Taiwan had most of the features of the Green model.

Meanwhile, there has been a major difference in the financial arrangements of each country’s own vocational training. In Korea and Singapore, a training tax or levy system has been implemented, while in Taiwan, this was abandoned after a brief experiment in the 1970s. In part this reflects the Taiwanese economy which is dominated by small and medium-sized enterprises.

Unlike other “Asian Tigers”, Hong Kong had little influence from the government in the course of economic development. As a consequence, the government had little to do with the long-term human resource development. However, the government was also active in developing an educational and training system capable of meeting industry’s skill requirements. It was largely reactive in nature, unlike the system of the other three “Asian Tigers”.

Verma, Kochan and Lansbury (1995) offer a dynamic explanation of sustained economic growth in the human resource context. A less developed economy begins the growth process by creating some initial conditions conducive to investment, which are largely based on low wages and, possibly, low-unionization. As industrial upgrading takes place, the initial labor market conditions inevitably change. Employees ask for higher wages and greater voice. These secondary conditions present the state with a critical juncture in the development process. It could undertake a series of measures that would maintain the advantages of the initial conditions. Or it adapts to the secondary conditions. In practice, a government may choose to follow a bit of both. The “Asian Four Tigers” pursued both courses for a number of years. Firm-level courses are as significant as state-level policies.

The “Asian Four Tigers” have placed high premiums on the skill formation of their workforce as we observed in the above. At the state level, incentives for firm-level training, creations of a training fund and productivity-driven wage policy have been implemented. A public infrastructure for education has been strengthened. At the firm level, greater training, more performance-based pay and greater employee involvement in the production process have been introduced in some innovative firms, although the extent to which these practices have been adopted is limited.

In contrast, demand of workers for a greater voice in the workplace as well as national policy-making was largely disregarded. Singapore is usually viewed as the prototypical case of a corporatist model, in which labor was offered a subservient role in national policy. Korea is described as the prototypical case of an authoritarian model in which labor was

excluded from any role in national policy-making and suppressed in the workplace. However, in both cases workers lacked independent institutions capable of promoting their interests at the enterprise or national levels without upsetting the state.

Korea is the country that has suffered most severely from labor market repression. Following the 1987 democratization, there were as many strikes in Korea in July and August of 1987 as there had been in the preceding twenty-five years. The industrial relations climate soon stabilized. However, it is likely that more struggles will have to be overcome before Korea's industrial relations can reach an equilibrium. Macroeconomic management has been more difficult for the government due to rapid wage increases. Cost-push inflationary pressures have been more severe as wages have continued to increase at a double-digit rate. Between 1986 and 1991, the real wage in manufacturing increased by 67.7 per cent, while productivity rose by only 40.6 per cent. Since the financial crisis took place, Korea has been experiencing one of the most difficult economic setbacks in its recent history. The wage explosion in a relatively short period, with unstable industrial relations, is one of the factors explaining the worst performance of the Korean economy in recent years.

There seems to be a correlation between the rate of economic development and the repression of democratic institutions. The trade-off between worker rights and economic development appears to be more visible in countries which have chosen an export-oriented strategy as this strategy requires countries to produce goods and services that are competitive on world markets. However, only for a limited period over an economic development path can most developing economies have natural cost advantages in low labor costs. Countries such as Malaysia and Thailand which have some cost advantages over countries such as Singapore, Taiwan, Korea and Hong Kong, now or shortly will, compete for foreign investment with Vietnam, China and other lower wage Asian countries. These countries will face the same question as the one which the "Asian Four Tigers" had some years ago: Are there ways that can promote economic growth, while simultaneously respecting workers' rights to an independent voice in the determination of employment conditions?

Recent patterns of employment relations in Asia and the Pacific

In recent years, markets and organizations in most countries in Asia and the Pacific have been rapidly altered by new economic and social environments such as the new terms of international competition as well as technological innovations and an increase in the ease of cross-border transfer in capital, labor and technology.

These environmental changes have increased both opportunities and the need for innovations in employment practices for managers, policymakers and employee representatives. Which of the two paths to competitiveness (human resource investment strategy vs. cost control strategy) has been winning out in countries in Asia and the Pacific? What have been the consequences of these strategic choices for firms, employees and national economies? While there is not a predominant pattern in these countries, industries and individual firms, several emergent patterns can be discerned.

An enterprise focus: The enterprise has become increasingly important as a locus for strategy and decision making on employment relations. Generally, the driving force for change is management, not union leaders or government policy makers. This was not always the case. In the US, from the 1930s to the 1970s, it was the unions pressing for incremental improvements in wages and benefits, while management in unionized firms was generally in a reactive posture. Decentralization took place throughout the 1980s and 1990s in the US with the decline of industry-wide pattern bargaining arrangements in industries such as coal, steel, rubber tires and transportation.

In Australia, which had a very centralized award system, enterprise bargaining became the primary means of obtaining wage improvements even with the Labor government. In 1987 unions and employers had to agree to improve efficiency in their workplaces for

wage increases above an initial increase paid to all workers. In 1995, an award came to represent a safety net by setting minimum rates. In 1996 the election of the Liberal-National coalition government signaled a more radical deregulation of industrial relations although parties still had a choice between remaining in the award system and opting for a workplace agreement. In 1991, New Zealand abolished its arbitration system on which Australia's was partially modeled.

In Korea, with the democratization that took place in 1987, collective bargaining at the enterprise level became the primary means of determining wages and benefits of workers. Before that, the state was heavily involved in the process of wage determination. With democratization management and worker representatives at the enterprise level had to resolve their differences in employment practices through collective bargaining.

One aspect of this increased focus on the enterprise is that line managers and top executives become more concerned with human resource policies. As firms have more options to experiment with, employment relations' matters can be no longer left or delegated entirely to an industrial association, technical personnel or industrial relations specialist.

Flexibility in the workplace: Relations in the workplace have also become important. The search for greater flexibility in work organization and the deployment of labor accompany the drive to decentralize. Communication among supervisors, middle managers, executives and front line workers is increasingly emphasized. A work arrangement has to be provided to delegate decision-making authority to the source of the problem and encourage teamwork, problem identification, resolution and coordination across functional boundaries.

Japan has been able to accommodate the need for these new workplace practices through incremental adaptation of its existing systems since it already had workplace practices that promote flexibility and communications. In contrast, Australia, Canada and the US have had to undergo more fundamental changes or transformations in their workplace practices and structures as they have Tayloristic forms of job regulation and/or narrow technical disciplines or functional structures.

Meanwhile, concern over the organization of work has not yet become a major issue in most of the newly industrialized Asian countries. Asia does not have a strong Tayloristic history of work structure and many Asian countries are only recently beginning to lose their cost comparative advantages. In Korea where new production systems are not yet heavily practiced, some of the larger firms in different industries (e.g. steel) have shown increased use of small team-based work organization. Some of the larger multinational firms in Singapore and Malaysia have begun stressing total quality management and related employee suggestion participation programs as part of their broader effort to move to higher value-added products. Overcoming the authoritarian features of their managerial cultures is the major difficulty Asian firms have in introducing more flexible and participatory work organization.

Investment in skills: Many firms and government appear to be increasing their investment in training and skill formation. As the pressures for continuous improvements in productivity and quality mount in the midst of ever-increasing competition, increased analytical and behavioral skills are required for effective use of new technologies. Thus, a premium is placed on the skills of the workforce.

As a consequence, education and skills increased in importance as a factor in determining wages and to that extent wage differentials among workers grew. Inequality in income grew to the greatest extent in the US, while in Japan, the centralized wage-setting structures and traditions continued to hold down expansion of wage differentials. Meanwhile, in Australia the abolition of the awards system increased wage inequality

The Japanese informal systems for on-the-job training and skill development through job rotation and lateral transfer of technical, professional and managerial employees received

special attention. Australia, Singapore and Korea implemented training taxes to try both to increase the amount and reduce the cross-firm variation in private sector investment in training. All countries searched for ways to encourage (if not require) more firms to increase their commitments to training and to allocate greater investment to technicians and production workers. However, the degree to which firms and countries increased their investment in training and skill development differed significantly.

There has been a major difference in human resource investment between economies growing rapidly such as Singapore and Korea, and other Asian countries. Singapore and Korea heavily invested in human resource development that produced significant numbers of professionals and skilled workers to support sustained economic growth. Other newly industrializing countries in Asia such as Thailand and Malaysia have been following similar paths to those of Korea and Singapore.

Union decline: Unions are experiencing major challenges as the pace of restructuring intensifies and the workforce become more diverse, and the average size of enterprises decreases. Countries in which unions had a difficult time recruiting and or retaining members, and/or where the role of unions in society or in specific enterprises met with the strongest ideological resistance from business and government leaders, experienced the largest loss in membership representation. Not surprisingly, unions in the US met especially difficult times and steep membership declines. Japan, Australia, the private sector in Canada as well as India, Hong Kong and Singapore experienced similar (although less pronounced) declines.

The Korean case is worth mentioning. The year 1987 was a turning point in Korean employment relations with government subsequently withdrawing from its authoritarian approach to become more of a conciliator within its legal framework. There immediately followed a revival of the labor movement, manifested in a dramatic increase in membership. A decline in union membership has been observed in the 1990s. Nevertheless, the union presence is strong in large companies and the average membership of a union (which is based on enterprise) remained at about 250.

Decreased employment security: Employment security generally declined in nearly all of the countries. There has been an increase in the use of part-time and temporary employees or short-term employment contracts in many countries. These contingent or flexible employment relationships often posed difficult problems for managers, public policy officials, and unions, since the traditional lines of authority and responsibility for management often got blurred and the training and welfare benefits were less likely to be found in contingent employment relationships. Mixing regular and contingent workers also introduced new social tensions in the workplace and the larger society. Many countries have experienced conflicts between labor and management over contracting out work that was performed by full-time career employees. Women and immigrants were particularly vulnerable. In Japan and Korea, the role of immigrant workers has become a significant political and social issue as well.

The recent financial crisis in some of the Asian countries has significantly destabilized the overall employment security of the whole workforce in these countries. In Korea, the number of unemployed persons increased by more than one million after the financial crisis took place. Before the financial crisis, less than 0.5 million Korean people looked for a job. The impacts of the financial crisis on employment are less visible in less developed economies in the region since the agriculture sector and a large share of the informal sector has been able to absorb many of the displaced workers from the formal sector. Nevertheless, in all of the effected countries, laborers and those already jobless are calling for guarantees of job security, suspension of unilateral movement of employers to dismiss workers in the name of structural reform and a means to live for those driven out of the workforce. Even in mostly developed countries such as Korea (one of the economies

affected by the recent Asian financial crisis), a social safety net has proven to be inadequate for securing acceptable living standards for the unemployed. The financial crisis has also deepened a dual structure of employment relationships in these countries a small and shrinking core of well-paid and secure employees surrounded by a large number of lower-paid, less secure, less loyal and less-educated employees. In Korea, the reduction in regular workers was significant. Table 1 presents a simplified summary of the key human resource challenges facing selected countries in Asia and the Pacific.

Meanwhile, it is estimated that there are about five million foreign laborers in the seven major labor-receiving countries in Asia (Abella 1998). Some of these countries have been trying to use foreign labor as a cushion for employment adjustment of the local workers since the financial crisis took place. Amnesty programs were offered to undocumented foreign workers who wished to leave the country voluntarily. Contract foreign labor was sent to their home countries. However, these measures met little success in most countries. This implies that international aspects of employment relations will become more important in an era of globalization in the future.

Part 2: Extent of diffusion of mutual gains employment practices and obstacles to further diffusion

The predominant employment pattern observed in Asia and the Pacific is one of mixed progress toward implementing the practices that promise mutual gains. Some countries such as Japan, where flexible work systems were relatively common, are further along this path concerning some practices. But, in all cases, innovations in employment practices remain fragile or vulnerable and face obstacles that limit their sustainability and diffusion. What have been the obstacles to further diffusion of mutual gains employment practices in these countries?

Short-term perspective: The human resource investment strategy involves deep investment in employees and organizational change with the promise of benefits in the long run of increased productivity and eventually increased profitability and greater employment security. Managers generally favour incentives to emphasize short time horizons and limit investment in hard-to-measure and long-term activities such as training. As the union strength has been weakening in most countries, there are few countervailing pressures. In other words, the current governance structure in most countries values the gains to only one of the multiple stakeholders.

Unemployment and low skilled workforce: High unemployment and a generally unskilled labor force combine to reduce incentives for employers to use work systems which utilize the full potential of the workforce. This is particularly the case in developing economies where there is an abundant supply of relatively unskilled and low-wage labor. To a larger extent, this also applies to many industrialized countries where their economic growth does not absorb the people who lost their jobs in the name of structural adjustment. The lack of an adequate rate of economic growth reinforces the already strong pressures to downsize organizations in ways that produce short-term savings. In this situation, there is no room for the human resource development of the employees.

High risk: There are classical market failures which make adoption of new practices and investment in training more expensive and risky than they otherwise would be. If firms train their employees, they run the risk of losing them to their competitors. Hence, there is a systematic under-provision of training. This problem is more serious for small and medium-size enterprises.

Constraints for small firms: Small and medium-size firms often face capital constraint and operate on margins. They also lack organizational resources, and managerial time necessary to make these investments. They need help in ratcheting up to a higher level.

Information and institutions: Firms are often isolated from one another. Many firms

Table 1

Australia	Continuing decentralization to enterprise level; Implementing productivity improvements
Japan	Coping with challenges to lifetime employment security as economy opens-restructuring in service sector
Korea	Coping with pent up labor pressures while transforming HR practices from a low-wage-control-oriented strategy to a high-value-added strategy
Singapore	Moving to a higher-value-added strategy and increasing the creativity of the labor force avoiding the loss of the most creative people
Taiwan	Overcoming authoritarian management style and adjusting to larger scale enterprise
China	Liberalizing labor markets and decentralizing management authority without disintegrating into civil and political life
Malaysia	Coping with labor cost competition from other developing Asian economies without losing foreign investment-moving to a higher-valued-added manufacturing base
Philippines	Developing stable and productive labor relations and deepening investment in education and training; improving investment climate
Canada	Accelerating pace of workplace innovation needed to improve productivity while insuring adequate reinvestment needed to generate high-quality jobs
U.S.	Facing the crisis in worker representation; accelerating the pace and diffusion of workplace innovations; upgrading the influence of HR in corporate strategy/governance; insuring adequate investment to generate high-quality jobs.

Source: Table 1, Kochan (1996)

simply do not know what the benefits of good employment practices are and how to introduce new work systems. The weakness of the cross-firm institution limits the diffusion of knowledge and innovations in a wide range of ideas including employment practices. Smaller firms particularly need help.

Adversarial labor relations: Some countries such as Korea also continue to suffer from highly adversarial labor-management relations and most countries have experienced declining membership among labor and management associations at the macro-level or industry level. Adversarial labor relations and/or a decline in union power have marginalized a supportive institutional umbrella for labor-management cooperation and innovation in specific enterprises and workplaces. For example, in Korea where strong and militant union movement emerged in the 1980s and 1990s from the past repression of labor unions, large enterprises (e.g. autos) opted for capital-intensive technologies that substitute an unreliable and militant workforce.

Authoritarian political regimes: The state may block some elements of mutual gains employment practices due to political considerations. In developing economies that generally have an authoritarian political regime at the initial stage of growth, the states often hesitate to introduce mutual gains employment practices. The human resource investment strategy includes greater independence and individual and collective opportunities for a voice of employees in the workplace. As a result, the authoritarian regime has to withstand more pressures for democratization that tend to build in an economy if it moves further to a more value-added development stage. Generally the state in the developing

economies implement only some elements of good employment practices such as investment in skills and so on, while unions, collective bargaining and strikes are suppressed. This was the case in Korea to the greatest extent and in Taiwan and Singapore to a lesser extent.

Meanwhile, countries that come from a tradition of job control such as the US, Australia and Canada, have experienced more pressures to adopt innovations in their employment practices which did not always lead to mutual gains among various stakeholders who have a legitimate claim to productivity growth.

In these countries firms are more likely to transform their traditional employment practices in settings (1) where major technological changes are introduced and employees or their representatives have some voice in that process; (2) in industries such as autos, electronics and related high technology sectors, and steel, where the influence of international competition have been strongest, and visible examples of Japanese-style management are available from which to learn; (3) where a new or 'greenfield' plant is established; and (4) in settings where new union-management partnerships have been created such as the Saturn Corporation in the US.

Part 3: Tripartite cooperation in human resource development

Investment in training and human resource development is essential to workplace reform which will bring mutual gains. An adequate supply of the necessary skills makes investment in workplace innovations cost effective for employers. These skills are also needed for workers to improve wages and long-term employment security. Mutual gains from workplace innovations begin with human resource development.

State and firm level policies can complement each other when it comes to human resource development. Firms are generally reluctant to invest general skills because they would be unable to fully capture the returns on that investment. Meanwhile, firms do invest in firm-specific skills. But, for firm-specific training to be cost effective, workers must have some general education or training, which is provided by the state in most cases.

Thus, the government should provide a public infrastructure for education and a reliable supply of educated workers. This is a long-term policy. Nonetheless, the importance of providing a strong entry-level work force can not be overlooked. At the core of any policy along these lines is school improvement. This is not the place to discuss this subject in detail. But, generally speaking, we should consider broader intervention in the structure of the school-to-work transition.

The other role of government in human resource development is to provide incentives, requirements or supporting resources for private investment in human resource development, in order to overcome inherent market failure problems that cause individual firms to hesitate in investing in their employees.

The problem with the government, however, is that it uses instruments that increase costs and divert managerial attention and resource to reporting or other compliance activities. Instead, the government needs to tailor its interventions in ways that, in the end, are market enhancing. The government policies should be broadly based and able to serve a wide range of clients. In addition, they should be "employer-centered" - working directly with employers and worker representatives. The government might assist businesses to train new entrants or to retrain their incumbent workers. Or the government may support firms that want to reorganize their production systems into higher productivity arrangements. An employment and training policy that views the employer community as a significant customer would be a considerable departure from traditional training policy in most countries.

An important risk with using public funds for boosting private investment will be to support firm-based training, which would be done in any event. This substitution could lead

to a waste of scarce public resources. It is difficult to collect firm-level data to demonstrate that publicly funded training programs represent an effort beyond what would otherwise be provided by firms. Instead, targeting small firms is an appropriate strategy for dealing with the problems of substitution.

Another solution for the substitution problem is to ensure that public funds are spent on training that has a substantial general component by developing uniform occupational training standards. Public assistance would be given only for training that meets these standards which would incorporate general skills. These standards also establish a benchmark for measuring the content of the training that individuals receive and the skills they actually acquire. In addition, it avoids the bureaucratic fragmentation of the training system. If all forms of public support training were required to train to a given standard many of the benefits of integration could be achieved. But a major problem with this approach is that, particularly the case in developing economies, generally acceptable standards in training often do not exist.

Using a training tax or levy scheme is another way to boost private investment in human resources. Under these programs, firms are taxed a certain percentage of their payroll for training. If the firm actually provides a required level of training, the tax is refunded. If the firm does not provide the required level of training, the tax is used to support public training programs. This policy has been implemented in Australia, Singapore and Korea. However, it is hard to specify the kinds of training expenditures that qualify. Often, firms find it cheap to pay the levy instead of offering training if a not-too-high tax rate is combined with strict standards for reimbursement, which was the case in the Korean levy scheme in the 1980s. In addition, if the levy system is applied to all sizes of firms, there will be a bias to larger firms. This system tends to prefer formal training. Smaller firms tend not to have the staff or resources to provide formal training. An additional concern is that it could promote and create tax avoidance. Generally, the government establishes a substantial bureaucracy to monitor compliance, or it accepts the firms' word for their accounting of training costs.

Also, management increasingly needs to work collectively to increase the levels of education and skills available in the current and future labor force as the importance of skills as a national resource has been growing. As long as investment in human resources remains an isolated individual firm effort, no individual enterprise can compete on the base of advanced human resource policies.

Unions can be another vehicle for overcoming market failure in human resources development.

In most developing countries, unions have never been significant forces in impeding change. In many developed countries such as the US, in many union settings, the unions that had not been able to adopt new strategy and structures, simply became marginalized and at best served as junior partners in the managing process. In contrast, some of the firms with leading innovations in human resource practices in countries such as the US are among the most strongly opposed to the unionization of their employees. Focusing on human resource development in the workplace can be one way for unions to revitalize their role as the collective voice of employees.

Union-management training joint programs in the workplace can be alternative forms for employee participation and representation that have great potential for producing and sustaining mutual gains to employee, firms and the larger society. These programs should be employee-driven and flexible to meet a wide and changing array of training needs. Most of all, unions and employees should be actively involved in managing training schemes. Generally, work-site committees are essential for building an ongoing commitment to education and training on the part of employers and workers alike.

Training programs for dislocated workers

Employees can not be expected to devote themselves too and/or to cooperate in organizational innovations if their economic livelihood is at risk. With improved skills upgraded by training inside the firm, employees have higher probabilities to move about within the enterprise and, should events force them to leave the firm, to find jobs outside the firm. Of course, this requires firms to provide an adequate level of training to their employees which will be facilitated by active public policies which aim to correct market failures as we argued beforehand. To some extent, we need to change the concept of employment security from a firm-specific idea to notions that workers should be able to navigate the labor market successfully should the need arise.

Enhancing training within the firms is not a solution for everyone. It is a commonly shared view that layoffs and restructuring are necessary to compete in today's world. It is therefore essential to develop well-tuned public training programs for adults who lose their jobs.

Particularly, the recent financial crisis has made us pay strong attention to training programs for the dislocated². The financial crisis has resulted in massive retrenchments and enterprise closings in the affected countries. Job growth is not likely to immediately follow future economic recovery. Moreover, many future jobs may require dislocated workers with new skills. Especially, the more vulnerable groups such as workers in small enterprises, lower skilled persons and women are affected by severe job loss.

In some countries training schemes for the retrenched have been established. But, they can not really prepare for employment, thus carrying the risk of creating dissatisfaction and lack of motivation among their participants. Many emergency training programs have narrow targets. In the absence of job prospects the schemes only provide a measure of a social safety net. A task ahead for social partners in the affected countries is how to reshape training provision and structure to enhance the employability of the unemployed and prospective school graduates.

Concluding remarks

Enhanced competition in today's world has forced economies and/or firms in Asia and the Pacific to reconsider their traditional employment practices. But, no predominant pattern is observed in these countries and firms. Some countries responded by carrying out deep investment in training and human resource development, while some countries have continued to maintain a lost-labor-cost strategy. In the renovation process some companies have allowed continuous learning and skill acquisition with a fundamental change in work organization. In contrast some companies used more temporary and contract workers to perform tasks that in the past were done by full-time career employees.

Obviously, any economy or firm can not continuously rely on a cost-control strategy. Only for a limited time period, can it have a natural advantage with low labor costs. The human resource investment approach is the only path to mutual gains among legitimate stakeholders in the firm or country as long as the long-term welfare of the country's citizens is the purpose of the economy.

Innovations in employment practices in the workplace have become increasingly important with the enterprise as a locus for strategic decision making as well as greater flexibility in work organization and the deployment of labor, which are some emergent patterns of recent employment practices in Asia and the Pacific. Human resource development is essential for successful transformation in workplace employment practices. It provides the skill base that the transformed employment systems require. It also lessens the problems concerned with dislocation of employees.

State and firm level policies can complement each other when it comes to human resource development. The role of the government is particularly important for the inherent market

failures which affect training. Also, management needs to work collectively as the importance of skills as a national resource has been growing. Unions could revitalize their marginalized role as a collective voice of employees by focusing on human resource development in the workplace.

Lastly, we need to develop well-tuned public training programs for the dislocated. Particularly, the recent financial crisis in Asia has made this problem more urgent. Training schemes should be developed to enhance the employability of the retrenched and new entrants.

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² The following observation is based on the roundtable discussion on 'Training for Employment in Countries Emerging from Crisis: National Initiatives and International Support' in which the author also participated. The roundtable discussion was a session in the Second International Congress on Technical and Vocational Education, which was held in Seoul, Korea from April 26-30 in 1999.

**APEC WORKPLACE PRACTICES COLLOQUIUM
JUNE 25-28, 1999, VICTORIA BC CANADA
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BIOGRAPHIES

Luc Desmarais, Quebec, Canada

After completing his studies in law at Laval University in Quebec, Luc Desmarais entered the Quebec public service in 1978, where he occupied different positions before joining the Department of Manpower and Income Security in 1984. He then worked on negotiations around federal-provincial cost-shared programs for income security and employability.

Linda Dworak, U.S.A.

is Director of Education and Training for the Garment Industry Development Corporation (GIDC). GIDC is a non-profit consortium of business, government and labor. As Director, Linda is responsible for the development and management of GIDC's workforce development programs for apparel workers and managers. She is involved in special projects related to national skills standards, sectoral employment development and workplace learning. She has been with GIDC since 1993. In November, Linda will take on the role of Acting Executive Director of GIDC. Linda holds a Masters degree in economic and political development from Columbia University's School of International and Public Affairs and a Bachelor's degree from the School of International Affairs at The American University. She has also studied in Buenos Aires, Argentina and is a fluent Spanish speaker.

Tom Dufresne, Canada

is the current President of the International Longshoremen's & Warehousemen's Union in Canada, a member of the Board of Directors of Working Enterprises (Labour sponsored venture capital fund) and the Vice-President of the BC Federation of Labour. He is the past President and Business Agent of the I.L.W.U. Local 500 and has been a waterfront employee for twenty-four years.

Zeinab Farah, Canada

is a graduate of Ottawa University, with a Bachelor in Social Sciences with specialization in Economics and with a Bachelor in Business Administration. Since 1990, Ms. Farah has held varying positions, from a computer system designer and analyst to a program officer, within the Department of Human Resources Development of Canada. Presently, she is an Analyst at the Human Resources Partnerships Directorate of HRDC. During her tenure, she has frequently analyzed, provided advice on and evaluated industry-based government programs involving employers, workers and other related partners.

Ted Harris, U.S.A.

is the Union President for Local 760 of the United Paperworkers, International Union (now PACE) at the Harley-Davidson Plant in Kansas City, Missouri. Mr. Harris a full-time union president, running the facility in the presence/absence of the plant manager. He sits on several committees and helps facilitate meetings. Mr. Harris believes employee empowerment as the key to the success of Harley-Davidson.

Carol Kao, Chinese Taipei

is an economist with the Department of Manpower Planning, Council for Economic Planning and Development, and is a Liaison Officer for APEC-HRD of Chinese Taipei. She earned a Doctorate at the Department of Economics, University of California, San Diego and is an Associate Professor at Soo Chow University, Taipei. Dr. Kao's publications include many Journal articles focusing on patterns of labour force participation.

Elizabeth MacPherson, Canada

graduated from McGill University with a Bachelor of Arts in 1971. After having worked in the field of personnel and industrial relations in Montreal for seven years, she joined the Federation of Mediation and Conciliation Service (Labour Canada) in 1978. She was appointed as Industrial Relations Advisor to the Associate Deputy Minister of Labour, W.P. Kelly and became Director of the Legislative and Special Projects branch of the

Department. In 1992, Ms. MacPherson earned her Bachelor of Laws from the University of Ottawa and was called to the Ontario Bar in 1994. From 1994 to 1999, she practised law as the Executive Director and General Counsel to the Canadian Artists and Producers Professional Relations Tribunal. In 1999, she joined the Federal Mediation and Conciliation Service as its Director General.

George Nakitsas, Canada

is a graduate of McGill University (1975) with a Masters in Economics with Distinction. In 1983-90 Mr. Nakitsas was Chief of Staff for Ed Broadbent's National Democratic Party of Canada the House of Commons. More recently, Mr. Nakitsas has held the position of Director with the Canadian Labour Market and Productivity Centre and is currently Executive Director with the Canadian Steel Trade & Employment Centre.

William A. W. Neilson, Canada

is the Director of the Centre for Asia-Pacific Initiatives as well as a Professor with the Faculty of Law at the University of Victoria, British Columbia. Professor Neilson earned his Commerce degree from the University of Toronto, a LL.B. from the University of British Columbia and a LL.M. from Harvard University. Prior to coming to Victoria, Professor Neilson was a member of the Faculty of Osgoode Hall Law School, York University, Toronto, interrupted by a three year term as the Deputy Minister of Consumer Services, Government of British Columbia. At the University of Victoria, he held the position of Dean, Faculty of Law from 1985 to 1990 and has been a Professor since 1977. His areas of expertise in the fields of Economic, Governance and Regulatory Law have led to extensive involvement in Vietnam, Indonesia, Laos, and Thailand. Professor Neilson is the Director of the Legislation Reform Program, Hanoi and a Senior Advisor to the Laos Commercial Law Drafting Project. In an advisory role, Professor Neilson has been involved in the World Bank/Central Institute of Economic Management (Hanoi), National Competition Policy Project in 1997 and as a Canadian Partner in the Umea University (Sweden) Program on Government Accountability Program, Hanoi in the Fall of 1998. Professor Neilson has published extensively in the areas of regional trade blocs, competition law, governance and institutional principles, compliance modeling, law reform in transitional economies, international education, and foreign investment regulation.

Johanna Oehling, Canada

is a graduate of Carleton University (1982) with a Bachelor of Public Administration with Honours. As a Senior Consultant for HRDC, she worked extensively with employers, workers and others to address human resource challenges, on a national basis, in several industrial sectors, including the steel industry. Prior to becoming the National Seafood Sector Council's Executive Director in March of 1995, she had worked closely with the aquaculture, fish harvesting and seafood processing industries, to facilitate the creation of their national human resource sector councils.

Young-bum Park, South Korea

graduated with a Ph.D. from Cornell University in 1986. Dr. Park is currently a Professor of Economics at Hansung University in Seoul where he specializes in Labour Economics, Public Enterprise Economics and Industrial Economics. Past positions include Senior Fellow at the Korea Labour Institute, Visiting Fellow at the East-West Centre, and UNDO Project Director, Korea Labour. Recent professional activities include membership to the Public Enterprise Performance Evaluation Committee and position as Editor of the Journal of Industrial Relations Studies.

John Price, Canada

teaches Japanese history at the University of Victoria. He is the author of *Japan Works: Power and Paradox in Postwar Industrial Relations* (Ithaca, Cornell University Press, 1997). Prior to taking up his current position at UVic, he was the coordinator of the Labour Studies Programme, Capilano College. He sits on the advisory board of the Centre of Transnational Labour Studies, based in Tokyo, and is the editor of the *Bulletin of Concerned Asian Scholars*.

John Saliba, Canada

is the founding Executive Director of the Textiles Human Resources Council. He reports directly to the 12-member Board of Directors comprising industry chief executive officers and senior industry union leaders. Since its inception, this Council has grown to 91 companies, including multi-nationals such as DuPont Canada, BASF Celanese and Consoltex. Mr. Saliba earned a Masters degree in Economics specializing in Industrial Organization and Trade Development. He has worked with a large number of industrial sectors, in a variety of management positions in the public and private sectors. Prior to establishing the Textiles Human Resources Council, he was Director of the Forest Sector Advisory Council, a national labour-management organization dealing with key competitiveness issues affecting Canada's largest industrial sector.

Greg Smothers, U.S.A.

is a Maintenance Technician with Harley-Davidson as well as the Chief Steward and Grievance Chairman for the International Association of Machinists, District 71 Local 176. Mr. Smothers has been a Union Member with the United Steel Workers of America since 1979. He is an avid outdoorsman and sportsman and enjoys riding his 1999 Harley Electra Glide.

Eric van Soeren, Canada

graduated from the University of Toronto with a Bachelors of Science (Surveying) in 1976 and completed a Masters of Business Administration in 1985. Having qualified as a Chartered Accountant, Mr. Van Soeren joined the firm of Coopers & Lybrand Business Investigation Group in 1988 where he worked for three years. In 1991, Mr. Van Soeren joined the Job Protection Commission, became Managing Director in 1994 and Commissioner in January of 1998. As the Job Protection Commissioner, he has been actively involved in the restructuring of numerous faltering companies, including the Skeena Cellulose Inc. (1997/98) and the Endako, Huckleberry and Mount Polly Mines (1999/99).

Gay Stinson, Canada

is currently Director of the Policy Development Unit in the Labour Program of Human Resources Development Canada. She played a key role in developing the APEC work place project, and is the project overseer in Canada. Gay has worked for the Canadian government for over 20 years, primarily in the areas of employment equity, women's employment issues, occupational health and safety, and labour standards.

Anthony Welch, Canada

took his Ph.D. at Harvard University. He is a professor of architectural history at the University of Victoria and a specialist in the Middle East and India. From 1985-98, Dr. Welch served as Dean of the Faculty of Fine Arts. Since July 1998, he has been Executive Director, Office of International Affairs. In this position, he is responsible for expanding the University's teaching and research links outside Canada, for increasing international content in the University's curriculum, for maintaining and enhancing academic agreements with universities and other educational institutions around the world, and for representing the University of Victoria internationally.

Art Wright, Canada

is a policy maker, analyst and sustainable development practitioner with the Canadian International Development Agency, Art Wright was Vice President for Asia (1982-86) and Vice President for Multilateral Programs (1990-93). He worked abroad in Malaysia, Thailand and India, as High Commissioner to Bangladesh and Ambassador to Burma (1979-82), and as High Commissioner to Barbados and the Eastern Caribbean (1987-90). He also worked in Nigeria and Tanzania and most recently was High Commissioner to Zimbabwe, Botswana and Mozambique and Ambassador to Angola (1993-96). He is a Senior Associate of the Sustainable Development Research Institute of the University of British Columbia, working on urban development issues and a Director of the Foundation for International Training in Toronto.

**REPORT TO APEC HRD MINISTERS ON APEC PROJECT
SUCCESSFUL PRACTICES IN HUMAN RESOURCES DEVELOPMENT IN THE
WORKPLACE: CONTRIBUTIONS FROM LABOUR, MANAGEMENT AND
GOVERNMENT**

Overview of Project

The project, initiated in the Network for Economic Development Management, was approved at the June 1998 meeting of the APEC HRD Working Group in Chinese Taipei. It is funded both by APEC and the Government of Canada.

The project comprises three main elements:

- the development of case studies illustrating successful collaborative tri-partite practices to deal with human resource development issues;
- a colloquium bringing together representatives from labour, management and government of member economies, to present and discuss these practices;
- the publication of a compendium including case studies and colloquium findings.

Context

This project was developed in response to changing labour market conditions and other recent developments in APEC economies (eg., the financial crisis) as well as to various directives from APEC fora. In particular, the project is the direct outcome of the September 1997 APEC HRD Ministers' Joint Statement which directed the HRD Working Group to develop a project in which representatives of labour, management and government from member economies can exchange best practices on training, the use of technology, and other human resource development issues in the workplace.

As the proposing economy, Canada is responsible for the implementation of this project, which is managed by the Labour Program of Human Resources Development Canada (HRDC). The Centre for Asia-Pacific Initiatives (CAPI) at the University of Victoria is assisting through organizing the colloquium, facilitating the sharing of information through a web site, and coordinating the publication of the compendium.

Results of Colloquium

Forty-five participants from nine APEC member economies attended the colloquium, held in Victoria from June 25 to 28, 1999: Canada; Indonesia; Japan; Korea; Republic of the Philippines; Singapore; Chinese Taipei; Thailand; and the United States. Through keynote presentations, plenary discussions and topical workshops, they focused on collaborative practices and examined a dozen case studies demonstrating a broad variety of programs and projects undertaken in response to specific workplace issues. Formal sessions were augmented by exhibits and video presentations highlighting successful initiatives and innovative practices.

Plenary speakers emphasized the need for social development policies that encourage the emergence of a well educated, skilled and adaptable labour force capable of responding to rapid change as a base for sustainable development. They also provided solid arguments for treating people in the workplace as basic economic assets and long term-investments rather than costs of production.

A tri-partite panel presented the values and challenges of collaboration, and maintained that the evolution of policy, as well as responses to specific workplace issues, is a shared responsibility, and requires strategic alliances and constructive dialogue among all participants if priority issues are to be addressed effectively.

Workshops focused on themes of adapting to the global workplace, sectoral approaches,

and the collaborative approach to developing policy and legislation.

The case studies presented in the workshops were diverse in terms of scope, subject matter and complexity. They were similar, however, in that in each case the desired successful outcome depended, to varying degrees, on the effectiveness of tripartite co-operation, on attitudinal change, on adopting a strategic long-term view of shared interests, and on innovation in the manner in which the parties related to each other, communicated and were prepared to share responsibility for achieving agreed objectives.

The Colloquium was judged a great success by the participants, as it succeeded in its objective of providing maximum opportunity for experiential learning and mutual exchange. The venue and format were conducive to the sharing of experience and ideas, and to the discussion of elements of productive tripartite collaboration.

Common and Emerging Themes

- there is a need for personal commitment and continuous involvement in the process of change by leaders in labour, management and government;
- high profile visions of the future and strategies for change need to be shared by all stakeholders;
- “buy-in” needs to be based on conviction that the strategy is sound, not on compulsion;
- adequate human and financial resources must be in place if change is to be effective;
- partnerships require full participation of all stakeholders in all phases of the process;
- the concept of “sharing” should apply equally to responsibility for effecting change and receiving credit for successes achieved;
- adversarial approaches may be useful in initially sparking a process in which shared areas of interest can be identified;
- productive communication depends on recognition that all participants can contribute, that they must be comfortable in offering opinions and advice, and that there be mutual respect, trust, candor, sincerity and integrity;
- fundamental shifts in economic or labour market conditions can be a catalyst for change; and
- outside mediators or consultants could be useful but ownership of the change process had to be retained by the key partners.

Challenging Areas for Follow-up and Further Research (not exhaustive)

- issues of political leadership, will and commitment by governments and public services in providing an appropriate legislative and regulatory environment, in integrating economic and social policies, in establishing effective tripartite consultative and decision-making mechanisms, and in funding programs that encourage adjustment, efficiency, productivity, and respect for workers’ rights;
- the scope and role of public and civil society input on workplace innovation;
- distribution of work issues;
- issues of balance between personal, family and workplace priorities;
- techniques of training for long-term employability, and competency-based approaches to job-profiling and training plans;
- responsibility for providing job-training among labour, management and government;
- exploration of supporting a balanced social dialogue among labour-management-government stakeholders, as promoted in other international fora;
- ways to improve the functioning and meet the needs of the informal sector;
- youth employment, attachments, internships, apprenticeships as a means of

providing employment experience;

- use of older workers to mentor, guide and train young workers;
- the role of and issues around women in the workforce;
- the role of and issues around migrants in the workforce; and
- occupational health and safety standards and programs for improvement.

Summary

Colloquium delegates emphasized the value of sharing experiences among government, business and labour participants during the Colloquium. The Colloquium itself was an example of successful collaboration.

Delegates suggested that further meetings of this type would be of great value, would further promote collaborative human resource practices in the workplace, and would deepen the practical understanding of how to undertake productive collaboration. It was recognized by participants that the lessons learned from these discussions were applicable to many different political and economic contexts.

The consensus of the participants was that the “value added” by the colloquium had been in providing new insight into the particular circumstances, constraints and opportunities facing APEC member economies. The task is not easy, and it is long-term. The colloquium itself could not bring about change directly but participants were re-energized and inspired to work co-operatively to bring about further beneficial change.

There is agreement that there is scope for further follow-up to issues discussed and to those identified for future consideration. This colloquium should be seen as a first step in developing ways to share knowledge and practical examples of how to implement productive collaborative practices. Lessons learned and experiences shared through subsequent projects or activities would be enhanced by the participation of more economies, and the greater involvement of employer and labour representatives.

The APEC HRD Working Group and appropriate authorities in member economies may wish to look at ways to deepen the analysis, to broaden the dialogue, and to address the priority challenges that government, private sector management, labour forces and the public will face with increased globalization of the world economy in the coming decade.

Next Steps for this Project:

The compendium of case studies and colloquium findings is expected to be produced by December, 1999. It will be disseminated in paper version and will also be available on the APEC and CAPI web sites.

A final report on the project will be presented at the next APEC HRD Working Group meeting in January, 2,000 in Sapporo, Japan.

Policy Development

Labour program, HRDC

July 15, 1999

APPENDIX B: REFERENCES

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