



INTERNATIONAL LABOUR ORGANISATION

ACT/EMP
PUBLICATIONS



Employers' organizations in Asia in the twenty-first century

Paper presented at the [ILO Workshop on Employers' Organizations](#)
in Asia-Pacific in the Twenty-First Century
Turin, Italy, 5-13 May 1997.

by S.R. de Silva

Bureau for Employers' Activities
International Labour Office
Geneva

[\[Top\]](#)

[\[Contents\]](#)

[\[Next\]](#)

FOREWORD

This monograph, authored by Mr. Sriyan R. de Silva, Senior Specialist in Employers' Activities, forms part of a series of publications commissioned by the Bureau for Employers' Activities on issues and subjects of importance to employers' organizations.

Our policy is to encourage employers' organizations in developing countries to formulate and periodically review their development plans - a process started a year ago. This publication provides a useful analysis of issues and trends which can be taken into account in such planning.

I would like to thank Mr. de Silva for preparing the monograph, and in a way in which it can be used in our work with employers' organizations.

Goran Hultin
Director, Bureau for Employers' Activities
ILO, Geneva

Geneva
September 1996

PREFACE

As the century draws to a close, it is appropriate to analyse the issues and challenges facing employers' organizations in the light of the changing needs of enterprises and the ways in which the organizations will require to adapt to serve these needs. The monograph was written for the purpose of our current but, more particularly, future work in developing employers' organizations in the Asian and Pacific region. It is based on my experience in the region, including my work in and with employers' organizations.

The monograph is also intended as an input to our thrust to encourage employers' organizations to engage in strategic planning and periodically review such plans.

To the ILO Bureau for Employers' Activities and its Director, Mr. Goran Hultin, I owe, as usual, my thanks, not only for their encouragement but also for giving me the 'space' to think and write on topical issues for employers.

I am grateful to my colleagues, Mr. David Macdonald, Senior Specialist on Industrial Relations, for his useful comments and suggestions on the text, and Mr. Vali Jamal, Senior Specialist on Labour Markets and Human Resources Policies, for the substantial time he spent in helping edit the text. Thanks are due to Ms. Sal Kumar for also editing and preparing the text for publication, and to Ms. Sujaree Theingrodrai for patiently typing several versions of the document.

S.R. de Silva
 Senior Specialist in Employers' Activities
 ILO East Asia Multidisciplinary Advisory Team
 (ILO/EASMAT)

Bangkok
 September 1996

CONTENTS

FOREWORD

PREFACE

1.INTRODUCTION

Scope

What is an employers' organization

Rationale for employers' organizations

2.ISSUES FOR EMPLOYERS IN A CHANGING ENVIRONMENT

Managing change

Labour relations and human resource management

Human resources

Balancing efficiency with equity and labour market flexibility

External and internal (workplace) environment

[Challenges and issues in transition economies](#)

[Employment creation](#)

[3.EMPLOYERS' ORGANIZATIONS IN A CHANGING ENVIRONMENT](#)

[Introduction](#)

[Factors conditioning the influence of employers' organizations](#)

Capacity

Environment

Membership base

Income

Staff and training

Research and information base

Structure

Services

Strategic planning

[4.SERVICES IN THE CONTEXT OF A CHANGING ENVIRONMENT](#)

[Introduction](#)

[Service delivery](#)

[Labour relations and human resource development](#)

[Productivity](#)

[5. LOOKING TO THE FUTURE](#)

[ENDNOTES](#)

[\[Top\]](#)

[\[Contents\]](#)

[\[Previous\]](#)

[\[Next\]](#)

1. INTRODUCTION

Scope

This monograph discusses issues relating to the future development of employers' organizations in the Asia-Pacific region. It commences by identifying their possible roles and rationale. It goes on to discuss several issues which employers in the region will have to address in the next decade, because the directions in which employers are likely to move will affect the directions their organizations will have to take. These issues will also point to the ways in which such organizations will have to change and equip themselves in order to service their constituents based on their changing needs. The monograph next addresses the areas in which employers' organizations will need to strengthen themselves. The final part draws the threads together, explains the potential sources of competition for employers' organizations, and underscores the value of developing a 'theory of the business'.

What is an employers' organization

Three types of employers' organizations may be identified. There are organizations established to protect and promote the interests of employers affected by the economic, political and social environment in which business is conducted (e.g. trade, investment, tax, tariff issues). Organizations such as chambers of commerce and trade chambers fall under this category. The second type of employers' organization aims at protecting and promoting employer interests in labour-related matters which fall within what is broadly termed the 'social policy' field. This category best qualifies for the term 'employers' organization'. The third type consists of organizations similar to the first, except that they also combine the social policy role, as in

Australia and Nepal. It is the second and third types which are referred to as employers' organizations in the International Labour Organization and are covered in this monograph.

Rationale for employers' organizations

Employers' organizations were developed, to a large extent, as a response to the emergence of trade unions. Employers found it necessary to have recourse to an organization which could deal with trade unions on their behalf and balance union influence by uniting employers to respond to union initiatives. Government interventions in the labour market also provided a rationale for employers' organizations to ensure that policies and legislation did not adversely affect business growth and development. This has been particularly so in countries in which major aspects of the direction of economic development and social policies were government-driven, as in many Asian countries. In addition to providing a collective voice for employers on labour-related issues, employers' organizations facilitate employer participation in tripartite processes leading to the formulation of labour policy⁽¹⁾. Membership of States in the ILO has also contributed to the formation of employers' organizations, to ensure that employer interests could be taken into account in the ILO's work.

Every business community needs organizations of employers to protect and further their interests in the economic and social areas which affect the conduct of business. Even in countries with a mature private sector, employers need, as far as possible, to speak with one voice when government or trade union initiatives threaten to change the environment which employers consider necessary for business growth and development. Notwithstanding the collapse of communist ideology - in particular the concept of state ownership of the means of production - complete public acceptance of private business is not always forthcoming even in market economies. Therefore, in addition to influencing the external (policy) environment to make it conducive to enterprise growth, employers' organizations need to act as the 'watchdog' of private enterprise and promote the public image of their members. In the case of countries such as economies in transition, employers' organizations have the formidable task of seeking to change the business environment through lobbying, representing to the government the concerns and problems of enterprises, promoting needed laws and opposing the ones inimical to business interests, and even assisting in sorting out bureaucratic problems endemic in such situations. The ultimate credibility of employers' organizations will depend on the provision of quality services to enterprises and their capacity and skill in negotiating on behalf of employers.

[\[Top\]](#)
[\[Contents\]](#)

[\[Previous\]](#)
[\[Next\]](#)

2. ISSUES FOR EMPLOYERS IN A CHANGING ENVIRONMENT

Managing change

The implications of an increasingly borderless and globalized world⁽²⁾ include the difficulty faced by nations in making decisions on a range of issues on considerations which are exclusively internal or national. Since markets are no longer purely internal, goods produced and services rendered need to be acceptable in the global marketplace. As such, management, employees and their organizations must be able to adapt rapidly to changes in market demands,

and governments will have to facilitate competition in an environment in which productivity and quality are critical.

Successful management of change will require considerable adaptation on the part of employers. A key to prosperity in the next ill be the application of knowledge. Productivity is the result of applying knowledge to existing tasks or to ones already known, while innovation is the result of applying knowledge to new and different tasks, so that it is only knowledge that leads to either objective⁽³⁾.

Notwithstanding the dynamic economic performance several Asian countries, by and large up to now Asian enterprises have, with few exceptions, depended on manufacturing existing products at lower cost or providing existing services cheaper and quicker than industrialized countries. Innovation and creativity have been limited in Asia. If creativity and innovation are to be promoted, basic research has to be encouraged and education systems developed along lines which do not make consensus and conformity their objective. If enterprises are to benefit from the information age and technology, Asian managers will need to blend traditional values of respect for authority and emphasis on experience with a corporate culture facilitating innovation, consultation, two-way communication and more participative forms of management. In addition, family businesses would have to adopt more modern management styles and systems and develop skills to manage people from different cultural environments, as Asia is heterogeneous⁽⁴⁾, especially if they are to expand into large and transnational entities.

Labour relations and human resource management

During the past decades labour relations were viewed by governments as a means of preventing or minimizing conflict. In south and south-east Asia, this objective was achieved through dispute prevention and settlement mechanisms external to the enterprise (conciliation, arbitration, labour courts). In south Asia, the objective was also achieved through restrictions or prohibitions on the freedom of action of employers in matters such as termination of employment, closure of enterprises and even transfer of employees. On the other hand, several south-east Asian countries resorted to measures to restrict trade union action and control unions, as well as to avoid union multiplicity. While in south Asia the focus of industrial relations was on equity from the point of view of workers and unions, in south-east Asia the emphasis was on efficiency. In many Asian countries sound labour relations - especially at the workplace - have not featured as an important concern of employers and unions. Low unionization rates in most countries, strong governments in some (south-east Asian countries and the Republic Korea, for example), and the perception that unions could be potential Obstacles to the direction of economic development account for this. Moreover, traditional hierarchical management systems and respect for authority, which have mirrored the external social system, have been inimical to consultation, two-way communication and negotiation of the employment relationship.

Japan, however, was the singular exception where, since the 1960s, workplace relations and flexibility, facilitated by enterprise unionism, dominated industrial relations in large enterprises. Australia and New Zealand continued to focus on centralized industrial relations, though the emphasis has radically changed in New Zealand during this decade and is changing, in Australia, towards enterprise-level bargaining.

Employers as well as some governments are increasingly viewing industrial relations and the management of people from a strategic perspective; in other words, from the viewpoint of how

industrial relations can promote and contribute to workplace cooperation, flexibility, productivity and competitiveness. There is a growing appreciation that the way people are managed impact on an enterprise's productivity and quality of goods and services, labour costs, quality of the workforce and its motivation, and on the prevention of disputes, as well as on aligning employee aspirations with enterprise objectives.

The borderless and globalized world has several implications for national labour relations systems. First, industrial relations systems which have tended to be conflictual and adversarial, as in south Asian countries and the Republic of Korea, need to focus on securing attitudinal changes, and applying methods and mechanisms aimed at establishing a greater degree of cooperation between management and workers. This should involve, for example, more information sharing and two-way communication mechanisms; worker involvement in effecting and managing change, facilitating converting workers' perceptions of change as a threat into change as an opportunity; and not only dispute settlement procedures but also dispute prevention mechanisms. As economies move towards more value-added activities, several circumstances contribute to the need for greater employee involvement. The congruent increase in educational levels leads to employees being less amenable to control, while employers come to appreciate the linkage between productivity and participation in decisions which affect them. The ever-increasing interpersonal skills, coordination and information flow, as well as innovation and creativity, almost by definition require greater employee involvement.

Second, industrial relations systems need to be more workplace- and people-focused, as opposed to the traditional collectivise approach. An obvious example is the critical need to develop workers' skills. For the first time in labour relations history employers and workers have an equal interest in upgrading skills - workers in improving their potential for higher earnings and employability and employers in enhancing competitiveness and the ability to apply new technology.

Third, competing in the global marketplace will require an industrial relations system which, on the one hand, does not overregulate the labour market so as to constrain flexibility, yet, on the other, promotes equity. Balancing efficiency with equity will involve careful selection of those aspects of the employment relationship which need protection through labour law, while ensuring that the labour law system is also facilitative. For instance, whether or not minimum wages should exist raises a series of questions, such as the impact of such a system on employment, whether minimum wages are an instrument to secure equitable distribution of wealth, or whether such wages should only be a tool to keep employees above the poverty line.

Fourth, increasing atypical forms of employment (such as part-time and casual work) and the likelihood that in the next century the majority of the people will be working outside the enterprise⁽⁵⁾ under different types of work arrangements mean that traditional labour-management relations based on collective bargaining, pay rates based on time worked and close supervision of subordinates will be inadequate. More autonomous work methods, better communication systems and alternative pay systems based on performance will be required.

Fifth, a major shift of interest among employers in the area of remuneration is already evident. Traditionally, wages have been determined through government regulation, minimum wage determination, negotiations with unions, decisions of arbitration of labour courts and the individual contract of employment. The factors and criteria which have influenced pay include the level of profit, job evaluation, seniority, cost of living, labour surplus or shortage,

negotiating strength and, to some extent, skills. In the centrally planned and 'import substituting' countries of south Asia, economic and competitive considerations played a minor part in wage fixation. In some of these countries (e.g. India) wages were determined on considerations of seniority and cost of living, with productivity and similar performance measures given little importance. Industrialized countries have built their competitive advantage not around low wages, but around clusters of competitive industries in which high earnings have been sustained through improved technology, productivity and quality. Asian countries, recognizing that high technology, productivity and low earnings cannot be indefinitely sustained, are seeking to sustain their competitiveness through pay increases which are more related to performance measures as a way of absorbing increased labour costs. Japan, the Republic of Korea and Singapore have succeeded in moving to high-value-added and high-technology-based or service activities partly because they have invested in skill development and have accepted high earnings (in Singapore partly through a flexible wage system) which are essential strategies for entry into the knowledge-based industries of the future. Increases in real earnings have been made possible because investment in education and skills contributed to productivity enhancement which, in turn, created the capacity to absorb higher earnings. In the 1980s, Singapore made a deliberate shift to a high-wage economy in order to encourage entry into high-value-added activities. It has been aptly pointed out that: "Economic history offers no example of a country that experienced long-term productivity growth without a roughly equal rise in real wages."⁽⁶⁾

Traditional pay systems for non-executive staff have generally been characterized by standardization across and within sectors (e.g. government and specific industries). Three common methods through which pay has been regulated have been government regulation (directly or indirectly) of minimum wages, negotiations with unions (at different levels) and decisions of labour courts. So long as employers were operating mainly in domestic markets protected from foreign competition, the effects of standardization on performance, recruitment and retention of good staff were felt less. Indeed, in some respects standardization benefited employers by reducing competition based on labour costs. Governments subsidized businesses they were engaged in, and improving efficiency and productivity were hardly major issues. That Western countries achieved their standard of living through sustained increases in productivity over a long period and that Japan was the first country in Asia to match the West in this regard seemed to matter little. Some of the socialist-oriented countries succeeded in reducing poverty, but not in creating wealth.

The opening up of economies to world trade and foreign investment has forced employers to compete with enterprises using sophisticated technology, more productive ways of providing goods and services, and with the advantage of being global players⁽⁷⁾. These foreign enterprises can attract the best local talent on terms beyond the capacity of local enterprises. Governments and private enterprises will now have to compete in the global market by developing their competitive advantage. Productivity has become one yardstick to measure performance at the national and enterprise levels, and quality, efficiency and cost are intrinsic parts of productivity.

In these circumstances, pay systems are assuming an importance beyond their traditional industrial relations context. They are increasingly becoming a part of sophisticated human resource management strategies and initiatives to achieve enterprise objectives and strategies. These developments have several implications for pay systems. Economies which seek to move from low-wage manufacturing to more high-skilled and technology-based production need pay systems which not only recognize skill differentials (as standard pay systems do), but

also provide an incentive to acquire individual and multi skills, facilitated by years of investment in education and training. Employers (and some governments) see that pay increases need to be more than matched by productivity increases if competitiveness is to be maintained. The relationship between pay, productivity, skills and inflation was understood quite early by Japan and Asian newly industrialized economies (Hong Kong, the Republic of Korea, Singapore and Taiwan, China), where low inflation was a common feature. This relationship has come to be appreciated by other south-east Asian countries as well, though there is little evidence yet of concrete action towards productivity-based pay systems.

Consequently, employers (both in and outside Asia) find that criteria related to 'performance' and 'skills' have to be injected into pay determination, that this cannot be done effectively through centralized or macro-level pay determination, that enterprise-level concerns and issues have to be taken into account but this cannot be achieved under an exclusively standard pay system, and that changes have to be negotiated if they are to be implementable. Many employers and some governments also believe that existing wage systems could adversely affect employment, for example, when a minimum wage is fixed above a point where employers are discouraged from employing more labour. Hence, many governments are now averse to introducing a minimum wage or adjusting it to automatically reflect cost-of-living increases. In Papua New Guinea, the Government, since 1992, has abandoned the system of automatic increases in the minimum wage based on cost-of-living indicators. Many employers also claim that the minimum wage is sometimes fixed on political considerations.

Therefore, a major concern for employers in the future will be to negotiate pay systems which achieve a strategic objective; flexible in the sense that their variable component can absorb downturns in business and reduce labour costs; oriented towards better performance in terms of productivity, quality and profit; capable of enhancing workers' earnings through better performance; capable of reducing the incidence of redundancies at times of recession or poor enterprise performance through a flexible component of pay; able to reward good performance, without increasing labour costs, through enhanced productivity; and able to attract and retain competent staff.

Initiatives in Asia to review and update pay systems have not come only from employers. In Singapore, the Government was very much involved in the move towards flexible pay in the late 1980s. In Malaysia, the Finance Minister drew attention, in 1988, to the need to formulate such pay systems. In Fiji, the Government has been exploring the possibility of introducing performance measures into the public service pay system, while at the same time encouraging employers and unions to do likewise in the private sector. The Minimum Wage Board in Papua New Guinea is now required to relate minimum wage increases to performance criteria. In Australia, the wage determination system has in recent years encouraged employers and unions to negotiate wage increases based primarily on productivity and productivity-related improvements at the enterprise level. In New Zealand, there has been a fundamental shift of industrial relations to the enterprise level, and a more or less 'individualization' of the employment relationship providing more scope for performance-related pay⁽⁸⁾. Prerequisites for the success of these initiatives are a good industrial relations climate and confidence-building between the social partners.

Traditional industrial relations have been shaped by conditions or factors outside the workplace. Consequently, freedom of association, collective bargaining outside the enterprise, trade unionism, and dispute settlement through state machinery have attracted the most attention, as is evident from the focus of academic research and writings in the past. In

industrialized countries of the West, a shift of emphasis to workplace relations is evident, with explicit recognition that the centre of gravity of industrial relations is the workplace. In Asia, too, a marked accent on workplace relations is noticeable. In Thailand, the Government has initiated a programme to encourage employers and employees and their organizations to develop sound workplace labour relations. In Japan, a long period of emphasis on workplace relations has been facilitated by the enterprise-union system. In India, indications are that after decades of conflictual industrial relations, the social partners are gradually recognizing the importance of bipartite relations, which implies an emphasis on workplace relations. This trend has been fuelled by the realization that competitiveness can be enhanced through sound labour relations, and that many issues relating to competitiveness need to be addressed at the enterprise level. In New Zealand, this was achieved in an extreme way through a complete deregulation of the labour market. Similar pressures for deregulation from employers and the government are evident in Australia. In countries in transition to a market economy, it is yet to be seen whether industrial relations will be developed through centralized control (and therefore lead to an emphasis on the system external to the enterprise), or whether equal importance will be attached to promoting, through appropriate means, sound industrial relations at the enterprise level. Future developments in these countries will be characterized by the need to develop viable and effective industrial relations in the private and joint venture sector.

Asia is a heterogeneous region, characterized by ethnic, cultural, linguistic and religious diversity. Due to substantial increases in investment from both within and outside Asia, many employers and unions have to deal with employees and employers from different backgrounds and cultures. Some disputes and workplace problems arise due to 'cultural mismanagement' flowing from inadequate appreciation of differences in industrial relations systems, attitudes to and of unions, work ethics, motivational systems, leadership styles, negotiating techniques, communication and consultation methods, expectations of employees, interpersonal relationships, and values (the basic beliefs that underpin the way people think, feel and respond). Employers and the other tripartite constituents will have to address these issues to influence the direction of workplace relations in particular. The subject of course raises the question of the convergence of industrial relations systems, which is outside the scope of this discussion.

Human resources

Critical to competitiveness is the development, utilization and allocation of human resources. Maintaining a competitive edge depends, to a large extent, on the skills of a workforce and its potential to be trained and retrained, to absorb multi skills and interpersonal skills, and to adapt to new technologies and processes in the context of shortening product life and emerging knowledge intensive industries. As such, workers' skills form an area in which employers and workers have a common interest.

Even countries which depend on low wages and relatively low-quality products will eventually have to upgrade their economies and move to higher-technology/skills-intensive and value-added activities. Many Asian countries face labour force problems which need to be addressed to ensure their future growth. In Thailand, less than 20 per cent of workers have received secondary education. In Indonesia, the majority of employees are in the category of unskilled workers. Bangladesh, India, Nepal and Pakistan suffer from high rates of illiteracy, especially among women, and the majority of the workforce is still in the rural sector. In China and Viet Nam, workers are as yet untrained to function in a market economy and are in agriculture and

in low-wage and low skilled industries. Even in Japan the need has been felt to transform the education system, characterized by consensus and conformity, to one which encourages innovation and individual creativity⁽⁹⁾. Therefore, employers need to exert their influence to change national education systems so as to produce employees with the capacity to be trained and retrained, and to encourage creativity and innovation to meet the needs of the future. They also need to participate, much more than in the past, in training, and can no longer continue to expect governments only to formulate education and training policies and provide training facilities. Further advancement of developing countries will depend on:

".... the more stringent human resource requirements of flexible production, including, at a minimum, deeper and broader employee training, employment stability to capture the returns from such training, and greater involvement of employees, including production workers, in problem solving to improve efficiency and quality. Such human resource systems ... may also necessitate employment practices and industrial relations supportive of heightened worker involvement and commitment to organizational goals and success."⁽¹⁰⁾

The Republic of Korea, Malaysia and Singapore are experiencing labour shortages and have resorted to importing unskilled labour. This has also resulted in a certain degree of illegal labour migration to these countries. Labour importation other than for domestic work has provided an advantage based on the lower terms and conditions of employment offered, but it is likely to create social problems in the long run.

Asian employers will need to move away from training organized and conducted mainly by public authorities to a broader concept of education and training carried out increasingly under the auspices of private enterprises. Since competitive advantage, as distinct from comparative advantage, depends on the capacity to add value to a resource - in this instance the human resource employers will have to be actively involved in defining the new role of national or public training institutions and the relationship between human resource development and research and development, and in the formulation of incentive plans to encourage training.⁽¹¹⁾

Balancing efficiency with equity and labour market flexibility

During this century, industrial relations and labour law in industrialized countries have paid considerable attention to the unequal bargaining position between employees and management. This has been done primarily through freedom of association and collective bargaining. The focus in some countries (mainly industrialized) has been on the relationship between management and labour and their organizations rather than with the state. This has been due to the fact that the state has adopted a less interventionist role than in developing countries, based on the premise that regulation of the labour market should, as far as possible, be left to employers, workers and their organizations. However, in some western European countries and Australia, as well as in less industrialized ones, attention has focused on the relationship with the state because of the role governments have played in regulating the labour market (not only through laws but also sometimes through labour courts or tribunals), and in directing economic policy, economic development and industrialization.

Traditional industrial relations view labour problems as a tussle between employers' wish for higher profits and employees' wish for higher wages. The state intervenes for a variety of reasons. The setting in which industrial relations developed was conditioned by the national environment - political, economic, social and legal. But today the conditioning environment

increasingly includes the international and regional context. Globalization has created pressures on industrial relations for efficiency in the employment relationship, reflected for instance in the emphasis on flexibility (type of contract, working time, pay, etc.) and productivity. One of the major contradictions in society today, which is likely to sharpen in the future, is the need for employers to be perpetually competitive and innovative and society's need for stability and the promotion of the common good⁽¹²⁾. Reconciling these competing needs will be a continuing major challenge in the future. In that task, industrial relations will have a critical role to play, both within and outside the enterprise.

These developments and the pressures for labour market deregulation and flexibility raise the question of efficiency versus equity. The issue for industrial relations, in this regard, in the future will not be efficiency and equity as antithetic concepts, but how to achieve a balance between the two. That is to say, while an industrial relations system should facilitate competitiveness, it should also promote equity by ensuring a fair return on labour and a fair sharing of the gains from economic activity, safe working conditions, and an environment in which employees can communicate with management, discuss their concerns and be represented in order to protect and further their interests. The equitable practices are mainly "employee participation in employment decisions including bargaining; due process in resolving perceived injustice; security of expectations through job rights, work rules and compensation structures; and job design of a sort that is responsive to technology and organization, as well as job holder needs."⁽¹³⁾ Efficiency cannot be achieved through an industrial relations system devoid of equity, particularly now when competitiveness depends so much on people who will withhold efficiency in an environment which is inequitable and demotivating, through absenteeism, indiscipline, low productivity and quality, lack of customer concern, and high turnover. As such, it is efficiency and inequity which are antithetic, and it is sometimes overlooked that equity is "not an extraneous constant imposed upon the market by political institutions but rather a vital lubricant of the market process."⁽¹⁴⁾

Further, political instability is sometimes the result of large sections of the population being bypassed by economic development. Wide disparities in wealth may occur without any significant improvements in the conditions of the poor. As has been aptly stated:

"It is one of the least advertised, and for the very affluent the least attractive, of economic truths that a reasonably equitable distribution of income throughout the society is highly functional."⁽¹⁵⁾

The issue of efficiency and equity arises in debates pertaining to labour market regulation and flexibility. Employers in particular see labour market rigidities as resulting from over regulation of the labour market through a plethora of labour laws (as in some of the south Asian countries), orders of labour courts, and union activities outside the enterprise, all of which inhibit the changes needed to adapt to the globalized environment.

Labour market regulation is "the creation and enforcement of rules which are designed to control the actions of individuals and groups who are a party to the production of goods and services."⁽¹⁶⁾ In his classic work of three decades ago, Allan Flanders viewed industrial relations as "a study of the institutions of job regulation"⁽¹⁷⁾, through sources both internal and external to the enterprise. According to him, while external sources of regulation seek to protect employees from the adverse effects of a completely unregulated market and to minimize conflicts between unions and employers, internal forms of regulation arise from employer initiatives to control employee work behaviour.⁽¹⁸⁾

Debates about labour market regulation reflect three positions: one which favours a completely unregulated labour market; another which espouses a decentralized industrial relations system so that external regulation is reduced; and a third which advocates external regulation as being necessary to address a range of issues which need to be resolved for reasons of both equity and efficiency⁽¹⁹⁾. In respect of the third argument, it has been pointed out that:

"The production of goods and services requires the coordination of activities that transform resources into an activity or product. To achieve these it is necessary to have procedures or rules that will ensure efficiency. In reality, then, the debate is not about whether there should be rules but about the *source* of rules and what *form* they should take."⁽²⁰⁾

If the objective is to balance efficiency with equity, rules in a labour market system would need to be formulated both within and outside the enterprise, the issue being one of degree. The rules formulated from outside the enterprise may relate to enabling organizations of employees and employers to operate; to regulating conflict, strikes and other work disruptions; to providing institutions and procedures to resolve disputes; to establishing tripartite mechanisms to facilitate consensus on national labour policy; to prescribing minimum terms on matters such as safety and health, minimum age of employment, holidays, maximum working hours, social security, and minimum wages where appropriate; and to enacting rules against discrimination in employment, e.g. on grounds of gender. The other source of rules is the enterprise, where the particular needs of management and employees are addressed. Some writers claim that there is little evidence to suggest that lack of external regulation results in more efficient practices within the firm, and "research indicates that the critical factors determining good economic performance are neither internal nor external to the workplace, but come from linking both forms of regulation."⁽²¹⁾ Since reliance on only internal modes of regulation may well lead to rules determined only or largely by managements, an ongoing challenge will be how to achieve a balance and link between external and internal modes of regulation.

It is probably safe to predict that decentralization trends and moves to reduce external regulation are not transitory phenomena, but are likely to endure in the foreseeable future. The fact that pressures for better corporate performance will increase is obvious. Therefore industrial relations cannot afford to be "static" if they are to endear themselves to management at a time when much of management is about change⁽²²⁾. External labour market regulations which are seen as an obstacle to needed change are likely to be modified. When workers achieve higher education levels they may wish to have a greater influence and voice in the workplace over the formulation of rules regulating work performance. In the race for economic superiority, market share and foreign investment, governments of fast-industrializing countries are hardly likely to regulate the labour market, except to the extent that such regulation is aimed at promoting efficiency and equity. With increasing affluence, people in most societies are likely to want the fruits of development equitably shared across society. It is instructive to note that in western Europe there has been, up to now, a deep-seated commitment to balance economic growth with social progress, so much so that education, health care, social security and quality of life have been preferred to maximum profits, thus ensuring a comfortable standard of living for most people.⁽²³⁾ It is left to be seen how the evolving global economy affects the ability of these countries to maintain or achieve this balance, and this represents one of the major challenges in western Europe. In Germany, for instance, this social market economy is now being questioned, and is claimed in some quarters to be responsible for the current pressures on its economic performance.

External and internal (workplace) environment

Rapid industrialization in Asia has raised concerns about endangering the external environment and increasing risks to safety and health in the workplace. Some governments and many nongovernmental organizations are addressing these concerns through, for example, awareness-raising on environmental issues and greater protection of employees through laws against occupational hazards. Employers themselves need to address these social and environmental issues. They relate to the discharge of an employer's social responsibility, on the one hand, and to competitiveness, on the other, because a safe and healthy working environment is conducive to efficiency.

Challenges and issues in transition economies

In countries in transition to a market economy major challenges and issues have arisen, partly because they are seeking to adopt industrial relations arrangements, including employers' organizations and union pluralism unknown in a centrally planned economy. Unions in such economies played a welfare role, and sometimes a supervisory role, rather than a negotiating one. Employers' organizations were unknown. Managements and unions participated not so much in deciding terms and conditions of employment, but in applying decisions made largely outside the enterprise. There was hardly any scope for tripartite dialogue between government and independent organizations of workers and employers.

By contrast, in a market economy, business decisions are for the most part made within the enterprise, and when made externally are generally the result of discussions with workers' and employers' representatives. Governments create the framework in which the social partners are consulted on matters directly affecting the interests they represent, and the social partners seek to influence the economic and social policies formulated. Labour relations are based largely on the principle of negotiation between the two social partners, and the outcomes are usually recognized by the state so long as they do not conflict with national laws or fundamental national policy.

Another reason for the critical role of industrial relations in an economy in transition is the absence, during the process of transition, of safeguard mechanisms (such as for dispute prevention and settlement) at the national, industry and enterprise levels to channel differences and disputes into peaceful means of resolution. Disputes, therefore, can involve considerable work disruptions and sour the industrial relations environment, and thereby also retard achievement of the overall development objectives.

In these circumstances, countries in transition are attempting to address a range of problems, such as defining the role of as well as establishing effective employers' and workers' organizations; formulating national policy through a tripartite process; developing a labour law system relevant to the new economic environment; adopting methods of and criteria in wage determination; implementing dispute prevention and settlement procedures and mechanisms; and managing public sector enterprises in a competitive environment.

Employment creation

A debatable issue is whether employers should be responsible for employment creation. In Western countries, high rates of unemployment and downsizing by many enterprises have raised questions among the public about the 'new' capitalism. In the inward-looking, import-

substituting countries in south Asia, such as India and Sri Lanka, governments perceived employment creation in the large over-manned public sector as a direct responsibility of the state, while also placing obligations on employers not to reduce employment levels. These attitudes are still reflected in stringent laws relating to retrenchment and even to the closure of enterprises. On the other hand, elsewhere in Asia, as in the Republic of Korea and Singapore, it was accepted that the government would create an environment conducive to business growth. This is closer to the view of employers in a market economy - that governments have ultimate influence over the macro environment needed for job creation. The responsibility of employers is not to create or provide 'obs, but to push for the creation of an environment which would be conducive to enterprise creation and growth, to competitiveness and to expansion of the market, which would in turn create the conditions for more jobs. However, to the extent that downsizing should be a remedy of last resort, employers may be seen as having a responsibility to *save* jobs whenever possible.

[\[Top\]](#)

[\[Contents\]](#)

[\[Previous\]](#)

[\[Next\]](#)

3. EMPLOYERS' ORGANIZATIONS IN A CHANGING ENVIRONMENT

Introduction⁽²⁴⁾

In a rapidly changing international environment - flowing especially from globalization and advances in information and technology - competitiveness is compelling countries to change or adapt their policies, and enterprises to change their strategies, faster than ever before. Internationalization of markets for goods and services has replaced a world economy hitherto made up of protected national markets. Global corporate players have become the chief means for allocating investment capital and determining the locations where business will be conducted throughout the world. In the globalized environment countries are less able than before to choose their corporate investors. Today, investors choose where they wish to invest, and there is competition among recipient countries for such investment. Protection of enterprises from local and foreign competition is a thing of the past. Competition requires different strategies - and therefore strategic planning - compared with the past. Strategies are no longer determined largely by events confined within national borders, but are equally affected by external events. When enterprises are compelled to change in order to be competitive, the services they require and expect from organizations to which they belong also undergo change. Employers' organizations, like enterprises, need to be responsive to the external environment and to the market. While competitiveness has compelled enterprises to review every aspect of their performance and performance measures, it seems appropriate, as the century draws to a close, for their organizations to embark on a similar audit.

Factors conditioning the influence of employers' organizations

The influence of employers' organizations is conditioned by at least four factors. The first comprises the political, economic and social philosophies of governments and the environments they create. The movement towards market-oriented policies is exerting a major impact on the hitherto inward-looking, import-substituting countries of south Asia as well as Myanmar and the former centrally planned economies of Cambodia, China, the Lao PDR, Mongolia and Viet Nam. In both categories of countries, employers now function in a

somewhat more business-friendly environment. Consequently, in south Asia, employers' organizations will need to pay less attention to *defending* and more to *promoting* market friendly policies. In centrally planned economies, where no employers' organizations existed before, employers' organizations will have to identify their roles to promote successful transition to a market economy.

Another factor which determines the influence of employers' organizations is the strength of trade unions. In some countries, such as India and Sri Lanka, trade union influence has tended to overshadow that of employers' organizations because of the high degree of politicization of trade unions. Where unions have considerable industrial or bargaining strength and are □professional□, this could encourage the development of professional and service-oriented employers' organizations. This is reflected in some employers' organizations in Asia-Pacific which have exhibited a service orientation, and not just a lobbying role. It is also reflected in several European countries which have had strong and professional trade union movements over a long period.

Further, the professionalism of an employers' organization enhances its credibility, not only with its members but also in government circles. It is probably true to say that since employees have more votes than employers, an employers' organization has to be truly professional to influence politicians. Even a strong business community requires a single voice to represent it and to coordinate its interests, as well as to service it in the areas in which it lacks expertise.

Capacity

What an employers' organization does partly depends on whether it is a central or national organization, or a regional or sectoral one. Where such different organizations exist, their roles and functions differ. By and large, the test of an effective organization is its capacity to:

- render professional services to its members, largely through its own staff, rather than through outsiders, in the areas identified by their members. If a large part of its services is rendered through consultants, etc., its role is that of middleman and its in-house expertise is clearly limited;
- advise and represent members before the government, unions and, where relevant, other 'publics', as spokesman for employers, whether in tripartite dialogue or bipartite relations, and to influence socioeconomic policy decisions of the government;
- provide members with up-to-date labour-market-related information, which has become increasingly important in the 1990s. The value of an employers' organization in the future will be judged partly on this measure by its members.

The capacity of an employers' organization to deliver these services is conditioned by its:

- environment;
- membership base;
- income;
- staff and training;
- research and information base;
- structure;
- services;
- strategic planning.

Environment

Basic to the effectiveness of an employers' organization is the general environment (e.g. the attitude of the government towards business development, labour market conditions under which employers conduct business, employer-employee relations and the role of trade unions). In Asia, by and large, the general environment is not an obstacle, though the south Asian subregion was characterized, until recently, by a less business-friendly environment. It is the task of an employers' organization, in such circumstances, to lobby for change in matters falling within its mandate.

Membership base

The membership base of an employers' organization is important to its effectiveness for two reasons. Its representativeness affects its credibility as spokesman for employers when making representations on policy issues, engaging in tripartite dialogue or bipartite negotiations or relations with trade unions, or seeking to influence public opinion. Its membership size also affects the income of the organization. Members usually tend to be large and medium-sized enterprises. There are several other categories of enterprises which offer opportunities for membership expansion. In order to exploit this potential, employers' organizations need to be aware of the roles or services which would attract new members. They would also have to possess the capacity to change their service orientation to suit the needs of new members from these categories.

Liberalization, the reduction of investment barriers and rapid economic development have resulted in a substantial increase in foreign and local enterprises in Asia. In China and India, large numbers of small and medium-sized enterprises are positioning themselves to serve both local and foreign markets. Relatively few enterprises from some investing countries - particularly Japanese enterprises - are members of national employers' organizations. The latter, if they have not done so, could survey such enterprises to ascertain the reason why they are not members and what they expect of an employers' organization.

The types of services which foreign companies consider important or valuable may not always include policy lobbying because they are often able to influence the investment environment anyway. In some countries, they have their own chambers of commerce and trade for this purpose. An exception may be countries where the private sector is still lobbying for full acceptance, and therefore issues such as labour market deregulation are important. Even so, it is arguable whether the willingness of governments to create a labour market environment conducive to investment is due more to pressure from employers' organizations or potential investors. Global companies are less influenced than the local ones by governments of the countries in which they invest, because many have the option of moving elsewhere and will usually not enter a country unless and until conditions are suitable to them. As aptly pointed out by Percy Barnevik, the Chief Executive of ASEA Brown Boveri, in relation to global enterprises pushing for adjustments and restructuring of the national economic environment:

"Global companies speed up the adjustment. We don't create the process, but we push it. We make visible the invisible hand of global competition."⁽²⁵⁾

Large global corporate players may find employers' organizations irrelevant to their needs unless specific benefits to them can be clearly identified. It must not be overlooked that transnational enterprises have the capacity to develop their own expertise in labour-related areas.

Another category of employers who are potential members are small enterprises, which are the majority of enterprises in Asia. Most of them are not members of national employers' organizations. The organizations which have succeeded in attracting them as members are the ones which have a network of regional organizations, or are organizations which serve as both chambers of commerce and employers' organizations. Services such as advice and guidance on tax, access to credit, and export preferences, which small enterprises require, are usually provided by chambers of commerce. Small enterprises often consider that they are capable of managing labour-related problems. Moreover, they are not inclined to pay membership fees only for the sake of □employer solidarity□. Further, lobbying to influence the policy environment to make it conducive to small business growth sometimes involves a clash of interests with large employers. An example is minimum wages in respect of which large employers are often prepared or able to accept a higher rate than small enterprises. In the final analysis, some employers' organizations, other than the ones which combine their economic and social roles, are unwilling or unable to develop a strategy to attract members from this large pool of enterprises⁽²⁶⁾. The ILO has been assisting employers' organizations to conduct programmes specifically geared to small enterprises. Instances of such assistance include the Improve Your Business and the Work Improvements in Small Enterprises training programmes.

The fast-expanding tertiary sector is another potential membership source. Some employers' organizations have a fair proportion of members in this sector, which tends to have fewer labour-related problems. Higher levels of education among employees and a large proportion of females in this sector have led to more stable relations. Increasing membership among employers in this sector calls for an analysis of their special needs.

Another category of employers consists of privatized undertakings. In many countries, public sector undertakings have had only minimal representation in employers' organizations, except in the centrally planned economies where such undertakings constitute the majority. In south Asian countries, employers' organizations earlier represented a sector (private sector) which was not only small but did not fit within government economic policies. In this subregion and in centrally planned economies, there is scope for membership increase among privatized undertakings. But employers' organizations would have to consider whether the immediate needs of these enterprises are different to those of the rest of the private sector. With public sector enterprises faced with the problem of how to change (even if not privatized) in order to be profitable and productive in a competitive environment, the door is open to employers' organizations to provide services to facilitate this change. This is precisely what the employers' organization in China is doing in relation to its state-owned enterprise members.

Income

Even though an employers' organization is non-profit-making, it should aim at generating surplus income since financial resources are critical to recruiting, retaining and developing human resources, and to providing services. In short, the availability of financial resources affects the quality of both staff and services, and hence the organization's professionalism. If it is managed by merely covering current operational costs, it is likely to pay less attention to staff skills and their development and to upgrading and expanding services to members. Some organizations seldom seem to have sufficient income for what they need to do.

An employers' organization has four main sources of income. The first source is the regular subscription paid by members based on differing formulae. One formula is a fee linked to the

number of employees, which requires frequent revision to generate increased income in the face of a stagnating number of employed persons. Enterprises are generally disinclined to agree to frequent changes in formulae to ensure annual or regular increases in fees. Another formula is a percentage of the turnover, which may be more appropriate to a chamber of commerce than to an employers' organization. Further, the relationship of profit to turnover in a trading company may be quite different to the relationship in a manufacturing company. Another formula is a percentage of the wage or salary bill with a minimum and maximum, with possibly a concession for companies within the same group. Its advantage is that the increase in subscriptions (or decrease where there is a substantial reduction in manpower) is automatic each year, underlining to members that just as their costs increase so do those of an employers' organization. Also, it does not call for a regular change in the subscription formula.

A second source of income is from specialized services which are of such value that enterprises are prepared to pay separately for them. The commonest type are training programmes, which could be made available to non-members as well at a higher fee. Another source is research publications. In addition, countries with a labour court system may find that a subsidized fee for representation of firms by specialist staff of the organization is a lucrative source of income.

A third source is increased membership. Provided membership fees are not too low, the additional income generated would exceed the cost of servicing new members. In some countries, membership subscriptions are so low that they are inadequate to cover even recruitment and retention of skilled staff.

A fourth source is from investments made by employers' organizations. There is at least one example in Asia of an employers' organization (in China) which conducts business which generates profits for the organization.

The level of subscriptions sometimes reflects the value which members place on the organization. Its capacity to generate income from specialized services indicates its professionalism and the value of such services to members. Income generation raises the question of the distribution of income between subscriptions and other activities which employers are prepared to pay for. An employers' organization cannot hope to develop if it is solely dependent on subscriptions for its income. Each new service represents a cost. Further, increased subscriptions to meet additional staff and service costs are often seen as unfair by employers who make minimal use of the services of the organization. Many developed employers' organizations have either engaged in a drive to increase the share of income from non-subscription sources, as in the case of the Singapore National Employers' Federation, or have set up 'user pay systems', as in the case of regional associations in Australia and New Zealand.⁽²⁷⁾

In certain circumstances, income can be earned from nonmember companies. In Sri Lanka, the employers' organization has made its training programmes accessible to non-members at a higher fee. It has also developed some consultancy services which non-members may avail themselves of for a professional fee. Its research and information publications are available to the public at a higher price than that charged to members. It is necessary to be selective in this regard as potential members may find it more cost-effective to remain non-members and obtain ad hoc services on payment of a fee. On the other hand, such an arrangement could induce increased membership. Demonstration of the capacity to provide quality services is the best advertisement for an employers' organization.

The problem of income which some employers' organizations face is often tied to the fact that they are not able to provide a range of professional services, usually owing to a lack of staff. An organization needs to allocate resources judiciously to provide one or two core services which can match the services available in the market. It is then that employers will be more inclined to fund the organization, whether through increased subscriptions or separate fees for particular activities.

Staff and training

In the future every employers' organization will need to develop into a professional organization providing advice, services and representation to members in the same way as employers have come to expect from their lawyers, financial advisers, etc. The professionalism of any organization which relies on knowledge depends primarily on the quality of its staff. Labour-related issues have become far too complex for business people serving on the policy boards of employers' organizations to deal with without expert and professional inputs. The organizations which provide quality services for which members are prepared to pay are invariably staffed by professionals with the relevant skills. The issue of staff skills and the professionalism of employers' organizations can be appreciated if one imagines what the consequences would be for a company with a board which has the right vision and policies but not the right staff to translate the vision into reality.

Staff skills are affected by the following:

- absence of a clear recruitment policy geared to the services to be provided. The recruitment policy should also take into account the trainability of staff,
- lack of funds to recruit, train and retain officials with the relevant educational background or experience;
- no institutions in which the staff of employers' organizations can be trained, while companies have access to training institutions and universities where their executive staff can be trained. Considering the very limited market, no training course designed for staff of employers' organizations would be economically viable. In any event, to be viable, courses would have to be conducted largely at the regional level.

Since the current sources of training for staff of employers' organizations are limited, on-the-job training is particularly important. However, this assumes that the organization has the capacity to train its own staff. Another source of training is the ILO, either through programmes conducted to train staff in the areas in which the organization should be providing services, or through study tours and fellowships to more developed organizations. In both cases the duration is short, and they provide mainly relevant information and knowledge. Their value can be maximized only if the beneficiaries have the capacity to apply the information and knowledge gained.

For employers' organizations to develop the skills and capacity to fulfil their role and adapt to future needs, a series of actions is called for. Organizations should first analyse the emerging needs of members and the services which may contribute to expanding membership, and then identify the staff required to fulfil these needs. A recruitment policy should be developed based on the skills profile which emerges from the analysis. Thereafter a training needs analysis should be conducted.

Much of the training should take the form of self-development, in the sense that staff should be encouraged and provided with incentives and opportunities to develop their information and knowledge base in their areas of responsibility. There is hardly a substitute today for staff 'researching' the subjects in which the organization deals. If an employers' organization is to be able to provide advisory services - a fundamental aspect of its role - it should proceed on the assumption that advice implies possession of the requisite information and knowledge to enable it to guide recipients on how to act.

The role of the ILO could include conducting short training courses for officials of employers' organizations at the regional or subregional level. This assumes, of course, the willingness of the organizations to participate by nominating staff responsible for the subject in which training is to be provided. Study tours and fellowships should focus on a particular subject, and participants should be required to provide reports not only on what they have learnt, but also on how the experience and knowledge gained have been applied and have made a difference to the organization. Attachments to developed organizations for a fairly long period would be an ideal means of training. However, this is not always feasible given the amount of executive time the host organization would have to expend.

The specific skills staff should possess will be conditioned by the types of services expected and rendered, and by whether the organization is national or regional. Today, it is difficult to separate economic and social issues into watertight compartments, and each needs to be considered in the light of its impact on the other. Therefore, employers' organizations should develop an expertise in economics by having on its staff a member with an economics background, preferably in labour economics. This is particularly important for preparation of positions on issues to influence the policy environment. The employers' organization in Papua New Guinea is an example of an organization which has benefited from having a labour economist on its staff.

To some extent, staff should be multi skilled. Professional staff should develop the capacity to conduct training programmes for members in their area of responsibility. It is not economically viable for employers' organizations to have trainers who do not perform any other functions. The profile of the chief executive will determine the organization's ability to develop a vision and plan to implement it, anticipate the needs of employers, train staff and influence the policy environment.

Research and information base

One implication of globalization for employers' organizations is the increased importance of having a sound research and information base which can contribute to improving the competitiveness of enterprises. More particularly, the quality of an organization's labour market information system is critical to its effectiveness for the following reasons:

- In any organization, timely dissemination of up-to-date and well-analysed information is important to decision-making.
- The effectiveness of an organization's lobbying function depends on its ability to support its position with hard facts. The government will turn to it for information and views only if it has reliable and accurate data to contribute to policy formulation.
- Many functions of an employers' organization cannot be performed effectively without well-researched facts. For instance, advisory services on wages and participation in minimum wage determination bodies and in collective bargaining require a sound

knowledge of wage systems and levels, wage trends, comparative wages, wage determination criteria, and even regional and subregional trends. Representation of members in labour courts or arbitration proceedings (where this is a function) is not possible without a sound knowledge of labour laws, industrial relations practices, and the body of decisions made by these institutions.

- The frequent changes enterprises have to make in the context of competitiveness require that they be provided with information to enable them to make the right choices. For instance, in a particular country it may be relevant for the employers' organization to provide information on flexible and performance-related pay systems, how they operate in other countries, and the problems associated with implementing them. Without such knowledge it would not be able to even promote the concept or bargain with unions.
- In order to successfully manage change, enterprises are likely to expect the employers' organization to provide them with information on regional and international trends and issues. This would entail the organization linking up with sources of information outside the country, which is facilitated by information technology. Just as economies are increasingly interlinked, employers' organizations will have to strengthen their international and regional information-sharing cooperation.
- For a growing number of foreign and joint venture enterprises part of the attraction of an employers' organization is its capacity to provide reliable labour information on matters such as wage rates and terms and conditions of employment, benefits, court decisions, provisions of collective agreements and the applicability of labour laws.

The capacity of an employers' organization to satisfy the information needs of employers depends on its ability and willingness to have on its staff a trained official to collect, analyse and disseminate information. The value of a person with a labour economics background is obvious. However, each staff member should engage in information collection - and preferably also in applied research - in his/her area of responsibility.

As part of its employers' activities, the ILO has been assisting employers' organizations to establish or develop a labour market information system. In Nepal, the Employers' Council of the Federation of Nepalese Chambers of Commerce and Industry was assisted by the ILO, over a period of about four years, to establish and develop an information system and to train staff to manage it. As a result, its information unit is as good as, if not better than, any other source in the country, and it also contributes significantly to the organization's lobbying role.

Structure

Whether an employers' organization functions purely as a central (single) organization, or whether it should have a decentralized system with regional or provincial organizations, depends largely on the size of the country. In large countries, such as China, India and Indonesia, no organization can function without a network of organizations in different regions. Hence, the Employers' Association of Indonesia (APINDO) has its offices both in the provinces, and also in several districts. The situation is similar in China, where a province is often larger in size or population than some countries. Except for very small countries, the proliferation of enterprises outside major cities and urban areas will probably result in more decentralization.

Services

A national or central employers' organization would be mainly engaged in providing information and lobbying to influence the environment to enhance its conduciveness to business growth, development and competitiveness. It should also perform a public relations role at the national level to raise public awareness of the contribution of business to national development. Where the national organization's role is restricted to the above, there would need to be branches or industry/regional organizations to deliver direct services. Without such an arrangement it is doubtful whether in the future the lobbying role alone will suffice to develop a wide membership base, given the fact that in most countries employers are already operating in a business-friendly environment. Increasingly governments have come to realize (as did the Japanese and Korean governments quite early) that competition is not so much among nations but among industries, and that competitiveness lies in clusters of competitive industries. What employers, in this context, will need most are services which assist them to be competitive, whether in the field of wages (by negotiating with unions or in setting minimum wages), providing training in labour relations and human resource management, or giving well-researched information to help them understand labour market trends and to make the correct policy choices or decisions.

Strategic planning

In a globalized environment and in an era of unprecedented and rapid change, every organization, whether of employers or otherwise, should have a strategic perspective regarding its future development and how it proposes to adapt to the changing environment. An employers' organization should, therefore, have a development plan which provides it with a focus, a purpose, clear objectives, as well as the means of achieving them. This requires considerable sensitivity to the external environment in which it has to operate, as well as to the needs of employers.

While employers' organizations are not subject to the same competitive pressures as business organizations, their future relevance will depend on their ability to 'imagine the future'. Precisely because of less competition than that faced by enterprises, employers' organizations will have to avoid the danger of complacency, and thereby failing to adequately plan for the future. Besides, there are indications of competition from economic organizations which are starting to focus on social policy issues, just as international financial institutions, such as the World Bank in the 1990s, have shown an inclination to address social issues as a condition for the success of economic policies. Thus, in 1995, the ILO brought together Asian and Pacific employers' organizations in a regional meeting to encourage them to develop strategic plans⁽²⁸⁾, and followed it up with assistance to national organizations to formulate their plans.

An employers' organization should first think strategically. This requires an assessment of its current situation and how the situation is likely to change in the foreseeable future. Next it should translate its strategic thinking into strategies to cope with the changing circumstances. This requires a plan to cope with change, based on relevant information gathered, e.g. the expectations of enterprises from their organizations and the ways, if any, in which the expectations have changed. Thereafter the organization has to implement the strategies by identifying the concrete steps to be taken to translate the plans into reality.

There are several questions an employers' organization needs to ask itself in determining its objectives and strategies:

- What type of organization does it want to be, i.e. an exclusively lobbying one or one which also provides services?
- Depending on the answer to the above, what type of structure and resources (finances and manpower) does it need?
- Is its membership base sufficiently representative to lend it credibility as representing the voice of employers? Does the number of members reflect its value to employers? For instance, if membership costs only 50 dollars a year, does a large membership reflect employer perceptions of the value of membership, or only the fact that membership costs virtually nothing? In this situation, what would be the consequence of charging a higher subscription rate?
- With its current staff, can the organization analyse the economic Implications of decisions in the social sphere? For example, can it analyse the implications of wage determinations, advise on appropriate pay systems for industries or enterprises, provide members with analytical information on wages and experiences of other employers within the country and - increasingly - in the region? To perform an effective lobbying role, does it have the requisite knowledge, capacity and skills to debate the issues in question?
- In generating income, in addition to subscriptions, for what types of services would employers be prepared to pay separately? How could the organization develop a comparative advantage in relation to them?
- What services of value are needed by members in tomorrow's world?
- What are the criteria on which the effectiveness of the organization is judged? Is it only members who matter or also potential members and others such as the government, unions and the public?

[\[Top\]](#)
[\[Contents\]](#)

[\[Previous\]](#)
[\[Next\]](#)

4. SERVICES IN THE CONTEXT OF A CHANGING ENVIRONMENT

Introduction

Increasing investment in Asian countries, from both within and outside the region, as well as liberalization, are hastening the process of globalization. The rapid pace of technological change and the increasing influence of information technology are shortening product life. The way in which work is performed and people are managed is also changing. Goods, services, capital, technology and even human resources are moving across borders. These trends will inevitably have an impact on the services and roles of employers' organizations. Part 4 identifies some of the services they may find necessary to develop in the future. Their relative importance would be determined by national conditions and priorities. The services suggested relate to the issues identified in Part 2, and to capacity-building covered in Part 3. Research and information will not be covered as it has already been addressed in Part 3.

Service delivery

No employers' organization will be able to deliver all the services needed by employers through its own staff only. For instance, in Singapore, the employers' organization conducts MBA programmes in collaboration with other institutions, such as universities in and outside the country. An employers' organization can sometimes 'broker' services which it cannot itself provide. It may, as the employers' organization in Canterbury (New Zealand) has done, set up a consultancy company in which it has a major shareholding, retaining for itself the services provided for the membership fee, and transferring to the consultancy company the services for which separate charges are made. This approach in Canterbury has had the following advantages:

- It reduced membership subscriptions to the employers' organization. It was therefore fair to members who did not make substantial use of the services but had to pay subscription rates to subsidize members who were frequent users of those services.
- The consultancy company has to generate its own profits and revenue and receives no financial assistance from the employers' organization. It is, therefore, compelled to focus on relevance, quality and development of new services. It is able to 'broker' services which its own staff are unable to provide.
- The employers' organization receives dividends on the profits made by the consultancy company, enabling it to improve services and keep subscriptions at an acceptable level.

Labour relations and human resource development

In some Asian countries employers' organizations have yet to build a comparative advantage in labour relations services. Several reasons account for this. In countries where the government once controlled the labour movement and unionization rates are currently low, employers' organizations often found it expedient to leave the government to sort out problems. Weak unions provide little scope for negotiation outside the enterprise level, except where (as in some south Asian countries), despite low unionization rates, unions have enjoyed considerable political power. Further, until recently, relatively less emphasis has been placed on investment in social infrastructure. The focus has been on economic development. Now the ability of countries to move to technology-based industries and improve productivity is linked to work organization, human skills and the productivity of labour. Besides, the focus on industrial relations as a means of minimizing or preventing conflict or achieving equity in the labour market at the expense of efficiency had led employers' organizations in south Asia to develop a lobbying role with the government against what is considered a restrictive policy environment, and to concentrate on representing employers in disputes. In south-east Asia, there was less reason for employers' organizations to develop a similar labour relations role because the state intervened to ensure that workplace disruptions did not occur and to secure efficiency in production.

The more strategic role being assigned to labour relations today will result in a major transformation in the labour relations role of employers' organizations. They will have to continue their policy-lobbying role where it is still relevant to do so. But more importantly, members will come to expect advisory and representation services, well-researched information on workplace labour relations cooperation, communication and consultation mechanisms, and more participative and worker-involvement forms of management. These

expectations will also involve analysing trends in the region and elsewhere. Employers' organizations will, therefore, need to advise on sound labour relations practices, and therefore assume a more proactive role. This is reflected in the types of requests on labour relations issues received by the ILO from employers' organizations.

Dependence on governments to sort out industrial relations problems, low unionization rates which provide little scope for collective bargaining outside the enterprise level, and the general neglect, until recently, of investment in social infrastructure have all contributed to some Asian employers' organizations not developing a comparative advantage in labour relations services. However, with globalization and technological change, ensuing competition and rapid changes in products and markets, increased competitiveness based on productivity, human skills and workplace cooperation, and therefore the need for sound labour relations policies and practices to ensure sustained enterprise performance, employers and their organizations have to develop the capacity (together with employees and their organizations) to sort out labour problems.

Industrial relations services can cover a whole range of activities. The following are some of the possible roles and services of employers' organizations:

- undertake labour policy formulation and lobbying, e.g. influence the government on labour legislation and policy. The objectives should be to obtain a consensus, to enable the policy to be implemented with as little conflict as possible, and to achieve a balance between the interests of the parties;
- play a more preventive role, i.e. help to create a climate and system which would promote good relations and avoid and settle disputes through negotiation, though in the past the role was one of reacting to government or trade union initiatives;
- participate in tripartite or bipartite mechanisms at the national or industry level, e.g. in collective bargaining, joint consultation schemes, tripartite wage fixing bodies, training institutions, social security institutions, and safety and health bodies;
- provide labour market information to members, e.g. to guide members, facilitate collective bargaining, make representations to government, gain public acceptance of employer views and perform the public relations role effectively;
- provide labour advisory services to members, e.g. on wages and terms and conditions of employment;
- play a collective bargaining role, which may take the form of providing information to members to facilitate their negotiations, advisory services, and negotiation by the organization on behalf of members;
- represent employers in labour courts and arbitration proceedings;
- organize training in labour relations skills, e.g. knowledge of labour laws, negotiation skills, human resource management;
- provide human resource training and development, which includes awareness-raising, promoting training and investment in training, identifying training needs and skills requirements, and influencing training policies, by:
 - identifying education and skills needs and the education bias required
 - influencing educational authorities to take necessary corrective measures in regard to the adoption of suitable curricula and priorities
 - initiating and promoting teacher education programmes to impart knowledge about the nature of business, the environment needed for business development, etc.
 - acting as a link between employers and educational authorities;
- render research and information services, two important expectations members have of

employers' organizations, especially in view of globalization and the importance of information in decision-making;

- address issues such as how to reduce redundancies, training and retraining needs, and social security, in the context of economic reform and structural adjustment.

Some of the areas of interest and concern to employers in relation to labour relations and human resource development in which employers' organizations may need to be involved are the following:

- **Minimum wages.** Organizations should be the lobbying voice of employers on minimum wages, especially in the countries where political rather than economic considerations are a dominant factor in determining the level of minimum wages. To participate in minimum wage determination bodies, the organization should be able to collect and analyse employer views, develop a knowledge of minimum wage determination criteria and the economic implications of wage determination for competitiveness and employment, and be able to negotiate with the other two tripartite constituents. The organization would also need to develop a policy on minimum wages, e.g. whether there should be one at all and, if so, whether it should be used only as a 'safety net' measure to lift workers above the poverty line.
- **Flexible/performance pay.** Organizations will have to develop the capacity to promote flexible and performance pay systems. For this purpose they would have to be aware of the experience of other countries and collect case studies.
- **Cross-cultural management.** In the context of increased investment in Asia and the number of disputes which have arisen due to cross-cultural 'mismanagement employers' organizations could identify the particular industrial relations and human resource management considerations which affect the development of sound relations at the enterprise level in a cross-cultural environment. This would require identification of how information could be collected, analysed and disseminated, on the basis of which training programmes could be developed for foreign personnel, as well as for local people working in foreign or joint venture enterprises.
- **Industrial relations and human resource management training.** Not many developing countries have facilities for training in labour law and industrial relations. Among the areas of training which employers' organizations could develop are the various ways in which workplace relations can be improved, particularly in the context of the growing emphasis on workplace relations. This subject is not exclusively related to labour relations or human resource management, but requires an approach which combines the two. Organizations could also develop the expertise, as some have done, to prepare handbooks or guidelines on the practical application of labour relations. Organizations which have done so (in Nepal and Sri Lanka) have found that there is a high demand for them among practitioners in companies. Training courses on the application of labour laws are another example, since members usually need to be guided in this regard. An innovative step taken by the Malaysian Employers' Federation to conduct a diploma course in industrial relations, with ILO support and participation, is worth noting. For many years now the staff of employers' organizations in Malaysia, Singapore and Sri Lanka have been conducting training courses in industrial relations and human resource management for enterprise personnel.
- **Human resource development.** The importance of human resource development to the future development of Asia makes it desirable for employers' organizations to develop the capacity to influence the planning and implementation of human resource development policies in their countries. Though this is a complex area, there are several

ways in which the organizations can be involved. They could be an important link between education authorities and the business sector, as the New Zealand Employers' Federation has effectively demonstrated by influencing the direction of education to suit business needs. They could lobby for incentives for employers to invest in training. For this purpose they could collect and disseminate information on the schemes operative in other countries. Organizations could also develop a valuable information and knowledge base through the establishment of 'think tanks' of people drawn from the business sector and academia. Multinational enterprises are important sources to harness in a human resource development strategy, as was effectively demonstrated by Singapore. This could be undertaken in collaboration with the government. It is not only their advisory role which is useful; but there may also be potential for obtaining their assistance to establish training schools. Besides, there is also scope for relating collective bargaining on wages to skills and skills development, as is increasingly the case in Australia.

- **Workplace relations.** With the growing emphasis on decentralization and flexibility in industrial relations, employers are showing interest in improved communication, information sharing and workplace practices which provide more opportunities for employee involvement and are necessary as skills levels rise and repetitive tasks are replaced by jobs which are service- or skills-oriented. Employers will find that where unions exist it will be necessary to involve them in such initiatives at the workplace if the objectives of such initiatives are to be achieved. These changes will require employers' organizations to develop a positive industrial relations role, not only to influence the policy environment but also to provide sound advisory services and research results to members. This will involve building industrial relations expertise and capacity through appropriately trained and trainable staff. Employers are increasingly interested in 'bench marking', so that employers' organizations could develop the capacity to provide information on 'best practice' models.
- **Bipartism.** Changes in the industrial relations scene will require employers' organizations to assume an enhanced negotiating role and establish a continuing dialogue and bipartite relationship with unions. Trends indicate a greater appreciation of labour rights, and therefore of unions, in Asian countries which earlier exercised considerable control over worker representatives. In Indonesia, the Government has referred to the need for collective bargaining; in Malaysia, references have been made to the need for stronger worker representation if the Government is to play a less prominent role in the labour market; and Thailand has come a long way in regard to unionization since the early 1990s. Employers' organizations will, therefore, find it necessary to develop negotiating skills and bipartite relations. Securing worker cooperation at the workplace to implement industrial relations and human resource management strategies is essentially the responsibility of the employer. However, employers' organizations will need to secure, through negotiation, the cooperation of unions to implement some of the features of emerging competitive organizations, such as self-managing work groups and broad job demarcations.
- **Deregulation.** The increasing tendency towards deregulating the labour market will raise the issue of balancing efficiency with equity. The former is necessary for reasons of competitiveness and the latter as a basis for sound industrial relations, productivity and efficiency. If there is increased worker representation (through unions) and less state intervention in industrial relations, two consequences are possible: equity will have to be achieved through negotiation, which in turn will involve a much larger role for employers' organizations in bipartism and negotiation with unions than is currently the case.

- **Transition economies.** In countries in transition to a market economy, employers' organizations have been preoccupied with economic issues and have neglected to develop a labour relations role. As such, events have overtaken them in the sense that governments (e.g. China and Viet Nam) have commenced enacting labour codes/laws, and employers' organizations have not always been sufficiently equipped to influence their outcomes. In China and Mongolia, in particular, the organizations have responded to ILO advisory services, and are preparing to make industrial relations 'expertise' a focus of their future development strategy. This will involve not only the capacity to influence policy formulation but also to serve member needs in the more practical application of labour relations. There is considerable potential in China and Mongolia because of the existence of employers' organizations in the provinces. In Viet Nam, as yet there is no employers' organization with a clear social policy mandate (as distinct from an economic one). Among the Asian transition economies, the Mongolian Employers' Association represents only the private sector. Its activities are not controlled by the Government. As such, it and its provincial branches are able to promote private sector interests.

Productivity

Since productivity is a key concern of employers in the region, employers' organizations are expected to play a role in its promotion and enhancement. Bearing in mind that productivity is primarily an enterprise-level issue, the difficult question is defining the precise role of an employers' organization.

In countries where there is still a lack of awareness about the importance of productivity and attitudinal changes are necessary, an employers' organization can play a promotional role, especially with trade unions. In many countries there is still a need to enhance understanding of productivity concepts. Where there is a productivity board or similar institution, the employers' organization can be represented on its board and work actively with it, as was done in Singapore by the employers' organization. Productivity campaigns at the national and enterprise levels can be organized in collaboration with the productivity institution. The employers' organization could also organize national meetings to discuss key productivity issues such as changing work attitudes, developing a well-trained workforce, developing effective human resource management policies and practices, strengthening labour management cooperation, and effectively utilizing manpower. Where it engages in collective bargaining, the employers' organization can seek to introduce productivity bargaining.

The direct services an employers' organization could provide to members in the area of productivity relate to advisory and training services in subjects such as labour relations, which have a direct bearing on productivity. Promoting a safe and healthy working environment and training in low-cost improvements to enhance safety has a direct link to productivity. Improvements in workplace relations through, for instance, better consultation, communication and participation mechanisms, as also small group activities and 'job enrichment and enlargement, have a direct relationship to productivity. Investment in worker training provides substantial returns in the form of productivity improvement.

5. LOOKING TO THE FUTURE

In looking to the future, it is clear that all types of organizations, whether public or private, whether business, service or professional, are being subjected to performance measures. In centrally planned economies, state-owned enterprises are required to perform in a more competitive environment than before, and are trying to address the problem of how to effect the changes needed to manage successfully in such an environment. In Western industrialized countries, government institutions which render services to the public are also developing performance measures, and in some cases have even introduced performance-related pay. There is no reason to assume that employers' organizations will be exempt from this trend, especially since their membership consists of wealth-creating, productive organizations in the economy whose competitiveness, or lack of it, will influence the level of their country's economic and social development. Any organization which fails to plan for the future would do well to bear in mind the words of Gary Hamel and C.K. Prahalad who, in their influential study, point out that "any company that cannot imagine the future won't be around to enjoy it".⁽²⁹⁾

Employers' organizations should therefore take stock of themselves at periodic intervals (of about 2 to 3 years), possibly through a strategic planning exercise or by updating an already existing development plan. That is why the ILO, in 1995, initiated a strategic planning exercise by bringing together Asian and Pacific employers' organizations, and followed it up with advisory and technical services at the national level.

The key to the effectiveness of employers' organizations in the future - perhaps even to their survival as separate organizations - will be their service orientation and capacity to develop □new products□, so to speak, and to adapt quickly to the changing needs of employers. It will be difficult for employers' organizations to survive only as a lobbying body, unless perhaps it is a central or national body with a network of organizations which deliver direct services to members. Even in regard to this exception, employers could conceivably come to believe that one organization could equally effectively influence the policy environment in the business, economic and social fields.

The economic viability of employers' organizations will depend on the income they generate through specialized services, and on an expanded membership base. Generating such income will require careful differentiation between the services which members expect in return for their subscriptions and the services for which employers are prepared to make separate payments. For this purpose, the organizations will have to focus on anticipating needs, relevance and quality. The organizations, even if they operate in a business-friendly environment, should also perform a public relations role. As aptly pointed out by John Hung, Managing Director of Wheelock & Co., one of Hong Kong's largest conglomerates: "Economies are made by businessmen, not by politicians"⁽³⁰⁾. It is also necessary to promote sound labour-related policies and practices if the organizations are to project a favourable public image of business. Development is fast ceasing to be measured exclusively - or even mainly - in terms of industrial development and GNP. The social infrastructure is increasingly important as a reflection of development and, indeed, as a condition for development.

The overall impact on employers' organizations of changes taking place in the Asia-Pacific region is likely to be the following:

- The organizations may place less emphasis on influencing the policy environment and more on developing direct services to members.
- The organizations will have to recruit and train staff with expertise to provide advisory services on labour law and relations, and to negotiate with unions.
- A sophisticated research and information base will be required by the organizations. This means not merely a statistical base, but also analytical capability on the basis of which the organization can contribute to and influence policy debates on industrial relations changes. It is equally required to provide professional services to members. Such a base is also needed to satisfy the growing needs of employers for up-to-date, well-analysed labour market information.
- The organizations will have to move away from overemphasis on relations with government and develop bipartite relations with representatives of workers. Such relations and dialogue will ultimately benefit members by narrowing areas of disputes, preventing disputes and facilitating the promotion of concepts (such as productivity and performance) essential to enterprise competitiveness.
- The organizations will need to define their role in human resource development strategies in their countries.

If, as is likely to be the case, industrial relations will increasingly focus on workplace relations (and this is unlikely to be a passing phenomenon), the following scenarios are possible:

- Many employers' organizations will have to analyse industrial relations trends in their countries, rethink their comparative advantage and offer quality services. Such services could range from negotiation with unions on matters which the employer is unable to settle, to voluntary arbitration/conciliation services, to training in industrial relations and human resource management, to the provision of information.
- Some of the preconditions in discharging the above role are development of expertise among the organization's staff, development of a sound information and research system, and creation of a relationship of 'trust' with unions.
- In the course of time, employers' organizations may find it useful to set up a 'user pay' system under which the services for which separate charges are levied are clearly identified and provided through, for example, a separate wing or company.
- With social and economic issues being increasingly interlinked, employers' organizations will need to develop expertise in economics (e.g. by employing a labour economist), or merge with economic organizations of employers, and certainly collaborate with them more than is the case at present.
- In economies in transition, employers' organizations will need to develop a strong lobbying role to influence the policy environment to be conducive to business growth and development. They will have to expand their membership base among the 'growth' category of employers - the private and joint venture sector - and position themselves to service their needs which will be quite different to the needs of the state-owned sector. Managing productively and efficiently in a competitive environment is a major challenge for these economies. Brokering management and entrepreneurial training will be an important task for employers' organizations. They will have to increase their capacity to identify the constraints on business development which fall within the social policy area, and to influence the policy environment to make it more conducive to competitiveness and business growth. In this regard they may need to guard against

attempts to overregulate the labour market, which could occur when governments in such countries embark on a labour law and labour protection agenda. The relatively stronger political position that unions in such countries sometimes occupy could contribute to this possibility. However, the extent to which employers' organizations can effectively play this role will depend on their adequately representing the private sector and the degree of independence from government control that they enjoy. In order to perform these tasks an employers' organization will have to participate in tripartite bodies, be able to prepare policy positions to be presented to the government, publicize employer views to gain public acceptance and establish good bipartite relations with unions.

The capacity to deliver services will be conditioned by four factors. First, an employers' organization will have to identify its core competencies. In moving from one service or activity to another, it will be useful to diversify into related fields. For instance, if industrial relations is one of the organization's core functions and it wishes to provide training services, it should first build a reputation for excellence in that area of training. It should not, for instance, first move into the area of management training. Building a reputation for excellence in one area will enhance the organization's credibility among members when it expands its activities or services to other areas. The energies of what is invariably a small group of professional staff should not be diffused over so many activities that they do not become experts in any one of them. Second, the organization will have to recruit, train, and retain staff capable of delivering services at least in its core competencies. Third, the organization may need to deliver some of its services through networking with other institutions such as universities, consultancy firms or individuals. Further, in an information age, when the application of knowledge determines productivity, the organization should develop an excellence in labour market information analysis and dissemination. This is important to both the policy lobbying role as well as the quality of direct services. In the investment in knowledge and the information infrastructure, most Asian countries lag behind the West. Organizations will also benefit from developing some degree of expertise in economics to enhance their capacity to analyse information relating to the labour market.

If at present employers' organizations are not subject to the same competitive pressures as business organizations, it would be misleading to assume that such a situation will continue indefinitely. What could threaten the existence of employers' organizations as separate organizations will be the business community's perception that there is value in combining the economic and social roles, i.e. employers' organizations and chambers of commerce and trade. Consultancy firms could also encroach into some parts of an employers' organization's services. It is instructive to note the trends in other regions, such as western Europe.

Not so long ago separate economic and social policy organizations were common in western Europe. Today the situation is different. Among about 24 western European organizations of employers, about one-third deal only with social and labour issues. The rest cover both fields, thus combining the functions of both types of organizations. Recent examples of countries in which economic bodies and employers' organizations merged are Finland, Ireland and Norway. Quite possibly, Sweden may follow suit. In western Europe, chambers of commerce cover mainly economic activities, but some are moving into the social policy area. In some countries membership of such chambers is compulsory (in Nordic countries it is voluntary), but employers' organizations are voluntary bodies. In Asia and the Pacific the two types of organizations have merged in Australia at the national level, as well as in most of the states. In New Zealand, the merger took place first in Canterbury at the regional level. Mergers are

possible in other sub-regions, including at the national level. In China and Mongolia, the organizations are mainly involved in economic issues, and the social role is a subsequent addition to their functions. In Nepal, the labour-related role was added to the functions of the Federation of Nepalese Chambers of Commerce and Industry in the late 1980s. In India, though there are employers' organizations, there are also economic bodies involved in social issues.

Several factors could influence thinking towards a merger of employers' organizations and economic organizations. The cost-effectiveness of having one organization would obviously be one consideration. Another is the difficulty of strictly separating the social and economic implications of policies and decisions in the two fields. This is evident even in the policies of the World Bank which, since the mid-1990s, has been paying greater attention to the social implications of economic policies. A third consideration is the value of having one information and research base to serve the policy lobbying and service needs of employers. Another factor is that economic bodies, such as chambers of commerce and trade, manufacturing associations and industry organizations, may develop a lobbying role in areas which traditionally fall within the province of employers' organizations. There are already indications of this trend. Moreover, where lobbying is the only or main function of an employers' organization, it could be questioned why there should be two organizations to perform similar tasks. In all these circumstances, employers' organizations need to recognize that, if they are to continue as separate organizations in the next century, they have to be at the cutting edge of expertise, knowledge and services, and be effective in promoting and protecting employer interests in labour related matters. They may also have to develop a role and functions in areas in which they do not have expertise at present. With the social aspects of development assuming greater importance and the possibility of social issues being relegated to relative unimportance in a merged organization, employers' organizations should be able to demonstrate their uniqueness and relevance in the business environment.

The move towards regional integration in Asia in the economic and trade spheres will increase contacts and cooperation among economic organizations of employers, enabling each national body to develop regional expertise and an information base. Employers' organizations will have to cooperate amongst themselves, share more information and provide technical assistance to each other. In this context, member enterprises would benefit from employers' organizations developing a knowledge base about labour conditions in other countries.

Another issue for employers' organizations will be attracting the membership of regional and global companies. Such enterprises have been growing in number and increasingly exercise considerable influence on the business environment. They are likely to have considerable in-house expertise. Therefore, the question is whether they are likely to be members of employers' organizations. Given the influence they exercise, an employers' organization's policy lobbying role alone is unlikely to be adequate reason for joining it. The reasons for membership will probably relate to information and direct services. Employers' organizations will have to gather more information on this. It should also not be overlooked that regional and global companies may, as they already do in some countries, form themselves into associations or chambers based on their 'nationality'. This implies that in order to attract such enterprises to membership, employers' organizations would have to provide services which other organizations are unable to provide.

Employers' organizations may need to explore ways and means of increasing their membership base, especially among small enterprises which form the majority of employers, some or many

of whom often belong to chambers of commerce. In some countries they have organizations of their own. Small enterprises could, by forming their own associations, have considerable influence on governments through links with ministries other than labour ministries (e.g. trade and industry ministries). Where an employers' organization has a decentralized structure (e.g. with branches or organizations in regions or provinces), or where membership is of or includes associations of employers, it is easier to attract small enterprises into membership. However, it may be useful for organizations to conduct a survey of the external environment to ascertain the potential for attracting small enterprises. Closer cooperation with organizations of which small enterprises are members is an option to be pursued. One of the basic problems in attracting small enterprises is that they expect an organization to be a 'one-stop' shop. They are generally less inclined to seek different types of services from several organizations.

Finally, an employers' organization, like a business enterprise, should develop a 'theory of the business'⁽³¹⁾. This consists of three elements. The first deals with assumptions about the environment in which the organization operates. For instance, whether or not it is operating in a business-friendly environment will determine the priority accorded to policy lobbying as distinct from the provision of direct services to members. The priorities identified will, in turn, dictate where resources should be channelled. The environment will even influence the type of information to be collected and analysed.

The second element deals with the employers' organization's mission. If it is to only contribute to the competitiveness of enterprises in a narrow sense, its activities will be geared to improving the efficiency and profitability of firms. Wages and other terms and conditions of employment which it can influence through negotiation or lobbying will be viewed in this light. As in the case of many apex organizations, if the mission is to influence the policy environment to be conducive to business growth and development, negotiations with the government and relevant institutions will be an important focus of its attention. But its mission may be a broader one so as to encompass contributing to the social role of employers, since the public image of business is increasingly becoming one key to its success. In that event, it will need to take this into account in its advisory services, lobbying and negotiations - in particular, in issues of industrial relations and human resource management, safety and health, welfare and environmental management. Equity, and not only efficiency, will feature in its policies and advice.

The third element covers the basic competencies required to give effect to the employers' organization's mission. Here, the prerequisite skills and resources need to be identified. For instance, are they skills in economics, advocacy skills, negotiation skills, representation skills or research skills? Organizations which seek to do a little of everything without developing core competencies are likely to stagnate. If they intend to develop safety and health services, they should be clear about what they can and cannot achieve. For instance, they cannot develop expertise in highly technical aspects of issues. Developing core competencies assumes that they will have skilled staff to render the required services.

The 'theory of the business' which emerges must be well understood throughout the employers' organization, and all its elements must fit together. It must also be periodically reviewed, a task which would be easier for an organization which has constant and close contacts with enterprises. If not, the organization will experience what many well-known enterprises have undergone as a result of continuing with a 'theory of the business' no longer related to reality.⁽³²⁾ In essence:

"The assumptions about environment define what an organization is paid for. The assumptions about mission define what an organization considers to be meaningful results; in other words, they point to how it envisions itself making a difference in the economy and in the society at large. Finally, the assumptions about core competencies define where an organization must excel in order to maintain leadership."⁽³³⁾

[\[Top\]](#)
[\[Contents\]](#)

[\[Previous\]](#)

ENDNOTES

1. In Industrialized countries, engaging in collective bargaining at the national or industry level is an important rationale for the existence of an employers' organization. This is of less significance in Asia where collective bargaining is relatively minimal, or else occurs largely at the enterprise level, with little participation by employers' organizations, except in a few cases in an advisory capacity or as the negotiating body.
2. Ohmae, Kenichi. 1990. *The borderless world*. London, Harper collins Publishers. See also Ohmae, Kenichi (ed.) 1995. *The evolving global economy. Making sense of the new world order*. USA, Harvard Business Review Book Series.
3. Drucker, Peter F. 1992 *Managing for the future: The 1990s and beyond*. Dutton, Truman Talley Books, p. 26.
4. David Li Kwok Po. 1996 "Asia's managers must meet changes" in *Asian Business*, February, pp. 20-23.
5. In largely agricultural societies most people even now work outside an enterprise. The reference here is to people whose work relates to an enterprise.
6. Krugman, Paul. 1995. "Does third world growth hurt first world prosperity" in *The evolving global economy. Making sense of the new world order*, pp. 113-118, op. cit. Originally published in *Harvard Business Review*, July-August 1994.
7. There are, of course, few truly global corporations, except in the sense of operating in different countries. Globalization has not implied a complete shift to global products and services due to the need to be sensitive to national markets. Hence, the ASEA Brown Boveri concept of the "multicultural multinational".
8. The controversial aspects of the individualization of the employment relationship are outside the scope of this discussion.
9. This, of course, also applies to education systems in many other Asian countries. All this does not imply that human capital is the only critical factor for growth. In recent times, many economists have been analysing the conditions needed for growth (see *The Economist*, 25 March 1996, pp.15-16 and 23-25). "Many studies show that 'market-friendly' policies work best: secure property rights; reliable enforcement of contracts; a liberal trade regime; low taxes and public spending; a welcome for foreign investors. Economists argue about how much weight to attach to one factor or another, but most have come to agree with this broad

proposition: the key to growth is granting producers and consumers the economic freedom to face and respond to incentives.", *ibid.*, p. 16.

[10.](#) Deyo, Frederic C. 1995. "Human resource strategies and industrial restructuring in Thailand" in *Industrialization and labour relations* (ed. by Frenkel, Stephen, and Harrod, Jeffery). New York, ILR Press, Cornell University.

[11.](#) Compare for OECD countries: 1996 "Training and jobs" in *The Economist*, 6-12 April, pp. 19-21.

[12.](#) Drucker, Peter F. 1995. *Managing in a time of great change*. Oxford, Butterworth-Heinemann Ltd.

[13.](#) Barbash, Jack and Barbash, Kate (ed.). 1989. "Equity as function: Its rise and attrition" in *Theories and concepts in comparative industrial relations*. Columbia, University of South Carolina Press, p. 116.

[14.](#) Okun, Arthur. 1980. "The invisible handshake and market process" in Brookings Report No. 356, p. 8.

[15.](#) Galbraith, John Kenneth. 1995. *The world economy since the wars*. London, Mandarin Paperbacks, pp. 81-82.

[16.](#) Bray, M. *A precarious victory: The regulation of self-employed owner-drivers in New South Wales Road Transport 1940-1988*. Industrial Relations Research Center, Monograph No. 29. University of New South Wales. See also Buchanan, John and Callus, Ron. 1993. "Efficiency and equity at work: The need for labour market regulation in Australia" in *The Journal of Industrial Relations*, No. 35, p. 515, which covers not only Australia but also the policy debate and general issues involved.

[17.](#) 1965. *Industrial relations: What is wrong with the system?* London, Faber and Faber, p. 10.

[18.](#) *ibid.*, pp. 15-18.

[19.](#) For details see the analysis of Buchanan, John and Callus, Ron *op. cit.*, pp. 518-524.

[20.](#) *ibid.*, p. 519.

[21.](#) *ibid.*, p 530. See p. 524, et seq. for an analysis of the arguments against reliance on internal regulation only to achieve efficiency.

[22.](#) "Traditional industrial relations has been more about the established contours of bargaining and other rule-making, whereas the focus of the 1990s seems to be much more about engendering change in the interests of greater flexibility": Niland, John R., Lansbury, Russell D., and Verevis, Chrissie. 1994. "Change and the international exchange of ideas" in *The future of industrial relations*. California, Sage Publications, pp. 451-466.

[23.](#) On this issue and on the European view (as distinct from the American and Japanese views), see Henzler, Herbert A. 1995. "The new era of Eurocapitalism" in *The evolving global economy. Making sense of the new world order*, *op.cit.*, pp. 3-7.

[24.](#) The statement of the Mediterranean Employers' Organizations, adopted in Nicosia on 13 March 1996 (see the supplement of the International Organisation of Employers "*The Free Employer*", March-April 1996) contains a useful action plan for employers' organizations at the enterprise, national and regional levels relevant to many other employers' organizations.

[25.](#) 1991. "The logic of global business: An interview with Percy Barnevik" in *Harvard Business Review*, March-April, pp. 91-105.

[26.](#) For an analysis of why and how employers' organizations should support small enterprises and how they could do so, see Henriques, Michael. 1995. "Employers' organizations and small enterprise development" in *Report of the Workshop on Strategic Planning for Employers' Organizations to the Year 2000*. Turin, International Training Centre of the ILO.

[27.](#) For details, see Part 4 under "[Service delivery](#)".

[28.](#) ILO. 1995. *Report of the Workshop on Strategic Planning for Employers' Organizations to the Year 2000*, op. cit.

[29.](#) 1994. *Competing for the future*. Boston, Harvard Business School Press, pp. xi-xii.

[30.](#) 1996. *Asian Business*, March (Vol.32, No.3), p. 36. Of course, employees are a part of this process.

[31.](#) For what this means in relation to enterprises, see Drucker, Peter. 1995. *Managing in a time of great change*, op. cit., Chapter 1.

[32.](#) *ibid.*, pp.21-34.

[33.](#) *ibid.*, p. 26.

For further information, please contact Bureau for Employers' Activities (ACT/EMP)
