



4. Social dialogue: Participation and cooperation for decent work

The Asian economic crisis had both positive and negative effects on the institutions and process of social dialogue. As democratization accelerates, it becomes more urgent to define more clearly the respective roles of social dialogue and participatory democracy.

The value of national social dialogue depends on the independence, representativity and capacity of the social partners to engage in it. Social dialogue may be tripartite or bipartite. In either case it must operate within a clear legal framework.

The main area for social dialogue at present is that of economic reform and social equity, the latter comprising both issues of social protection and of minimum wages. Social dialogue is also a means of more efficient and more effective dispute resolution.

Since its inception, the ILO has promoted social dialogue. Indeed, its tripartite structure reflects a conviction that the best solutions arise through its many forms and levels, from national tripartite consultations and cooperation to plant-level collective bargaining and workplace relations. Engaging in dialogue, the social partners also fortify democratic governance, building vigorous and resilient labour market institutions that contribute to long-term social and economic stability and peace. Social dialogue is a powerful tool that has helped solve difficult problems and fosters social cohesion.

Despite its proven worth, social dialogue is far from being as fully utilized in the region as elsewhere. In some countries freedom of association is still not fully guaranteed, and in many others trade union density has decreased while industrial relations institutions have weakened. In some enterprises outmoded, hierarchical practices can lead to acrimony, breeding a chronically confrontational culture that in the long run is unproductive for both enterprises and workers. In addition to these familiar problems, social dialogue has been undermined by a number of recent developments that have tended to favour individual over collective action. More complex and flexible

types of employment, for example, have loosened many social ties and have widened disparities between the skilled and the unskilled, and between the formal and informal economies. At the same time, many enterprises have been changing their structure, dismantling the kind of vertical hierarchies that underpinned traditional systems of industrial relations and moving away from collective bargaining.

But there have also been positive developments in the region. Social partners have renewed their efforts to build sound institutions with a growing recognition of the important role of social dialogue in social and economic policy areas. In countries' efforts to cope with the Asian crisis, tripartite social dialogue has gained new or renewed acceptance among social partners. Democratization, in particular, has helped the resurgence of social dialogue in such countries. Intensifying competition between and within nations has led social partners in the region to put more emphasis on building sound labour-management relations at the workplace. Economic reform in transition economies has led – though often with a significant time lag – to reforms of labour market institutions such as collective bargaining and dispute settlement mechanisms at the workplace. These developments indicate that social dialogue should be a dynamic, rather than static, process, geared towards meeting the complex challenges of building economic competitiveness and social equity. Similarly, social dialogue should be a democratic process geared to reaching out not only to workers in the formal sector but also to the more vulnerable, atypical workforce in order to reduce the phenomenon of social and economic exclusion.

One of the key rewards of social dialogue is the building of mutually satisfactory and rewarding relationships between the partners that lead to decent working environments, job satisfaction, good enterprise performance and, in general, outcomes with rewards for all. Both tripartite and bipartite dialogue, with greater transparency and mutual respect for each other's views and needs, especially on a voluntary basis, builds better trust and cooperation. Effective employers' and workers' organizations can certainly help build good relationships. The ILO's social dialogue programme seeks to build on and promote these values and practices amongst the constituents.

Tripartite social dialogue and the road towards democracy

Social dialogue is a manifestation of participatory democracy. Political openness and democratic governance are preconditions for social dialogue to prosper. It is also equally true that well-functioning social dialogue institutions reinforce and invigorate political democ-

Box 4.1. Social dialogue in Arab States and the role of the ILO

In collaboration with the Arab Labour Organization (ALO), the ILO organized an Arab Interregional Meeting for Arab Countries on the Promotion of Tripartism and Social Dialogue (Beirut, October 2000). Bringing together the ILO tripartite constituents and other concerned parties in the Arab region to discuss for the first time the issue of social dialogue, the meeting was designed to enhance tripartite consultation, and promote social dialogue in the context of national development efforts. The most important conclusions of the seminar were the following: to uphold the principle of tripartite dialogue and consultations and to promote all mechanisms, activities and channels for such dialogue, taking into consideration the particular outlook, level of development, and requirements of each individual society, ensuring at the same time that each party enjoys its independence and its freedom to express itself with regard to its interests in industrial relations; to

urge the governments of the Arab States to ratify the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98), which are considered to be the cornerstone of tripartism and consultation among the social partners; to urge governments to establish national permanent committees comprising all three social partners, which would be concerned with all labour and employment issues, as well as urge these governments to ratify the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144); to increase technical cooperation in order to strengthen the capacities of workers' and employers' organizations so that they are able to participate more actively in tripartite consultations; and to create the legislative framework for the promotion of women and their participation in social dialogue and tripartite consultation.

racy. Political changes that have occurred over the last few years in many countries of the region have had a significant impact on the development of social dialogue in the countries concerned.

In a number of countries that were hard hit by the Asian financial crisis, changes of political landscape have been substantial, opening a window of opportunity for social partners to take new social-dialogue initiatives. To a varying degree – but consistently – political trends in the crisis-affected countries reflect a rising demand for openness and popular participation in economic and social policy choices. While the pressure for democratic reform has been a long-standing trend in the region, the crisis appears to have given it new impetus. The increase in tripartite initiatives is one facet of this new momentum. In the Republic of Korea, the creation of the Tripartite Commission, whose mandate and influence is far greater than any other tripartite body in the country's modern history, was a reflection of maturing democracy. In Thailand, the new Constitution emphasises openness, participation, and the consolidation of democracy. In

Indonesia, the new political openness led to ratification of the ILO's core Conventions including those on freedom of association and the right to collective bargaining, thus preparing the ground for social dialogue. The creation of bipartite and tripartite mechanisms in Yemen, Lebanon, Jordan and Kuwait are signs of greater political openness and a trend towards more participation in the economic and social decision-making process. Moreover, the latest changes in some GCC States authorizing the setting up of workers' organizations are indications that these countries accept the need to include constructive forces and institutions, such as independent trade unions, in the process of change.

In South Asian countries, social dialogue has a long history supported by an equally long history of plural democracy, especially in India. But many observers have become sceptical of the social partners' ability to help renovate the country through social dialogue, as social dialogue has often revealed its incapacity to move beyond the status quo. A need to move forward is strongly felt among social partners in the region and there is a need for governments to be more proactive, especially through timely decision-making.

In other countries, political instability has had a damaging impact on social dialogue. In Fiji, the main tripartite body – the Tripartite Forum, which had been reactivated after a lapse of ten years – and tripartite steering committees, which were formed to implement the country programme, became temporarily dysfunctional after the coup in May 2000. Tripartite institutions were also affected in the Solomon Islands after the outbreak of ethnic clashes that virtually cancelled out earlier attempts at tripartism. The continued embargo on Iraq became a major handicap in promoting effective social dialogue, whereas occupation and the closure of borders and the Palestinian territories are factors which continue to weaken or even prevent the operation of tripartite structures.

The abovementioned political developments and their impact on social dialogue confirm the view that political openness and sound governance are prerequisites for social dialogue. If social dialogue is to assure its rightful place in society, as a form of participatory dialogue, it should complement parliamentary democracy. Where major decisions on economic and social policies are influenced by employers' and workers' organizations, these organizations may be perceived as usurping the legitimate role of the elected legislature. In the Republic of Korea, social partners have had difficulty translating their hard-earned tripartite agreements into legislation when the legislature was reluctant to ratify agreements reached through long negotiation

between the social partners. The social partners also frequently encountered scepticism amongst officials of economic ministries who questioned whether social dialogue helped or hindered social and economic structuring. Despite the positive perception of social dialogue and the general acceptance of the value of the institutions of dialogue, there are still chronic and newly emerging constraints which continue to hinder the proper functioning of social dialogue.

That governments acknowledge the legitimacy of workers' and employers' organizations and their representatives shows that their contribution to policy-making is regarded as useful. Inherent in this is a recognition of the social partners' expertise on a range of economic and social issues. It follows that social partners must be able to demonstrate their expertise on, and contributions to, social and economic policy issues in social dialogue. Of crucial importance to all parties to social dialogue in the Arab States is the need to acquire the technical and professional capacity to participate effectively in tripartite social and economic negotiations.

Another issue requiring careful attention by the social partners is how to make social dialogue inclusive. Globalization has spawned new forms of work organization, altered established employment relations and weakened the traditional structure and role of the trade unions. Workers in the informal sector, the self-employed, part-time workers, and home-based workers usually fall outside the traditional channels of representation. There are successful examples of collaborative efforts between these workers and other specific segments of the working population. For example, voluntary partnership between the social partners and other social groups has helped the integration of young people – who are especially vulnerable to long-term unemployment – into the labour market in New Zealand. In India, where the vast majority of the working population is in the informal sector, there have been encouraging attempts to address the social and economic concerns of informal sector workers. The Indian State of Kerala managed to address the 80 or 90 per cent of workers who are in the informal sector by developing ways, on a mutually acceptable basis, to offer them provident funds, health insurance and other benefits based on workers' contributions. The Kerala experience may make for a useful model of social dialogue focused on unorganized labour. The “vision statement” on labour policy in Kerala also is unique in the sense that it is a non-government agenda arrived at through a participatory process; it is not a case of popular organizations endorsing an agenda set by government.

What happened to tripartism in the aftermath of the economic crisis?

The Asian financial crisis wrought economic and social havoc on millions of working people and their families; however, it also acted as a catalyst for increased recognition of the need for tripartite dialogue among the social partners and governments.

In addressing the effects of the economic and social crisis through mobilization of tripartite cooperation, a more participatory approach has been taken in the crisis-affected Asian countries. The search for solutions has resulted in the creation of entirely new tripartite approaches in the Republic of Korea (Tripartite Commission, 1998), Malaysia (creation of National Economic Action Council, 1998), Singapore (Tripartite Panel on Retrenched Workers, 1998) and Thailand; meanwhile efforts in several other countries have been channelled through existing tripartite bodies. Some of the tripartite initiatives have included government participation at the highest level. In Malaysia, the tripartite mechanism set up to address the economic crisis was spearheaded by the Prime Minister himself. In the Republic of Korea, tripartite bodies now include the major economic ministries. In some instances, the agenda for dialogue has extended well beyond the issues dealing solely with the labour market to include a range of macroeconomic policy choices. Such has been the case in both the Republic of Korea and in Malaysia.

In the Philippines, the Department of Labor and Employment orchestrated a national tripartite process involving the Philippine employers' organizations and two of the country's labour federations, which resulted, in February 1998, in a "Social Accord". The Accord committed trade unions to renounce strike action during the economic downturn in return for an employer pledge to avoid retrenchment as far as possible. Following an initial duration of six months, the tripartite process and the Accord were renewed later in the year. Furthermore, on the initiative of the Department of Labor and Employment, the tripartite accord process was replicated at the regional level and produced several regional accords. In Indonesia, the demise of the previous government and subsequent democratic reform led to the abolition of the trade union monopoly, paving the way for freedom of association and resulting in a proliferation of new trade union federations.

However, the road towards genuine social dialogue has not been smooth. Political instability has hampered social dialogue machinery. Failure to convene national tripartite conferences on major social and economic policy issues has eroded the value and credibility of estab-

lished social dialogue institutions in the Philippines, while the social partners in Indonesia are struggling to find a new form of social dialogue against a background of continuing political turmoil and a changing industrial relations environment.

The institutions of tripartism in Asia and the Pacific: A long way to go

Despite the impressive development of social dialogue in some countries in this region, it must be recognized that the institutional basis of tripartite social dialogue is relatively weak in the Asia-Pacific region as well as the Arab region.

Capacity of the social partners

First of all, the social partners' organizational capacity is weak in many of the countries under consideration. Trade union density tends to be relatively low, ranging from a mere estimated 2.8 per cent of the workforce in the formal sector of Thailand, to 11 per cent in the Republic of Korea, to 20 per cent in Singapore and to around 30 per cent in Australia. Taking into account the vast scale of the informal sector in such Asian countries as India, Indonesia, Thailand and others, trade union representation of the working population is quite limited.

In many countries, the plethora of trade unions necessarily makes individual workers' organizations less representative in social dialogue. This, for instance, is the case to a varying extent in India, Pakistan and Bangladesh. In Indonesia, now that the trade union monopoly has been abolished and freedom of association guaranteed, there are more than 30 trade unions at the national level, competing with each other for the same membership. Multiplicity of trade unions often hampers social dialogue by weakening unions' ability to take coordinated positions.

Employers' organizations in several developing countries of the region are in a scarcely better situation. Their weak secretariats, low membership base and consequent lack of financial capacity prevent them from carrying out important activities and providing relevant services to their members. This situation makes it increasingly difficult to attract new members. Competition from rival organizations, such as chambers of commerce, businessmen's associations and other NGOs, compounds their difficulties. In some countries (notably in the Arab States), the only business organizations are chambers of commerce; in others, there is the trend to merge economic and social

organizations representing business (e.g. New Zealand, Australia, Japan). Elsewhere (as in Viet Nam, Nepal, Bangladesh and at least one Indian case) the employers' organization is de facto a part or an extension of the chamber of commerce. Multiplicity of employers' business organizations also weakens their capacity and can pose problems in countries like India, East Timor and Thailand. Employers' organizations frequently represent the large employers and find it difficult to organize and represent the interests of employers in medium, small and micro-enterprises. In the Arab States, the weakened capacity of employers' organizations, coupled with dwindling financial resources, have hindered their efforts to review their roles with a view to giving more priority to social issues and providing stronger support to the SMEs, which represent the majority of their members.

Furthermore, the State – a vital component of tripartism – is not always in a position to change the situation. Ministries of labour generally do not have the financial and human resources needed to carry out their multiple responsibilities. As a result, even where formal tripartite structures have been established, their impact is imperceptible. As most important decisions on economic and social policy are taken by the ministries of finance and planning, or the office of the president or prime minister, tripartite bodies under the ministry of labour can often play merely a marginal role. Not only is it critically important to augment the financial and human resources and capacities of the ministries of labour, it is equally important to elevate their status, engage them in purposeful dialogue and draw the social partners into the government's decision-making process. Capacity building through intensive training in the basic concepts of efficient labour administration is being provided in Cambodia, China, East Timor,

Box 4.2. Enhancing the role of labour administrations

Within the joint ILO/ALO Regional Programme for Labour Administration, technical advice was offered and training activities and seminars conducted to improve the effectiveness of the labour administration systems of the Arab-Asian countries to promote employment, improve labour conditions and social protection – mainly in the informal economy – and increase their participation in the design of economic and social policies. The activities also fo-

cused on gender issues and the development of sound labour relations.

In addition to these joint activities, the ILO provided technical advice and conducted training to enhance the role and effectiveness of labour administration and reviewed labour legislation in the light of the new socio-economic challenges (Lebanon, Jordan, Kuwait, United Arab Emirates, the West Bank and Gaza, Oman and Qatar).

Mongolia and Viet Nam, with particular emphasis on upgrading skills and the services offered by provincial labour offices.

Weakness of collective bargaining

Another important indicator of trade union strength and the effectiveness of industrial relations machinery is collective bargaining coverage. In countries such as the Republic of Korea and Malaysia, collective bargaining coverage is higher than trade union density, since collective bargaining agreements apply to non-union employees (whether at enterprise or, in some instances, industry level). In others, collective bargaining coverage appears to be significantly lower than that suggested by trade union density figures (notably Thailand and South Asian countries where trade union density itself is low).

In transition economies, the problem of weak social partners presents itself in a different way. In China and Viet Nam, each of which have a single official trade union confederation, membership density tends to be higher than in other Asian countries. While official data suggests a relatively high degree of unionization, the trade unions' real strength seems to be far below what the data might suggest. In Viet Nam, for example, the very concept of collective bargaining – and, in particular, bargaining over interests – is not widely known. Such collective agreements as do exist tend more often than not to amount to little more than the joint endorsement by labour and management of the provisions of the Labour Code. In China, a relatively extensive trade union presence in enterprises fails to confer many of the benefits which workers expect from union in a market economy.

The weakness of the social partners in the Arab region continue adversely to affect their negotiating skills and capacities, thus leading to limited consultations or negotiations at enterprise, industry and national levels.

One of the weaknesses of the industrial relations system in many Asian countries is the scarcity – or even lack – of arrangements at the industrial or sectoral level. Collective bargaining in Asia is chiefly confined to the enterprise or workplace level. But without intermediate-level industrial relations arrangements, social partners can find it difficult to deliver on agreements, if these are reached at the national level, to workers and employers at the enterprise level. This was one of the obstacles the social partners in the Republic of Korea faced after reaching the first national tripartite agreements – how to link industrial relations at different levels and how to strengthen social dia-

logue at the intermediate level are challenges for the social partners in most parts of Asia.

In addition to the abovementioned weaknesses of collective bargaining in many Asian countries, the collective bargaining agenda at the enterprise level has been rather narrowly set, hardly going beyond basic working conditions at the workplace. Other qualitative issues, such as training and participation in management decisions, are rarely addressed by labour and management through collective bargaining.

Practices and institutions of workplace cooperation

This weakness of collective bargaining at the enterprise level may also be attributed to the fact that practices and institutions of workplace cooperation have not been sufficiently developed. An encouraging example of plant-level joint labour-management consultation may be found in Japan, where committees contribute to sound bipartite relations both in union and non-union enterprises. Nonetheless, practices and institutions of plant-level cooperation are virtually absent in Malaysia and Thailand. In other countries attempts have been made to institutionalize workers' participation in decision-making (e.g. through legislation requiring the establishment of labour-management committees), but such institutions have not worked satisfactorily. In South Asia, for instance, workplace institutions for cooperation – despite being championed for decades by the government – have not always lived up to the social partners' expectations.

In certain cases, however, the crisis has given a fresh impetus to greater workplace cooperation – as in the Philippines where it appears to have resulted in broader support for labour-management councils. In Thailand, the 1998 Code of Practice to Promote Labour Relations outlined ways in which to reduce workplace costs and committed parties to the principle that bipartite social dialogue was a necessary prerequisite to any decision affecting employees' welfare. In many workplaces in Asia, the unions' more realistic attitude towards job losses and competitiveness concerns has often been accompanied by a greater willingness on the part of management to communicate and instil workplace cooperation. In this regard, it should be emphasized that sound human resources management and sound industrial relations reinforce and complement each other, as every successful enterprise testifies.

Strengthening bipartite initiatives

An important industrial relations policy issue is how to strengthen bipartite social dialogue at the higher levels, both by sector and at the

national level. As European experience shows, voluntary initiatives between trade unions and employers' organizations at industrial and national levels have an enormous potential not only for improving the industrial relations atmosphere but also for tackling social policy issues. However, the weak capacity of both employers' and workers' organizations remains a major obstacle to the development of bipartite initiatives in Asia.

The lack of voluntary initiatives in the region might be a legacy of state-led development processes, in which actors in the labour markets expected governments to take the lead in social dialogue. Recent developments in some countries suggest increased recourse to bipartite social dialogue. In Japan for instance, the employers' federation (NIKKEIREN) and the national centre of trade unions (JTUC-RENGO) have forged and strengthened a partnership in their endeavour towards greater employment security and job creation. Their joint declaration and projects initiated tripartite efforts to improve the labour market situation by solving mismatch problems, proposing new policy measures on training and education, and putting forward policy measures to cope with an ageing society. Furthermore, bipartite partnership in Pakistan has led to the formulation of a new labour reform programme; and in Malaysia bipartism has been instrumental in overcoming the effects of the economic crisis.

The legal framework for social dialogue

Legal frameworks for social dialogue in some Asian countries do not seem to encourage sound development of social dialogue at the various levels. There are still some legal restrictions on trade union

Box 4.3. Bipartite social dialogue: The case of WEBCOP in Pakistan

A new development in Pakistan has been the establishment of a bipartite national level forum: the Workers' and Employers' Bipartite Council of Pakistan (WEBCOP). This body has played a unique role in helping the Government build on consensus proposals for the labour reform programme – even with regard to long-outstanding labour issues. Industrial relations strategy is now shifting from legislative intervention to bipartite initiatives, in which the State acts as a facilitator.

WEBCOP constitutes a group of enlightened employers and eminent leaders from almost all national level workers' organizations in Pakistan. A detailed Memorandum of Understanding has been signed which aims at improving relations between the partners, developing a consensus regarding a national manpower policy and harmonizing industrial relations through continued social dialogue.

Box 4.4. Bipartite dialogue at the sectoral level in Malaysia

In Malaysia, in addition to the effects of the regulatory environment and national tripartite dialogue on labour market adjustment, important initiatives have also occurred at the sectoral level, where there has been substantial cooperation between trade unions and employers in lessening the impact of the crisis on jobs. Prior to the crisis, the Federation of Malaysian Manufacturers (FMM) had become the first employers' organization to establish a joint com-

mittee with the Malaysian Trade Union Congress (MTUC). When the crisis occurred, the joint committee constituted itself as a "task force" on retrenchments and vacancies. In essence, the committee functions as a private employment service. It holds a list of companies planning to retrench staff. The MTUC is part of the information conduit. It also seeks out vacancies for retrenched workers on the list it maintains.

activities, particularly in the public sector. Labour laws in many Asian countries have been characterized by restrictions on the full freedom of trade unions to engage in activities deemed to be managerial prerogatives or likely to result in industrial conflict, as is the case in Singapore and Malaysia. Restrictions on the scope of bargaining in both countries are part of the export-oriented development strategy in which the aim is to ensure an investor-friendly labour climate. In this regard, it may be no coincidence that Malaysia and Singapore are the two countries in which the share of foreign-owned firms is highest. Across the countries of the region, there is also a clear bias towards narrowing the grounds on which a legal strike or lockout can occur – again in an apparent attempt to ensure an investor-friendly environment.

Legal frameworks for social dialogue in transition economies have not kept pace with the socio-economic changes brought about by their bold economic reform policies. Freedom of association in some countries is still not a reality, while the legal framework for collective bargaining and dispute settlement is yet to be developed in others. Despite these shortcomings, labour market institutions, including trade unions and collective bargaining, continue to develop in tandem with transition to a market economy. In Cambodia the climate for trade union organizations has become markedly more favourable and there is generous public policy support in the country's 1997 Labour Code. In China, there is a growing number of cases in which union representatives have been able to offer substantive support to workers whose rights have been breached.

The weaknesses of industrial relations institutions in the region suggest that, despite the recent progress made in many countries,

much ground remains to be covered to ensure the development of social dialogue as a means of promoting decent work for all.

Having independent and strong social partners also assists the process of labour law formulation and revision; social dialogue is both an important element in laws, and the means of arriving at workable regulatory texts. Exercises where the social partners are consulted throughout the process give credibility and viability to those texts as well as a sense of ownership which permeates into other areas of social reform (Indonesia, East Timor). But having solid labour laws, which reflect the fundamental principles and standards ratified by States, is only the first step towards achieving decent work, the first “down payment” in reducing the decent work deficit, which need to be followed up by a number of steps towards balancing the books. These initial steps include disseminating the contents of new or revised labour laws so that the players know the rules, and training the labour administrations in modern techniques for fulfilling their functions under the laws (Cambodia, Viet Nam).

In general, the capacity of social partners needs to be significantly strengthened. Activities geared towards strengthening industrial relations, as well as institutions including collective bargaining and workplace cooperation, should be implemented throughout the region.

Social dialogue on economic reform and social equity

Social dialogue, economic reform and restructuring

During the past decade, nations in the region embarked on various social and economic reform policies in their attempt to cope with the challenges of trade liberalization and globalization. In some countries, the social partners had to confront economic reform arising from the transition to a market economy; in others, the Asian financial crisis dictated radical financial and corporate restructuring. Elsewhere, reform implied the opening up of protected industries and the restructuring of state-owned enterprises. In yet other cases, economic reform measures were introduced as a consequence of IMF-lending conditionalities. Whatever the impetus, social partners in the region all faced the common task of having to take on far-reaching economic reform, with its inevitable ensuing hardship for millions of working families.

With very few exceptions, social dialogue on economic reform centred on ways to minimize the negative consequences for working people while making financial markets more effective, enhancing the

performance of firms and thus strengthening economic performance of the country in the long run. A particularly thorny issue was how to cope with the unemployment crisis resulting from mass redundancies due to restructuring. In China, the restructuring of state-owned enterprises has led to the loss of millions of jobs. A similar situation exists in other transition economies where state-owned enterprises, which employ a majority of the formal sector workforce, are set to be privatized. Attempts at economic reform have often met with strong resistance from trade unions. The turbulent industrial relations climate in the Republic of Korea, where social partners managed to reach historic tripartite social agreements on a wide-ranging set of economic and social policy issues, are illustrative of this dilemma. Privatization in Papua New Guinea and the reform programme in the Solomon Islands have created widespread tension and dislocation in social dialogue. The fear of job losses, the adequacy or otherwise of redundancy packages, the quest for alternative employment or income-earning opportunities, are among the major concerns of trade unions. Privatization is also a priority issue in South Asia. In India, telecommunications, the power sector and many other public sector enterprises are up for privatization. Trade unions are vehemently opposed to any such changes, fearing that massive retrenchments will be the result. In the Syrian Arab Republic and Lebanon, government initiatives for privatization and economic restructuring remain a major concern of trade unions and employers' organizations. Tripartite national consultation mechanisms are given a bigger role in determining the course of these policies.

Weak or non-existent social protection schemes for those who lose their jobs have aggravated the tension between governments and trade unions. The abovementioned tripartite agreements in the Republic of Korea struck a certain balance as the agreements produced new social protection measures and an expansion of unemployment insurance coverage in exchange for a more liberal approach to layoffs. Furthermore, the agreements included far-reaching measures to improve corporate governance and monitor top management behaviour. In many cases, however, the short time frame for corporate restructuring and privatization, which is dictated by financial markets, placed the dialogue on reform measures under enormous pressure. Whenever social dialogue has centred on relatively "soft" social policy issues in the spirit of innovative partnership, it has proved its value – as demonstrated by the tripartite dialogue on medicare reform in Singapore. But continuous retrenchment and worsening working conditions in some countries accompanying economic and social policy reform have put social dialogue severely to the test.

**Box 4.5. Singapore:
Tripartite committee on portable medical benefits, 2000**

There are two components to the provision of medical benefits in Singapore. The first is coverage under the government-operated Medisave and Medishield schemes, which Singaporeans can draw upon when they are hospitalized. There is also a supplementary employer-provided medical benefits scheme that covers both outpatient and hospitalization costs.

The tripartite committee is to review how the existing employer-provided benefits scheme could be further strengthened. At present such benefits are not transferable; hence benefits cease when a person leaves service. As the population ages, this is one factor that could result in discrimination against older workers, who could be shunned by employers trying to avoid paying higher medical costs.

Negotiating wages: Decency versus competitiveness

Wages have always been central to the social dialogue agenda. In the face of increasingly severe global and domestic competition, moves towards labour market flexibilization and the Asian financial crisis itself have exerted pressure to change wage policies in many Asian countries. There has been debate over minimum wage policies in this context and some have tried to link wages to various business and economic performance indicators. The crisis has put downward pressure on wage levels. Thus negotiation on wages has become an attempt to strike an optimal balance between decency and competitiveness.

Minimum wage policy is a thorny issue in the region. Faced with stiffer competition and the need for flexibility, some employers and their organizations are asking whether a minimum wage is worth having at all. Governments are also concerned about the appropriate scope, level and administration of the minimum wage with a view to enhancing competitiveness and attracting more investment, while providing an appropriate level of social protection through the setting of a wage floor.

In countries such as the Philippines and Thailand, where the minimum wage is approximate to the average wage of a large proportion of the formal workforce, negotiations over the minimum wage have significant influence over overall wage movement. At the height of the Asian financial crisis, government in the Philippines and Thailand froze the level of the minimum wage. In Thailand, upward adjustments of decentralized minimum wage rates were made in 2001, for the first time since the outbreak of the crisis in 1997.

Box 4.6. Minimum wage policy reform in Thailand

At the micro level, wage fixing in Thai enterprises might be seen as typical of the way in which market forces are mediated through individual bargaining power and unilateral employer determination. This interpretation would be based on the low incidence of coverage of collective bargaining. But this view overlooks the fact that wage setting in Thailand has been influenced by frequent adjustments to a nationally determined minimum wage. These adjustments result from the deliberations

of a tripartite National Wage Committee, whose recommendations have – almost without exception – been converted into law by the Government. Since the crisis, the Government has made changes to minimum wage fixing machinery that decentralizes it to the provincial level. Local minimum wage fixing is intended not only to further the objective of a more fine-tuned adjustment of costs to capacity to pay, but also to attract more investment capital.

Archaic legislation in India governing various minimum wage rates – such as the Plantation Act and the Bonus Act – seem to have provided little benefit to the workers they are supposed to protect. With widespread unemployment and underemployment, the unorganized sector is scarcely affected by such legislation. Compliance with the Minimum Wages Act, which is intended to protect unorganized labour too, is very weak. Despite adjustments to the minimum wage over nearly a decade, these laws have become virtually defunct. In the Pacific Islands, for example, minimum wage legislation has yet to be applied in Fiji; and in Papua New Guinea, a recommended policy on minimum wage has not, to date, been implemented.

In Malaysia – where no statutory national minimum wage exists – the MTUC has campaigned for the introduction of a national minimum wage. On the other hand, employers perceive the rigidity of the wage system in Malaysian firms as a major obstacle to flexibilization of human resources management and thus to enterprise competitiveness. The question of how to strike a balance between competitiveness and social equity manifests itself as a debate between those in favour of minimum wage and those who want a flexible wage system.

The issue of wage flexibility – in other words, linking wages to various performance indicators – is a very important one in the region. In a quickly changing market context amid mounting global competition, enterprises have to fine-tune their workforce requirements – and therefore wages – constantly. Flexibility on all fronts is becoming increasingly important to enable enterprises to remain competitive and is a crucial issue for employers. In Japan and the Re-

Box 4.7. Tripartite consensus on wage adjustment in Singapore

The strong spirit of tripartite cooperation in Singapore facilitated the adoption of a set of wage reduction guidelines issued by the National Wage Council in November 1998 to help companies regain cost competitiveness

and preserve jobs. The guidelines called for a wage cut of between 5 and 8 per cent, in addition to a reduction in employers' Central Provident Fund contributions by 10 points.

public of Korea, the traditional seniority-based wage system has been considerably eroded recently as a growing number of enterprises have brought in performance-based wage systems. The rapid spread of these wage systems has met with resistance from Korean trade unions, which believe that they undermine solidarity among union members by encouraging peer competition. There are also concerns that performance-based wage systems may hamper organizational efficiency in the absence of transparent and fair criteria for measuring performance and sufficient consultation with employees.

Wage negotiations actually saved jobs in the thick of the economic crisis. In most crisis-affected countries, labour and management agreed to freeze – and in some instances reduce – the wage bill in return for maintaining employment levels thus saving viable enterprises and jobs. In many cases, labour and management agreed upon the principle of “more reduction for higher managers, less reduction for low-rank employees”. In Singapore, orderly wage reduction was introduced by tripartite social dialogue.

Wage policy reform has been pursued in the vastly different context of public sector reform in the transition economies of China and Viet Nam. In these countries, the state budget covers not only civil service and public sector wage costs but also state-owned enterprises. Wages have offered scope for adjustment, in as much as labour supply was previously relatively fixed by the lifelong employment system. As a cost for maintaining a redundant workforce within enterprises, wages were kept very low. Consequently, wages ceased to function as a motivating factor and unreasonably low-wage levels resulted in reduced efficiency, poor governance, widespread moonlighting, and even rampant corruption. Wage reform policy is closely linked to the restructuring of the public sector, with greater implications for employment adjustment and social security reform. Over the years the Government of China has gradually loosened its administrative control over the total sum of wages and given autonomy to

large and medium-sized enterprises to determine wages on the principle that total wage growth rate should be lower than that of labour productivity. What is more, to ensure equity while moving towards a market-based wage system, the Government has tried to stimulate collective bargaining in the private sector.

Towards more efficient dispute settlement

Global data show that labour disputes declined during the past decade. Countries in the region have – with a few exceptions – also witnessed falling numbers of labour disputes. More emphasis on workplace cooperation – and, perhaps more significantly, the waning bargaining power of trade unions in the globalized economy – have contributed to the decrease. The declining number of labour disputes, however, does not undermine the importance of effective dispute settlement machinery. Effective and fair procedures for dispute settlement can help the social partners nurture a culture of industrial harmony and cooperation.

In many Asian countries, dispute settlement procedures are not well developed. In particular, dispute settlement procedures in South Asia have been criticized as being costly, slow and too legalistic – on average, it takes between four and five years to settle a dispute in South Asia. The growing backlog before the industrial courts has also

Box 4.8. Bipartite private mediation service in Sri Lanka

The Employers' Federation of Ceylon (EFC) has set up an Employment Mediation Services Centre (EMSC) for settling disputes arising out of employment. Any employer, worker or employers' or workers' organization may seek mediation through the Mediation Centre. The EMSC strives to promote the use of mediation to facilitate the expeditious settlement of employment-related disputes to the satisfaction of each of the parties concerned.

In a rapidly changing industrial relations scenario in Sri Lanka, brought about by the onset of globalization and economic liberalization, the focus is beginning to shift from dispute settlement to dispute prevention. Both employers and workers – and their representative

organizations – have realized that prevention is certainly better than cure, and therefore emphasize alternate dispute resolution mechanisms such as mediation and grievance redressal at the enterprise level. The particular type of mediation promoted is also known as "interest-based problem solving", where both parties move from traditional antagonistic positions to consultation and dialogue based on the individual or collective interests of the parties. The expected result is a win-win situation as opposed to the win-lose situation encountered in traditional processes of dispute settlement. The Government has recently endorsed this new approach and intends to promote it.

Box 4.9. Innovative solutions in the Philippines

New approaches to dispute settlement are also evident in the Philippines. The Government of the Philippines has tried to find alternatives to litigious, third-party dispute resolution. The Department of Labor and Employment has recently shown less of a tendency than previously to intervene directly in disputes on the grounds that such in-

tervention crowds out the development of bipartite dispute resolution. It has increasingly promoted voluntary mediation and conciliation through the National Mediation and Conciliation Board among other – less legalistic – private and public alternatives for dispute resolution.

become problem in Malaysia, which is now reviewing its industrial court system. The Indian experience, in respect of this problem, is another case in point.

The social partners have made serious attempts to improve dispute settlement processes. Noteworthy are bipartite initiatives to find less costly, more expeditious, “win-win” approaches to dispute settlement based on a voluntary dialogue-based approach. In Bangladesh, bipartite mediation committees at the sectoral level, set up by the Bangladesh Garment Manufacturers and Exporters Association, have proved their effectiveness in handling disputes. A similar encouraging development is occurring in Sri Lanka.

