

## Social Dialogue in Asia-Pacific

By Rachita Daga; John Ritchotte | ILO Regional Office for Asia and the Pacific | [ritchotte@ilo.org](mailto:ritchotte@ilo.org)

**This research note provides a brief overview of the different social dialogue models in Asia-Pacific and analyses the economic and social trends in social dialogue in the region. It also highlights social dialogue practices in the informal economy and proposes priority areas for action to enhance the role of social dialogue in Asia-Pacific.**

Social dialogue is defined by the ILO to include all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy. It is fundamental to the tripartism promoted by the International Labour Organization. It plays a central role in fostering social and economic progress. Given the vast differences in the socio-political and economic conditions in Asian countries, four distinct social dialogue systems have emerged:<sup>1</sup>

Consistent with their authoritarian political systems, China, Viet Nam and the Lao People's Democratic Republic have a single, national trade union confederation that is mandated by law and closely aligned to the ruling party in their countries. Given that the scope of activities for unions are limited, this is not reflective of a strong social dialogue system.

In Singapore the main union confederation has close ties with the ruling party, though unions are not required by law to affiliate. The country has managed to establish a strong tripartite, social dialogue system, whereby the workers' and employers' are actively engaged in negotiations and consultations for policy formulation.

In Cambodia, Indonesia, and Philippines, the move towards a democratic governance structure has led to an increase in the number of trade unions, but they suffer from the risk of marginalization, given their fragmented, and often competing nature.

Collective bargaining in Japan and the Republic of Korea takes place largely at the enterprise level. Collective bargaining has shielded the firms and the workers in these countries during financial crises. In Japan, coordinated wage bargaining continues to be practiced, though perhaps with less vigor than in earlier decades. The current government has placed a high priority on increasing wages in order to stimulate domestic demand.. Both countries utilize tripartite bodies for minimum wage fixing (either at provincial or national level)

Given the populist governments in South Asia, the development of the labour movement within a corporatist framework was always encouraged in order to serve the broad interests of the state. However, the participation of unions and employers'

organizations in consultations is very limited, and the election of union leaders remains politically sensitive. Given their close alignment with political parties, unions are losing influence. The following table shows us the ratification of the core Conventions, Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) and Right to Organise and Collective Bargaining Convention, 1949 (No. 98) in Asia-Pacific.

**Table 1: Ratification of Core Conventions**

Country	Convention No. 87	Convention No. 98
Afghanistan	No	No
Bahrain	No	No
Bangladesh	Yes	Yes
Cambodia	Yes	Yes
China	No	No
India	No	No
Indonesia	Yes	Yes
Iran, Islamic Rep. of	No	No
Iraq	No	Yes
Japan	Yes	Yes
Jordan	No	Yes
Korea, Rep. of	No	No
Kuwait	Yes	Yes
Lao PDR	No	No
Lebanon	No	Yes
Malaysia	No	Yes
Myanmar	Yes	No
Nepal	No	Yes
Oman	No	No
Pakistan	Yes	Yes
Qatar	No	No
Saudi Arabia	No	No
Singapore	No	Yes
Sri Lanka	Yes	Yes
Syrian Arab Republic	Yes	Yes
Taiwan, China	Yes	Yes
Thailand	No	No
United Arab Emirates	No	No
Viet Nam	No	No
Yemen	Yes	Yes

Source: ILO

<sup>1</sup>Y. Yoon: *A comparative study on industrial relations and collective bargaining in East Asian countries*. (Geneva, ILO, Working Paper No. 8, 2009).

It can be seen from the table I that 20 out of the 30 countries haven't ratified at least one of the two core Conventions, and 13 countries have not ratified both of core Conventions. In the Arab States, with the highest unemployment rate in the world, there is a dire need for strengthening social dialogue to address labour market weaknesses, a message reiterated by leaders in 2010. The Lao People's Democratic Republic, Myanmar, and Afghanistan that are in the nascent stages of development are quickly moving towards establishing such dialogue systems. This represents an opportunity to develop strong institutions for social dialogue in these countries, and the ratification of the core Conventions, Conventions Nos 87 and 98 could be an important step. In addition, even in countries where the core conventions have been ratified, poor institutional capacity has limited the implementation.

#### **Box I: A new model of Social Dialogue Social Dialogue in Germany: A New Model**

The framework for social dialogue in Germany came to the forefront post-2008, as even though the economy was adversely impacted by the financial crisis, unemployment did not escalate and labour market trends remained moderate. The key characteristics of the social dialogue system in Germany are duality and representativeness. Duality refers to the institutional distinction between autonomy in collective bargaining and labour management regulation. As collective actors, trade unions and employers' organizations negotiate the terms of employment like wages and salaries, and working time, amongst others. Workers' councils and business management regulate working conditions at the company level. Labour agreements negotiated by the apex organizations usually apply to certain industries or sectors. Given these collective agreements, the works council and business management negotiate company level agreements. Representativeness implies that the unions are not bound to the interests of individual members. During the crisis, the collective national actors worked with the government to stabilize the position of businesses and workers by providing stimulus in the form of short-time allowances, which was implemented by the company-level works council. Short-time allowances refers to the allowance given to the workers to compensate for them working part-time instead of full-time. Short time allowances provided by the worker with 60 per cent of their foregone wages, and allowed the businesses to ride out the slump in demand and sales as a result of the economic downturn, without releasing valuable workers. These allowances were complemented by fully-funded, additional training programmes that the workers' could take in order to improve their skills and qualifications. The coordination between the apex organizations and the company-level councils ensured implementation of these policies, and assisted in preventing high rates of unemployment and the loss of skills by the workforce.

### **Key Indicators**

The two key indicators used to measure social dialogue are trade union density and collective bargaining coverage. Trade union density expresses union membership as a proportion of the eligible workforce and indicates degree to which workers are organized.<sup>2</sup> Collective Bargaining Coverage rate, on the other hand refers to the number of workers in employment whose pay and/or conditions of employment is determined by one or more collective agreement(s) as a proportion of all those who are eligible to conclude a collective agreement.

**Table 2: Trade Union Density Rate**

Country	TUD	Year
Australia	17	2013
China	42.6	2013
India	13	2012
Indonesia	7	2012
Israel	23	2012
Japan	17.8	2013
Korea, Rep. of	10.1	2012
Malaysia	9.4	2013
New Zealand	19.4	2013
Occupied Palestine Territory	8.3	2013
Philippines	8.5	2013
Singapore	19.4	2012
Sri Lanka	23.2	2011
Syria	19.4	2007
Thailand	3.6	2010
Viet Nam	14.6	2011

Source: ILO, ICTWSS Dataset

**Table 3: Collective Bargaining Coverage Rate**

Country	CBC	Year
Australia	61	2013
Bangladesh	5	2006
China	39.25	2012
India	6	2012
Indonesia	10	2008
Israel	26.1	2012
Japan	17.1	2013
Korea, Rep. of	11.1	2012
Malaysia	1.2	2013
New Zealand	15	2013
Philippines	1.4	2013
Singapore	17.3	2012
Thailand	3.2	2007
Turkey	6.5	2013

Source: ILO, ICTWSS Dataset

### **Economic and Social Trends<sup>3</sup>**

- In the 2000-2013 period, Trade Union Density has followed a downward trend globally and in Asia, except in Singapore, where the trade union density has

<sup>2</sup> L. Kenworthy and B. Kittel: (2003): *Indicators of Social Dialogue: Concepts and Measurements* (Geneva, ILO, Working Paper No 5, 2003)

<sup>3</sup>The data for the analysis is taken from ILO, World Bank, Freedom House, and the National Statistical Offices of the countries.

increased. Trade Union Density also varies inversely with the size of the service sector.

- This trend does not vary between the pre-crisis, crisis and post crisis periods<sup>4</sup> except in Australia and New Zealand, where there is an increase in the trade union density during the crisis.
- A qualitative analysis of East Asian countries indicates that there was an increase in the collective bargaining coverage rate during the crisis period.
- Most of the Asian countries have uncoordinated wage bargaining systems, with the exception of, and India, where pattern bargaining systems are more prevalent.
- India, Indonesia, Pakistan, Philippines, Sri Lanka, and Viet Nam have over 50 per cent of their workforce working for informal enterprises, whereas Thailand has over 40 per cent of its workforce in informal enterprises. The size of the informal sector in these countries has remained unchanged or even increased.
- Asia is the only region which has made substantial progress in improving the political rights and civil liberties of its citizens. However, 69 per cent of Asian countries are still not free, with key civil and political rights being violated<sup>5</sup>.
- Corruption in the region remains a major issue, with over 35 per cent of firms in Asia identifying corruption as a major constraint. 20 per cent of the firms expect to make informal payments to public officials, whereas in Bangladesh, 85 per cent of the firms expect to make such informal payments.
- As a result of the economic slowdown and increase in layoffs, the number of days lost due to strikes and lockouts increased in most Asian countries during the crisis period.<sup>6</sup>

#### Recent Reforms

- The Cambodia government engaged in tripartite discussions through the Labour Advisory Committee, consisting of representatives from the government, trade unions' and employers' to increase minimum wages from US\$128 to US\$140. Cambodia's Trade Union law is also being drafted through tripartite discussions.

#### Future Challenges and Way Forward

- Institutional Capacity Building: Strong institutions and the political will are essential for strengthening social dialogue and ensuring enforceability of the negotiated contracts. Coherent policies are required to protect the rights of the workers, while providing a conducive environment for the growth of enterprises.
- Globalization of Production Systems: Horizontal vertical fragmentation of production, an increase in the FDI flows as a proportion of the total GDP as well as greater competition for FDI flows is having marked impact on the state of social dialogue and The fragmentation of production, alongside institutional pressures to reduce unionization to attract MNEs is weakening the bargaining power of the employees relative to the employers. Representative and

independent employers' and workers' organizations will be essential to maximize the benefits of globalization and strengthen the domestic economy.

- Skills and Technology: Advancements in ICTs has led to an increase in new forms of work like non-standard, part-time and flexi work. Mechanization of production is expected 'hollow-out' many middle skilled jobs, whereas the demand for skilled labour is expected to soar. Related issues include skills shortages and mismatch, and high labour turnover rates. To address these developments, the scope of social dialogue will have to be broadened.

#### Box 2: Dispute Resolution in Cambodia Dispute Resolution in Cambodia

The Arbitration Council in Cambodia is an example of a successful social dialogue system to address labour right violations and resolve workplace disputes. The Arbitration council is an alternative dispute resolution mechanism that was started under ILO's Dispute Resolution Project. Manifold increase in investments after the Khmer Rouge, coupled with poor working conditions, and widespread corruption, led to an increase in violent labour disputes. ILO's Dispute Resolution project was an attempt to build the capacity of the Ministry of Labour to manage and settle these labour disputes. The project had three main components: preparing and implementing a national dispute prevention and resolution strategy applicable to all of Cambodia's tripartite stakeholders, building an entirely new, and independent arbitration system, and establishing a functional labour adjudication system. The Arbitration Council was born out of the efforts of the Dispute Resolution project, and is touted as one of the most successful legal reforms in Cambodia. Unions, Employers and the Government are equally represented in the council. Its mandate is to resolve both rights issues, as well as interest issues. In principle, the decisions awarded by the arbitration council are non-binding, but if either of the parties fail to submit to submit an objection to the ruling within 8 days, the decision of the Council becomes legally binding and enforceable. The arbitration council has helped to resolve 70 per cent of the 1,000 cases it received till 2010. It has also managed to remain independent of vested interests.

#### Social Dialogue in the Informal Economy

In most of the developing countries in Asia, a substantial proportion of the workforce is employed in the informal sector. However, there are hardly any workers' organization associating with the informal sector. For any national trade union to be representative of the workforce, it should engage with the workers in the informal sector. Given the difficulties of associating with informal workers, alongside beliefs that that informalization is a transitory phenomenon, very few national trade unions have recognized the importance of associating with the trade union.

<sup>4</sup> 2006-08 is referred to as the pre-crisis period, 2008-10 is referred to the crisis period and 2010 onwards is referred to as the post-crisis period

<sup>5</sup> Freedom House 2015-16 data.

<sup>6</sup> ILO Data

SEWA, or Self-Employed Women's Association, is one of the first national organizations that successfully engaged with the informal sector workers in India. It is a registered union, and a member of the trade union congress in India. It has over 1 million members from across India, with the largest proportion (more than 50 per cent) coming from Gujarat. Its members are women, who are small-scale vendors, home-based producers, or labourers working in the informal sector. One of the key issues the organization faced while registering as a formal trade union was that they had no recognized employer to struggle against. However, the organization based its argument on the fact that the purpose of a union was not merely struggling against an employer, but also to unite the workers. Today SEWA is involved in childcare services, leadership development, insurance, banking and other forms of mutual aid. It has combined union-type strategies of campaigning for government protection and negotiating with suppliers and customers, with cooperative-type strategies of making available small loans and increasing incomes through joint supply and marketing.

The experience of SEWA, brings to the light the possibility of linking trade unionism and cooperatives to best serve and protect the interests of informal and own account workers. In recognition of this possibility, the ILO's Bureau for Workers' Activities and Cooperative Branch launched an initiative called 'Syndicoop', which focused on alleviating the poor, informal sector workers. This is based on ILO's core Conventions Nos 87 and 98, as well as Promotion of Cooperatives Recommendation, 2002 (No. 193). 'Syndicoop' was a pilot project implemented in East Africa, covering Rwanda, Tanzania, Uganda, and Kenya. The project partnered with national centers for trade unions and cooperatives, and with the help of national committees, identified suitable groups for support. The results from the project were found to be largely positive. Given the high prevalence of market inefficiencies and failures in Asia-Pacific, linking trade unions and cooperatives could be an innovative mechanism of protecting the interests and promoting social dialogue amongst informal sector workers.

### Sustainable Development Goals: Post-2015 Agenda

One of the key features of the SDGs is its focus on the role of partnerships in financing, designing, implementing and achieving the goals. Social dialogue at the national level would

play a pivotal role in developing a collaborative framework to design and implement policies to achieve the 168 SDG targets.

Additionally, social dialogue will also play a key role in designing and implementing policies to achieve Target 1.3 on expanding social protection, Target 4.4 on technical and vocational skills for employment, decent jobs and entrepreneurship, Target 5.5 on women's participation and opportunities in the workforce, and Target 9.2 on inclusive and sustainable industrialization, amongst others. This also highlights the need for developing indicators that are more representative and broader in scope, alongside more rigorous collection of data for effective monitoring and evaluation.

### Priority Areas for Action

- Firstly, building institutional capacity and providing a framework is essential for enhancing social dialogue in developing countries. Recent surveys in the region, like the PCI survey in Vietnam, indicate a willingness to peacefully resolve disputes. The provision of a framework for such formal social dialogue to take place includes the ratification of core ILO Conventions Nos 87 and 98, as well as Minimum Wage Fixing Convention, 1970 (No. 131) and Protection of Wages Convention, 1949 (No. 95) on minimum wage fixing machinery and protection of wages, respectively, amongst others.
- Secondly, given the changes in the economic environment, and proposed effect of technological changes on the future of work, social dialogue has the potential to move beyond collective bargaining, and play an active role in policy discourse. Developing a bottom-up consultation mechanism to incorporate the views of the different stakeholders in public policy would ensure acceptability, and hence, implementation.
- Finally, developing broader indicators that capture the extent of social dialogue in a country, and robust M&E systems would play a crucial role in understanding and furthering social dialogue.

### Contact Information

ILO Regional Office for Asia and the Pacific  
United Nations Building  
Rajdamnern Nok Avenue, Bangkok 10200, Thailand  
Tel.: +66 2 288 1234 | Fax: +66 2 288 3062  
Internet: [www.ilo.org/asia](http://www.ilo.org/asia)  
Email: [bangkok@ilo.org](mailto:bangkok@ilo.org)

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