

# **Skills Development and Productivity Through Social Dialogue**

**S. Ian Cummings and Nicole Jecks**



INTERNATIONAL LABOUR OFFICE, SUBREGIONAL OFFICE FOR EAST ASIA (SRO-BANGKOK)  
AND THE ASIA PACIFIC SKILL DEVELOPMENT PROGRAMME (APSDEP), BANGKOK

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**S. Ian Cummings and Nicole Jecks**



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## **Dedication**

This book is dedicated to the memory of Pekka Aro, Director, In Focus Programme on Skills, Knowledge and Employability, International Labour Office, Geneva who died of Severe Acute Respiratory Syndrome (SARS) while on mission in China, 6<sup>th</sup> April 2003.

Pekka's kindness, humility and Finnish humour was complimented by his serious attitude towards his work, particularly on issues that brought people together within the workplace to create better working relationships for all, government, employers and workers. This publication strives to do justice to Pekka's commitment to social dialogue on skills productivity and employment.

Pekka will be remembered for his work with the trade unions in Finland and his intimate knowledge and work in Russia and Hungary and as the Director of IFP/Skills where he developed a love for South East Asia and China where he died. We will remember him fondly.

## **Foreword**

Social dialogue is one of the cornerstones that the ILO is founded upon. It has a major role to play in realizing the ILO's objective of promoting opportunities for women and men to obtain decent and productive work in conditions of freedom, equality, security and human dignity.

When we think of social dialogue in the context of industrial relations among the social partners, we associate it with negotiations on issues such as salaries, working conditions and advocacy in the workplace. However, in today's rapidly globalizing world, where geographical borders are becoming less of a barrier to trade and where new technologies are increasingly changing the way in which enterprises operate, and the way people work, social dialogue is becoming more and more important to the development of skills for the continuing employability of workers throughout their working life.

This book makes a case for a more representative social dialogue on skill development that is tripartite in nature, ensuring that all three social partners – government, enterprise and workers – are included in negotiations. While there must be responsibility on behalf of government to provide the mechanisms that encourage participation of workers and enterprises in social dialogue, for social dialogue on skills development to work effectively, enterprises must participate in a responsible and positive manner, realizing that their productivity and competitiveness is reliant on a well trained and adaptable workforce. Workers must participate in social dialogue as both a right and a responsibility in order to realize decent work through access to continuing education and skills training in order to guarantee their skills remain marketable.

This book has primarily emerged as a result of an ILO APSDEP tripartite workshop in Bangkok and an ILO and Korean Labor Institute tripartite workshop on Skill Development, High Performance Work Organization and Social Dialogue in Seoul, both held in March 2003. The meetings highlighted a fundamental lack of awareness of how social dialogue can play an important role in advocating the interests of governments, employers and workers by ensuring that each benefits from their investment in developing the skills of the workforce.

It draws on a number of papers prepared by participants at the two meetings as well as ILO resource persons and ILO Senior Specialists. Further, it also looks at some of the broader challenges for social dialogue on productivity and skill development among the social partners. The book touches on the relevant ILO Standards and Recommendations, particularly the new draft Recommendation 150 on human resources development that will, after nearly four years of discussions, consultations, drafting and redrafting, be finalized in

2004.

In the interests of reinforcing the need for change, this publication repeats a number of important issues and points and makes no excuse for this. It is the hope and intention of the authors that this book will stimulate further debate on the subject of social dialogue on skills development in order to promote greater opportunities for decent work for all, productive and competitive enterprises and greater economic and social well being of Asian economies.

Christine Evans-Klock, Director  
ILO Subregional Office for East Asia

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# INTRODUCTION

This book was intended to be a report of an ILO-APSDEP workshop held in Bangkok on 19 and 20 of March 2003. The “Skills Development and Productivity Through Social Dialogue” workshop brought together tripartite representatives from governments, employers’ and workers’ organizations from eight countries in the Asia Pacific Region. However, the subject matter has become such an imperative in today's world, particularly in Asia and the Pacific, we felt it was necessary to make a more persuasive case for social dialogue on skills and productivity. To a certain extent this publication has become somewhat eclectic by also reflecting issues raised at an ILO and Korean Labor Institute workshop on Skill Development, High Performance Work Organization and Social Dialogue held in Seoul, Republic of Korea, 6 March 2003. While trying to maintain a regional flavor, we have also drawn on experiences in other parts of the globe where we feel that there is relevance to this region. However, it should be noted that core materials were prepared by ILO officials, consultants and, selected papers were prepared by the tripartite constituents participating in both workshops. Finally, we have tried to draw conclusions and examples of some good and not so good practices in an effort to stimulate a better environment for social dialogue on skills to take place in the Asia and the Pacific Region. Indeed, we hope that the message that social dialogue on skills development linked to productivity can create a win-win situation for governments and the social partners given the right environment is endorsed by all.

For those of us living and working in this vast and complex Asia and Pacific region who are involved in skills and knowledge development, the 21<sup>st</sup> Century is both fascinating and threatening at the same time. Fascinating because of economic and social pressures brought on by globalization and new technologies driving it – threatening because our own comforting “world-view” that the “world of the 21<sup>st</sup> Century will develop much as it did in the 20<sup>th</sup> Century” - has been shattered. Perhaps we did not pay enough attention to the subtle and not so subtle warnings that were prophesised by financial and social wizards, gurus and sages of the 1990s. Never mind, we can't change the past and should only look back to try to avoid the same mistakes that we made previously, remembering the caution that “history has been known to repeat itself”.

Human society faces many challenges in the twenty-first century as countries strive to attain full employment and sustainable economic growth in a rapidly globalizing world amid considerable social and economic volatility. Globalization, the “new global economy,” is the

force driving greater interdependence and interconnectedness between nations beyond the range of international governance structures. It is challenging national structures that have supported nation states for over two centuries, removing physical boundaries and barriers between countries by bringing about increased flow of capital, goods, services, communications and people across borders. But, globalization itself is facing the threat of derailment due to a high degree of economic and social instability worldwide. At the very least globalization itself will be altered in some shape or form. This level of uncertainty is making demands on governments, enterprises and society at large to develop more responsive and flexible approaches to skill development, work environment and maintaining a competitive edge.

To compete in the new global economy, governments must develop policies and establish fundamental frameworks that build national capabilities allowing them to successfully navigate through an unpredictable future. Information and knowledge are now the currency replacing financial and physical capital as the source of value creation – but without an educated and skilled workforce nations cannot respond to global market challenges, enterprises are unable to maintain productivity and workers cannot obtain or remain in decent work.

We suggest that in order for policies and strategies on skills and knowledge for productivity and competitiveness to work today, they must be approached through a process of social dialogue. Social dialogue is one of the ILO's Strategic Objectives for addressing Decent Work and is widely perceived as being a major step to improving workplace conditions for productivity and international competitiveness.

Social dialogue is defined by the ILO as including all types of negotiation, consultation or exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy. Social dialogue institutions are often defined by their composition. They can be bipartite, tripartite or "tripartite plus". The key tripartite actors are the representatives of government, enterprise and labour. At times, and depending on specific national contexts, the tripartite partners may choose to open the dialogue to other relevant actors in society in an effort to gain a wider perspective, to incorporate the diverse views of other social actors and to build a wider consensus.

Social dialogue can also take a variety of forms, ranging from the simple act of exchanging information to the more developed forms of consultation. The following is intended as a short list of the most usual forms of social dialogue:

- Information-sharing is one of the most basic and indispensable elements for effective social dialogue. In itself, it implies no real discussion or action on the issues but it is nevertheless an essential part of those processes by which dialogue and decisions take place.
- Consultation goes beyond the mere sharing of information and requires an engagement by the parties through an exchange of views which in turn can lead to more in-depth dialogue.
- Tripartite or bipartite bodies can engage in negotiations and the conclusion of agreements. While many of these institutions make use of consultation and information-sharing, some are empowered to reach agreements that can be binding. Those social dialogue institutions which do not have such a mandate normally serve in an advisory capacity to ministries, legislators and other policy-makers and decision-makers.
- Collective bargaining is not only an integral – and one of the most widespread – forms of social dialogue, it can be seen as a useful indicator of the capacity within a country to engage in national level tripartism. Parties can engage in collective bargaining at the enterprise, sectoral, regional, national and multinational level.

In the past, social dialogue has always been associated with debates on working conditions and salaries, mainly between employers and workers with government intervention when agreement is unable to be attained. However, in many countries today, governments are working with workers and employers to develop win-win policies and strategies that improve workplace relationships between management and workers, increase productivity for enterprises, improve the skills, security and remuneration of workers and improve a country's competitiveness in the new global economy. Dialogue is even now taking place at an international level, as exemplified by the recent establishment by ILO of the World Commission on the Social Dimension of Globalization<sup>1</sup>, which both encourages social dialogue to address problems arising from the globalization process, and as a mechanism for finding solutions.

We hope that this book will provide background and thoughts that will encourage better communication and productive debate between governments and social partners on the issue of skills development for productivity through social dialogue.

We have structured the chapters to look at individual issues from each major player, labour, enterprise and government. Chapter One, "Decent work: an agenda for dialogue,"

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<sup>1</sup> ILO: *Dialogues in Asia: World Commission on the Social Dimensions of Globalization*, (Bangkok, 2004)

focuses on the rights and roles of workers, discussing the impact of globalization of the labour market, why skills development can benefit workers, and what strategies social dialogue for skills development can best be pursued through. Chapter Two, “Government: a role for the future,” considers how the function of government agencies in skills development has changed in recent years, and outlines a new role for government focusing on policy formation, providing incentives, supporting better communication and information flows, providing competency-based standards for training and certification, providing foundation skills and the tools for learning, and reforming the education system. Emphasising that government’s most important role is to create an enabling environment for social dialogue, it makes a strong case for less involvement by government in the actual provision of training. Chapter Three, “Enterprise: taking the lead,” discusses the opportunities available to enterprises to both create and capitalize on the evolution in the training market. The chapter also discusses the challenge created by new knowledge-based, free market economies which have led to the enormous demands to train and retrain workers quickly and with the required skill adaptability. Further it highlights the beneficial influence of high performance work practices on the performance of organizations, as well as new trends in training for small and medium enterprises. Finally, in Chapter Four, “Conclusions: the way forward,” the publication assesses the differing needs of labour, government and enterprises and outlining some of the mechanisms for social dialogue which may help to ensure skills development is truly win-win for all. We then draw some tentative conclusions that we hope will be the basis for future debates on social dialogue.

# **CHAPTER 1**

## **DECENT WORK: AN AGENDA FOR DIALOGUE**

Globalization and liberalization of trade are intended to stimulate economic growth through increased exports, inflows of foreign direct investment and domestic savings. As detailed in the Introduction however, experience shows that globalization is also accompanied, at least in the short-term, by widening and greater inequality, deepening poverty and increasing labour market problems. To compete in the new, globalized environment, it is without question that a country's labour force needs constant skills upgrading. By its own momentum, globalization constantly upgrades the mechanics of the global environment. However, labour forces, particularly in Asia lack the infrastructure and traditions of investment in training and education necessary to ensure that skills upgrading of workers keeps abreast with the changes in the marketplace. In the increasingly competitive global marketplace, Asian labour forces run the risk of falling behind due to lack of direction in terms of skills upgrades, training investment, and research and development. However, while enterprise and innovation suffer at the hands of a poorly skilled workforce, it is the workers themselves who feel most keenly the impact of lack of skills and training opportunities.

### *Why workers need skills development*

Instead of the labour market it is more appropriate today to speak of the skills market. Competition and the ensuing adjustments in the production system, as well as the opening up of markets and transformations in work organizations are rapidly changing the skills requirement of enterprises. As skills are changing to meet the needs of new technologies and workplace changes, a number of effects can be observed:

- Workers who are unable to learn a new skill often become unemployed or end up in jobs that are labour intensive;
- The creation of employment in one country can lead to unemployment in another - enterprises often produce a product across a number of borders, wherever they can gain the most effective skills or cheap labour. This can have the effect of de-skilling a worker by providing only limited skills that are site specific; and
- As technology changes so do jobs - often a product life is only six-months, therefore there has to be continuous upgrading of skills.

Job security is now more than ever, linked to the sustained competitiveness of companies and the skills of a worker, such that those with marketable skills are the ones who truly enjoy job security. Changing skill demands in labour markets calls for faster, more comprehensive, and continuous learning opportunities provided by governments and enterprises. Skills development for workers is fundamental to continuing employment and mobility, as well as promoting active citizenship, reducing the skills gap, and developing quality jobs. More broadly speaking, skills development is the key to improving competitiveness of enterprises, employability and alleviation of poverty.

At its 88th Session (2000), the General Conference of the International Labour Organization after general discussions on the relevancy of its Human Resources Development Convention, Convention 142, decided that, while it was still relevant, its accompanying Recommendation 150 had lost its relevancy and required revising to become more dynamic in order to reflect the needs of today's world. Only four countries in the region have so far ratified the Convention. They are Australia, Afghanistan, Japan and the Republic of Korea.

After preparing a draft of the new Recommendation 150, Governments were invited to send, after consulting the most representative employers' and workers' organizations, any amendments or comments on the text on Human Resources Development for discussion by the Conference at its 92nd Session (2004). The new Recommendation is scheduled to be adopted by the International Labour Conference in June 2004. In section 23 of the text on international and technical cooperation in human resources development and training, it states that countries should:

- (a) Promote greater opportunities for women and men to obtain decent work;
- (b) Promote national capacity building to reform and develop training policies and programmes, including developing the capacity for social dialogue and partnership building in training;
- (c) Promote the development of entrepreneurship and decent employment and share experiences on international best practices; and
- (d) Strengthen the capacity of the social partners to contribute to dynamic lifelong learning policies, in particular in relation to the new dimensions of regional economic integration, migration and the emerging multicultural society.

In response to the changing needs of enterprises, human resource development must focus on the development of educated and trainable workforces for the emerging and domestic industries, and the re-skilling of workers who must also be prepared to upgrade their skills themselves in response to the requirements of competition in the knowledge-based

society. There is also a need for the re-skilling of workers displaced as a result of restructuring of enterprises, and the development of specialized skills for enterprises with higher technological requirements. Hence, there must be a concerted effort on the part of government, employers and workers (the tripartite social partners) to implement programmes that will provide the knowledge and skills necessary for improving productivity, the qualify of life and efficiency of the production system.

At the heart of the drive for skills development however, should be the recognition of the right of individuals to decent work. The notion of decent work was first proposed by the Director General of ILO in his Report to the International Labour Conference in 1999. The governing principles of ILO's Decent Work Agenda are:

### ***To promote decent work***

Decent work means productive work in which rights are protected, which generates an adequate income, with adequate social protection. It also means sufficient work, in the sense that all should have full access to income-earning opportunities. It marks the high road to economic and social development, a road in which employment, income and social protection can be achieved without compromising workers' rights and international labour standards. Decent work also means a way out of poverty: allowing economic growth to benefit from competition, and workers' from economic growth. Tripartism and social dialogue are both objectives in their own right, guaranteeing participation and democratic process, and a means of achieving all the other strategic objectives of the ILO. The evolving global economy offers opportunities from which all can gain, but these have to be grounded in participatory social institutions if they are to confer legitimacy and sustainability on economic and social policies.

And

The goal of decent work is best expressed through the eyes of people. It is about your job and future prospects; about your working conditions; about balancing work and family life, putting your kids through school or getting them out of child labour. It is about gender equality, equal recognition, and enabling women to make choices and take control of their lives. It is about your personal abilities to compete in the market place, keep up with new technological skills and remain healthy. It is about developing your entrepreneurial skills, about receiving a fair share of the wealth that you have

helped to create and not being discriminated against; it is about having a voice in your workplace and your community. In the most extreme situations it is about moving from subsistence to existence. For many, it is the primary route out of poverty. For many more, it is about realizing personal aspirations in their daily existence and about solidarity with others. And everywhere, and for everybody, decent work is about securing human dignity.

*International Labour Conference 89th Session  
Geneva, June 2001*

The benefits of skills development for workers flow onto all partners. An OECD/UNESCO study in 17 non-industrialized countries (which participate in the World Education Indicators programme) shows that for every year the level of schooling of the adult population is raised, there is a corresponding increase of 3.7 per cent in the long-term economic growth. Employability is closely linked with productivity and competitiveness. A skilled, adaptable workforce can contribute to increased productivity resulting in the efficient and effective utilization of resources. Workers with higher skills do better in a globalized world. Growth in productivity, which measures the amount of goods and services produced for each hour of work, is a key to economic recovery.

We have an old saying that business management depends on the employee in Japan. Because the key to business success is capable employees, it is most important for companies to invest in skills development.

*Takio Takazawa, Japan Business Federation (JBF)<sup>2</sup>*

To become successful, skills training must balance the needs of all the three tripartite partners. And this calls for social dialogue – open communication, cooperation and commitment among partners. It is a shared responsibility for formulating policies, capacity building, and partnership. Workers incentives to participate in social dialogue on skills training include the opportunity to influence the type of training and education courses developed, their affordability and accessibility, as well as the quality of education and training, with the longer term goal of improving their own quality of working life and job security.

### *Why use social dialogue*

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2 T. Takazawa, *Skills Development and Employer's Viewpoint in Japan*, Paper presented at ILO/APSDEP Tripartite Asian and Pacific Workshop on Skills Development and Productivity through Social Dialogue, Bangkok, 2003.



The major task before the developing economies is to strike equilibrium between rights and social protection of the working class with development and job creation. This would be made possible through Social Dialogue. Social Dialogue involves an ongoing process of consultations between government, industry and the workers through a tripartite approach and is recognized as the key instrument for realization of the mandate based on social protection and workers rights and also the agenda for development and growth based on job creation and enterprise development. Such a dialogue, besides promoting a climate for job creation must also ensure in due proportion the factors like allocation of resources, new ways of internal conflict resolution, social equity, business ethics and effective transparent corporate and business policy implementation. Both in scope and dimension, the dialogue should therefore be all embracing and comprehensive in concept, and different from and superior to the barren and confrontationist “tripartism” practiced hitherto.

*P K Sharma, Indian Chamber of Commerce and Industry<sup>3</sup>*

It is easy to see from the preceding pages why skills development and training for workers is fundamental. Further, one can see also why it is essential to bring together government, enterprises and workers in order to develop strategies and policies that are responsive to this need. The most challenging question however, is how to do it in such a way that is win-win for all three partners. Recognizing that the interests of the stakeholders in the labour market are often not fully convergent, in fact, at times, even separate, social dialogue provides an opportunity to take account of these differing interests and goals, and achieve a win-win situation for all. Social dialogue allows all three parties to have a “voice”. The “voicing” of the needs and goals of all three partners is essential. There is substantial evidence to suggest that allowing all partners a “voice” is a more viable and less costly alternative to other adjustment behaviours, such as “exit” or “quit”<sup>4</sup> Greater dialogue among social partners is also more likely to lead to both increased and better-quality training and to more evenly distributed training outcomes. An ILO study in Latin America<sup>5</sup> found that increased social dialogue around training helps to adapt training courses to meet new demands; decrease conflicts between management and labour over workers skills and

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3 P. K. Sharma, *Social Dialogue – India Experience*, op. cit.

4 ILO: *Globalization and change: social dialogue and labour market adjustment in the crisis-affected countries of East Asia* (Geneva, 1999).

5 ILO: *New Institutionalities in Vocational Training in the Southern Cone: Promoting Social Dialogue* (ongoing research project).

qualifications; and distribute training opportunities more equally among vulnerable groups of the labour force and through skills development improve workers' access to decent work<sup>6</sup>.

As explained in the Introduction, social dialogue is an exchange of views among organized interest groups, in this case, government, enterprise and labour. Social dialogue should be seen not as an outcome however, but as a means to an end, in this case, training and skills development. There are many different ways in which to engage in social dialogue, some formal, some less so, some traditional, some less conventional. In the Philippines, for example, the Republic Act 8292 known as the Higher Education Modernization Act (1997) requires that government workers in state universities and colleges be represented on the Board of Regents. The Board is a mechanism for social dialogue where workers' terms and conditions of employment, and professional development are discussed. This regulation formalizes the process of negotiation, ensuring that workers have a role in the decision-making process, and have a voice in the management of training institutions<sup>7</sup>. In Japan however, the government takes a less formal approach to regulating the training sector, relying less on legal and legislative requirements, instead preferring a more informal process of negotiation and consultation with enterprise and labour partners.

These are just two approaches to social dialogue. However, the search for ways to engage in meaningful dialogue on training and skills development has accelerated in recent years, driven by the needs of enterprise. The remainder of this Chapter will detail some of the mechanisms and solutions pursued around the region, offering a guide to the approaches and initiatives of others.

### *Social dialogue strategies for skills development*

One of the best examples of initiatives to secure and further develop workers' rights to skills development in the region is the National Trades Union Congress (NTUC) in Singapore. The NTUC has immersed itself in the role of retraining employees, part of which is done in partnership with the Government and partly with employers. The collaboration is a great boon to the economy as workers are compelled to think of life long learning and skill upgrading as their obligation. Wong Tuck Wah<sup>8</sup>, Director of Skills Development (NTUC) stated at a forum in Sri Lanka that, "technological advances have changed many industrial

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<sup>6</sup> Pekka Aro: *Skills development within the context of social dialogue – an ILO perspective*, Paper presented at ILO/APSDEP Tripartite Asian and Pacific Workshop on Skills Development and Productivity through Social Dialogue, Bangkok, 2003 (ILO, IFP/Skills).

<sup>7</sup> M. Ignacio: *Skills Development and Productivity Through Social Dialogue: Bridging the Gap Towards Sustainable Growth and Development*, op. cit.

<sup>8</sup> NTUC – Forum for Union Leaders, held in October 1998, in Sri Lanka.

processes; international competition has challenged Singapore's position in world markets; and the tight labour market has led to an increasing dependence on foreign workers, compelling businesses and labour to seek new ways to improve productivity and to improve the quality of life at work and at home". The NTUC blueprint for the 21st Century is said to chart a path that will make workers employable for life. Three of the NTUC programmes are worth mentioning:

The Skills Redevelopment Programme  
The Productivity Push Programme  
The Workplace Health Programme

The theme underlying these three programmes is attaining more profits to share with workers. It is also worth noting the NTUC Education and Training Fund, which supports union members who undertake their own skill training. The Fund receives financial support from the Government. Mr. Wah goes further, "Our job is to look after workers' interests. And this can be done best if we create conditions for job creation. Companies will stay only if we help them improve the skills of their workers, so that they can become more competitive. In other words, our objectives are the same as those of management."

#### **Incentives for training**

In Japan, one quarter of an employee's wages and education and training expenses are provided through "career development grants" made by the Government to employers for the purpose of promoting effective career development for existing workers at companies. The grants can be used for example to (a) provide vocational training where the objectives have been clarified; (b) grant leave for human resources development; (c) implement vocational ability evaluation.

Further, in order to support voluntary competency development for workers and to secure employment, 80 per cent of the expenses borne by workers for education and training through government approved courses are refunded to a maximum of 1,000 US\$. There are about 2000 designated courses.

*Source: T. Nishikawa, Japanese Ministry of Health, Labor and Welfare*

Around the region other collaborative efforts include the development of qualification frameworks as the basis for skills recognition and certification. The participation of employers and workers in policy making has been the foundation for training reforms in Australia, South Africa, European and Latin American countries. The Australian National Training Authority (ANTA) is dominated and led by the business sector, but has active labour involvement. The position of Deputy Chairperson is held by the Australian Council of Trade Unions. The

belief is that through labour involvement in social dialogue the quality and equity of training can be established, applied, managed and financed through procedures agreed upon by all.

Frameworks such as those mentioned above help in ensuring both workers and employers get what they need from skills development. However, there are some basic concerns of workers that need to be addressed prior to this reaching this stage. Primary among workers concerns are that the direct costs to individuals of training should be reduced; and that there should be compensation for earnings lost during learning and a sharing of risks. The most common vehicle for the voicing of worker concerns such as the ones above, and the protecting of their rights are trade unions. The rationale for involving trade unions in training is that they can represent their members, while also providing checks and balances, and ensuring that training also takes note of relevant labour standards, especially in the case of those entering the labour market. Trade unions should also have within their ranks persons qualified to participate in discussions on curricula and proper implementation and certification.

In Asia, trade unions are also one of the only means to organize labour forces to their optimum production potential. Trade unions have a role in responding to the current need for a more dynamic labour market. For example, collective bargaining agreements brokered by unions between workers and government or workers and enterprises has in some countries lead to the establishment of training funds to finance skills development. Further, studies show that in general, employees on temporary and fixed term contract are least likely to receive training at their workplaces. However, union presence and greater dialogue between employers and trade unions can improve the situation. A study in the UK shows that a man on a temporary or fixed term contract in a non-unionized job is seven per cent less likely to receive training than a man on a temporary or fixed term contract in a union-covered job. For women, the figure is 10 per cent respectively<sup>9</sup>. Collective bargaining can be a useful tool in aiding workers and enterprises to reach agreement over incentives for training or the issue of multi-skilling. However, training itself should not become a subject for collective bargaining.

Even when unions are present, however, their input is not always effectively utilized. The Republic of Korea's new local strategic industry policy is a case in point. Korea has a history of conflict-oriented industrial relations, with labour and management often clashing. Until now it has not had a human resource development programme at the local level, and less than one fifth of Korean companies have human resource development programmes of their own<sup>10</sup>. In addition, a study by the Korean Labor Institute in 2001<sup>11</sup> found that less than

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9 Pekko, Aro: op. cit.

10 Korea Research Institute for Vocational Education and Training. 2001

half of the companies surveyed had collective bargaining regulations, which has perhaps contributed to the tense relations between workers and management. However, in January 2002, the Ministry of Commerce, Industry and Energy (MOCIE) announced the formulation of a Local Industry Promotion Basic Plan. The Plan aims to nurture strategic industries, as well as vitalizing local industries and fostering balanced local development. The ambitious plan involves a wholesale re-categorization of the country's economy into three regions each with their own strategic industries and strategic plans. Unfortunately, one vital component has been left out of the drafting and planned implementation of the policy – labour unions. Korea is one of the more densely unionized workforces in Asia, and to have not engaged in social dialogue with unions over the Plan could severely curtail its long-term effectiveness.

The Korean Government maintains that higher productivity and the development of new technology are crucial to nurturing strategic industries and securing competitiveness. A prerequisite for this is a stable labour-management relationship. However, the policy has failed to take account of, or include measures for dealing with, the supply and demand of the workforce. As Dr. Sang-Hoon Lim<sup>12</sup> notes, the voice of workers or labour unions is a vital party in the labour-management relationship and an essential element in workforce supply and demand. Yet, they have not been fully incorporated in the strategic policy's decision-making or execution process. Without the involvement and cooperation of workers and labour unions, it is difficult for technical development capability and human resources development to be effective. As researchers from the Republic of Korea and abroad have noted, labour-management cooperation is key to reforming workplaces, acquiring new technology and restructuring to raise economic competitiveness. For the policy to achieve its goals, Korea needs to consider adopting the principle of social partnership and dialogue, as key players in local partnerships, workers and labour unions are certain to give more substance and stability to technical and human resource development projects.

A more positive development in the Republic of Korea, and one that has made full use of the social dialogue approach, is the establishment of the Labor Learning Fund (LLF). An agreement on creation of the Fund was made by the Tripartite Commission in October 2001. The Commission comprises representatives from government, labour and enterprises. The Fund aims to “facilitate the workers’ vocational competency development (VCD) programme jointly pursued by labour and management, and strengthen both parties’ capabilities to promote vocational competency development.”<sup>13</sup> The Fund is based on the ‘union learning

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11 Dr. H. Lee: *What Meaning does the Labor Learning Fund hold for workers?* Paper presented at the KLI-ILO Tripartite Workshop, Seoul, 2003.

12 Dr. S. H. Lim: *Local Partnership and Human Resources Development*, ibid.

13 Dr. H. Lee: op. cit.

fund' of the United Kingdom, and essentially acts as a way for extending financial support to enterprises with a strong commitment to, and adequate VCD programmes in place.

Central to the aims of the Fund is the training of Union Learning Representatives. These representatives share responsibility with management to raise the awareness of both labour and enterprises on training issues, counsel other workers on learning, provide workers with training information, identify the demands for workers' training and education, and assist the company in drawing up training programmes. By creating union learning focal points, one of the greatest obstacles to labour learning will hopefully be addressed – labours' lack of expertise in training and skilled job bargaining. This lack of expertise affects not only labour involvement in training programmes, but also their contribution to the development of future training programmes – a crucial component of the skills development process.

The Fund is also significant because it highlights the importance and effectiveness of using social dialogue, and most particularly, because it holds promise for labour to continue to expand its role in skills development and training. In this instance, labour took the initiative throughout the negotiation process, from raising the issue, to engaging discussion, to drawing consensus. Into the future, labour should be encouraged to capitalize on its strengthened position in VCD by innovating the labour market, encouraging greater employee participation, and assisting in the establishment of high-performance workplace systems, to improve workers' quality of life, employability and productivity. In other words, labour is at least partially responsible for demonstrating the significance and effectiveness of this new, more participatory approach to skills development in the Republic of Korea.

Substantial investment in the Fund has not yet taken place, and there are still concerns over how the Government will finance the Fund. Despite these concerns however, the LLF is a highly significant step forward in relations between labour, enterprises and government, with the potential to contribute to the establishing of an effective VCD system.

*How can unrepresented and informal workers participate in social dialogue?*

Union representation is one of the best methods for seeking improvement in labour skills and upgrading. Yet a major problem facing the facilitation of social dialogue in this region is the lack of union strength and density. Lack of union representation can add to the vulnerability of workers. Particularly vulnerable groups such as less educated employees of small enterprises and older and atypical workers (casual, fixed-term, part-term etc.) are often not allowed to join or establish unions in Asia. This at least partially explains the comparatively low union densities.

Both groups are less likely to be offered training opportunities and are also less motivated to invest in their own training. In OECD countries more than half of those who attend training do it with employer support. However, employers tend to choose to train those from whom they expect high returns. Training also tends to be concentrated on workers who are already qualified and enjoy relatively high professional status in relatively large

enterprises. Those with low skills or older workers in small companies and in temporary jobs are worst off. Further, it is often the combination of low skills and unstable working conditions that discourage employers from investing in low-skilled human capital. Despite this, and partly because of this, it remains the responsibility of government and enterprise partners to ensure skills development is inclusive.

This responsibility is laid out under ILO's Convention 122 on Employment Policy. Under this Convention, governments are encouraged to consult and cooperate with both the formal sector and informal economy workers and employers on any type of measure that affects the employment opportunities. Convention 122, the same as Convention 87 on Freedom of Association and Convention 98 on the Right to Organize and Collective Bargaining, once ratified, is binding. However, Convention 122 is phrased in more promotional terms, leaving more discretion to the ratifying States as to how to go about its application, following the detailed guidance provided by the Employment Policy Recommendation, 1964 (No. 122) and the Employment Policy (Supplementary Provisions) Recommendation (No. 169).

So what alternatives are there for workers who are without representation or are part of the small and medium enterprises (SME) or even the unorganized or informal sector?

One way to encourage greater inclusiveness in skills development in SMEs is through on-the-job training (OJT) programmes. Historically these have not been done particular well. A common problem with OJT is that it is an informal process most often, and never broken down into key tasks. Government therefore has a role to play in providing developing national qualifications frameworks that include competency-based occupational skills standards and coaching or providing of mentors to companies to ensure they stay on track. OJT can be the most effective means of training for SMEs both cost-wise and time-wise if done properly, but needs external support provided by government. Another way to improve

Estimated Union Densities <sup>1</sup>	
Thailand	1.0%
Philippines	11.0%
R. of Korea	11.2%
Malaysia	9.0%
n.b. denomination refers to total labour force	
<i>Source: KLI-ILO Tripartite Workshop, 2003</i>	

OJT is to encourage enterprises to establish group workplaces into clusters. Clusters can overcome the lack of economy experienced by many SMEs. There are many ways of forming clusters – through networks, associations, membership based and so on. They are also a good way of passing down the value from bigger companies to smaller companies. Nike and IBM are both good examples of this – they outsource training and spread expertise. This is one of the beneficial outcomes of globalization – skills development can now cross national boundaries. In Singapore there is a company called Prima Deli, a food and bakery franchise that provides training for other franchises. These franchises operate as ‘common services cooperatives’ – sharing many of the costs associated with business through bulk buying, insurance and training.

Another possibility is a mentoring scheme, supported by government. Singapore again, has a successful mentoring system. Another alternative tried in other countries is the establishment of “individual training accounts”. However as experience in the United Kingdom shows these are open to fraud and/or abuse. Another drawback is that it tends to encourage people who would already be prepared to pay for the training rather than creating stimulating additional training.

While many of these schemes offer viable training options for unrepresented workers and workers in SMEs, there is still a large, if not the great majority, of the Asia workforce which exists even outside this sector - not just unrepresented, but unorganized or informal.

This issue particularly needs to be dealt with in Asia, as countries such as China are encouraging workers who are laid off due to the privatization of state owned enterprises and surplus rural

### **Prima-SPRING Singapore Baking Industry Training Centre (BITC)**

In 1993, Prima Deli started a joint initiative with SPRING Singapore Baking Industry Training Centre, or BITC. The initiative aimed to help the local bakery and confectionary industry to upgrade the skills and professionalism of its workers as well as to improve the image of the industry. Over the years, the training programme has forged relations with local and foreign partners, and transformed the industry. Today, BITC conducts more than 20 courses covering all aspects of baking, and trains over a thousand workers each year.

Recently BITC has embarked on a new developmental initiative to certify the skills of local bakers under the National Skills Recognition System or NSRS. The system will ensure workers qualifications are both recognized and meet the industry’s quality expectations and enhance business performance. An Industry Assessment Centre for assessing the competence of bakers has already been established. To date, the baking industry functional map and five skills standards have been developed. A further 20 skills standards will be developed by the end of 2003. The target is to train and assess 1,000 bakers over the next 12 months.



workers to find jobs or become self-employed in informal economic activities. While in India, the reality is even starker. The vast majority of the labour force (about 92 per cent)<sup>14</sup> is employed in the unorganized sector, which comprises owners of establishments, family workers, hired workers, fixed-base footloose workers, mobile footloose workers and home-based workers in agriculture, business and commerce, health, paramedical and other services. Both the level of training and access to education are low among them. Low literacy, vocational bias against technical skills, occupational preference for non-production jobs, mismatch between skills acquired and skills required, dearth of adequately or appropriately trained technical personnel, low competitiveness of labour vis-à-vis developed nations and employability and retraining of labour are among the major weaknesses that characterize the macro level situation of labour in India.

The viability of unorganized sector as the major provider of employment and as a means of transition to more secure employment largely depends on finding ways to increase the skills, security of employment and productivity of its labour. Future enterprise demands are expected to be mostly for labour with skills and multi-skills. As only about five per cent of the labour force in the age group 20 to 24 has skills acquired through formal training, there is a need to increase investment in formal skills development and training and the modernization and reach of current training system, including skills recognition and recognition of prior learning. The large-scale revamping of skills development and training is of prime concern. One approach tried with some success has been the establishment of a Skills Development Fund (SDF) which focuses specifically on training of labour in the unorganized sector. Funds have been established in both India and Pakistan. The experiences of these Funds offer much from which other countries can learn from, and as such, will be discussed further in the next chapter.

Some countries are also trying to develop strategies for helping informal entrepreneurs and workers to gain better skills through community groups, distance learning and television and the Internet. However, this should be cautioned by mentioning that the large majority of poor do not have access to a phone let alone a computer.

### *Responsibilities of workers*

As the amount of information available expands at an unprecedented rate, the onus of selecting, using and transforming information for knowledge is increasingly being placed on

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14 K. L. Reddy: *Skill development and productivity through social dialogue*, Paper presented at ILO/APSDEP Tripartite Asian and Pacific Workshop on Skills Development and Productivity through Social Dialogue, Bangkok, 2003.

the individual. Learning is the responsibility first and foremost of the individual. The individual is becoming the architect and builder of his or her own skills, supported by public and enterprise investment in lifelong learning.<sup>15</sup> There is general agreement that government and the public sector alone cannot provide the necessary financial resources for training and skills development. As adult learning generates considerable private return, employers and employees are increasingly expected to finance part of it. Greater reliance on market forces is expected to strengthen the incentives for learners to seek more effective learning opportunities, and for providers to improve the effectiveness of learning and training outcomes.

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15 ILO: *Learning and training for work in the knowledge society*, Report 91 IV (1) (Geneva, 2002), p.6.

## CHAPTER 2

# GOVERNMENT – A ROLE FOR THE FUTURE

### *Past role of government*

In the past training was almost solely provided by government. Nowadays, due to rapid changes in enterprise and technology, which have made it more difficult to maintain equipment, facilities and the skills of technical staff to the level required in modern enterprises, government training is not always practical, and in most cases is not meeting the needs of either labour or enterprise. In areas of high value-added skills, government simply can't keep up with technology. Government is best at providing supporting infrastructure for research and development rather than doing training itself.

The trend in some countries is to try to move away from full government responsibility for vocational training by setting up national training bodies – but these are still largely overseen by government. Further, to date there are very few examples of where this has worked successfully. This is partly because there are few mechanisms for dialogue between enterprise, government and labour as to what is needed and where. Therefore, in order to move away from the traditional mode of training provision, the use of social dialogue is crucial in providing the means through which the social partners can find common ground and forge ahead with skills development.

#### **Singapore – empowering enterprise**

When Singapore obtained self-government in 1959 it immediately embarked on an industrialization strategy to provide jobs and training for Singaporeans, but eventually handed training over to enterprise. When industrial development took off, initially the government tried to provide the necessary training, but it found it more productive to pass responsibility onto enterprise, by encouraging enterprises to run training institutes set up by the government. Enterprises were given incentives by government. Ultimately this was very successful.

### *Why should government encourage skills development?*

As we saw in the last chapter, the benefits of engaging in skills development for workers is clear – it increases their employability and mobility, and can also improve their quality of working life, as well as life at home and status in society. Enterprise benefits from a new approach to skills development through increased productivity and a committed and skilled workforce; but what of the benefits to government? Why should they continue to be involved in skills development when it is so clearly fraught with difficulties – what do they

stand to gain? When we talk of a win-win situation for all, what is it that government stands to win from participating in dialogue over skills development? The two main benefits to government of skills development are less industrial problems, and a more competitive economy, internationally. Governments gain by having a workforce that is trained, with little or no industrial unrest and the country is able to compete in international markets, therefore reducing the likelihood of social unrest while improving living conditions of its people.

Social dialogue should be a win-win situation - but it is difficult to achieve.

### *Future roles and responsibility of government in encouraging skills development*

Government's most important role is to create an enabling environment for social dialogue. This is to create a regulatory framework and an enabling environment for skills training and development (through social dialogue) and to provide incentives for training. Government's training role should still include however, the provision of basic or core competency, soft-skills – for example life skills, negotiation and communication skills etc.

So what specifically could/should governments be doing? From a long list of possible interventions a number stand out:

#### *(i) Policy formation*

Policy frameworks are needed to improve the functioning of the training market, to guide investment in human capital formation, and to give confidence to skill suppliers, employers and the workforce that their human capital investment is properly targeted and will yield positive results. Policy formulation is one of the most important steps, helping to develop a clear view of where a country, its economy

#### **Dialogue in Action: the Philippines**

The Philippines Government seeks private sector assistance in formulating vocational training policies through the National Technical Education and Skills Development Authority (TESDA).

The TESDA Board comprises members from both private and public sectors, including enterprise, labour and private training institutions. The Board is an example of social dialogue in action, responsible for formulating continuous, coordinated and fully integrated technical skills development and training policies, plans and programmes.

The TESDA Plan 2002-4 is to assist the “development of world-class, technically skilled and educated workers with positive work values, acting as the vital force in building a prosperous Philippines where citizens enjoy a life of economic security, social well-being and personal dignity.” The system integrates lifelong learning and recognition of prior learning as strategies to reach the Plan's objectives.

*Source: TESDA*

and its human resources are going. The Government of Malaysia has such a view (Vision 2020), stating its intention to ‘leapfrog’ the country into the post-industrialized society by the extensive utilization of knowledge-based technology. This translates into strategies and actions as set out in the “Eighth Malaysia Plan (2000-2005)”. Similar national policy-based approaches are evident in Hong Kong, China, with its national strategy “Educational Blueprint for the 21<sup>st</sup> Century”, and the Philippines (see box) with its TESDA Plan 2002 - 2004.

(ii) *Governance and incentives*

As mentioned above, rather than engaging in training delivery itself, government is increasingly focusing its efforts on creating an environment that will encourage private sector partners to invest in skills development. To create this more enabling environment, governments can use various incentives from legislative, to financial and motivational. For example levy systems, public grants, establishing training funds, providing tax rebates for training, training credits, individual training accounts and so on. For workers, there is an intrinsic motivation already in place – skills development gives them more employment opportunities as well as financial gains. However for business, particularly small and medium enterprises, the incentive is less strong, therefore one important role of government is to create and/or offer incentives to SMEs.

There is a growing consensus that governments should retreat from the lead role in the delivery of training, while continuing to help to bring cohesion to skills development systems. They can do this by introducing the necessary regulatory framework and enabling environment to advance skills development. This is to ensure that the existing imperfect training market does not become totally self-serving and short-term in its outlook, rather than reflecting the longer-term goals and vision of the government and its social partners.

Governments can also play a role in relation to workplace learning, through encouraging the development of core competencies and also through various partnerships and consultative mechanisms, by stimulating employers to promote and facilitate lifelong learning in their enterprises. Whether or not such initiatives need the impulse of financial incentives is open to debate. Such incentives could further distort the training market; on the other hand, an investment in, say, problem analysis, Internet use or communications skills could kick-start a learning process.

Countries that seem to be doing well in increasing enterprise involvement and responsibility for skills development are Australia, New Zealand, Malaysia (Penang and the West Coast generally) and Singapore. Penang is a role model for state government – private

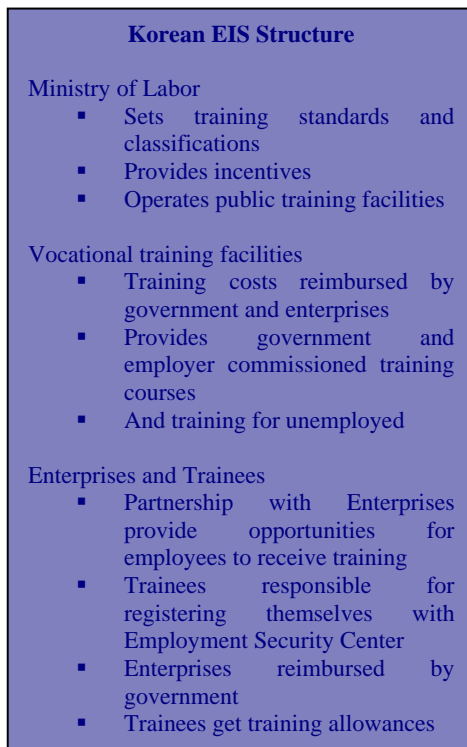
sector cooperation. Its Global Supplier Programme implemented by the Penang Skills Development Centre will be discussed further in Chapter Three, along with Pakistan's equally successful Skills Development Council.

In Korea however, the government-led Employment Insurance System training scheme is a good example of some of the challenges faced by government when it takes a leading role in skills development without strong support and involvement of labour and enterprise.

Vocational training was introduced into the Republic of Korea in 1967, becoming obligatory in 1976, and later integrated into the Employment Insurance System (EIS). The main merits of the EIS were its systematic and effective control of vocational training under the Ministry of Labor. Until 1999, it was an obligatory system, which provided also national qualification standards, as well as public VT services. Most importantly it was able to provide basic and intermediate skilled workers to enterprises.

The shortcomings of the system included lack of flexibility which made it unsuitable to rapid industrial change; it was unilaterally managed by government, resulting in a mismatch in skills and needs of workers and employers; and finally it led to increased polarization and imbalance in industrial relations and the workplace.

If Korean industries were to survive in this keenly competitive world, improvement of the existing system was necessary. Having learnt a great deal from the failings of the EIS system, government, workers and employers worked together, engaging in successful social dialogue, to develop the Labor Learning Fund. Through this process future development targets for skills development were established, including user-orientated skills development, private sector-led delivery systems and a shift in focus of courses from training to learning. Many of these goals are now enshrined in the Labor Learning Fund which is set to replace



the EIS. An agreement between the social partners to introduce the Fund was reached in November, 2002. The LLF is discussed in greater detail in Chapter One. Key to the development of the LLF is the recognition by all three partners that:

- Labour or unions should play a leading role in skills development;
- Management also must endeavor to animate vocational training programmes with participation of labour; and
- Government must set its direction to attract more labour and management participation.

(iii) *Supporting better communication and information flows*

The Canadian Policy Research Networks Report: Training for the New Economy identifies four areas where government can contribute to improving the quality and availability of information underlying the functioning of the training market, the rationale being that imperfect information can result in sub-optimal human capital investment decisions. The four areas are:

- Basic labour market information;
- Occupational and skills standards;
- Employers' certification tools; and
- Guidelines for reporting human capital investment.<sup>16</sup>

The provision of accurate and usable labour market information (LMI) is all the more important (and at the same time problematic) as both the labour and training markets become more fragmented as traditional occupational boundaries breakdown. The focus will shift from what jobs are available (since job titles will come to signify less and less) to what skills and competencies are in demand and in what combinations. Gathering and updating this kind of information poses challenges far removed from conventional LMI systems: on the other hand, the availability of advanced ICTs should facilitate rapid access to dispersed data (national or international) and rapid dissemination of information (or access to it) in user-friendly formats.

The trend in developed industrial (or post-industrial) countries is now towards standards that are competency-based. Competency is defined largely in terms of workplace outcomes and where individual tasks skills are supplemented by recognition of higher order

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<sup>16</sup> Betcherman, McMullen and Davidman: *Training for the New Economy* – a synthesis report (Ottawa: Canadian Policy Research Networks, 1998)

or more complex skills such as contingency management. By breaking down jobs into individual tasks and recognizing different levels of complexity, knowledge acquisition and skills performance (as in the British system of national vocational qualifications) it is possible to recognize workplace competency in a variety of settings and to adjust standards relatively quickly.

Working with constituents in the region, the ILO Asia Pacific Skill Development Programme (APSDEP) developed a Regional Model of Competency Standards that is now used by a number of regional countries to develop its competency standards. It is outcome-based focusing on an outcome of the required competencies.

The guidelines refer to: New approaches to describing workplace needs for human resources, called competency-based standards that have been introduced in countries such as the United Kingdom, Australia and New Zealand. These new competency standards can better accommodate rapid changes in skill requirements as they are more closely linked to the needs of enterprise. Competency as the basis for new model standards will therefore be internationally compatible.

New competency-based model standards must be designed for broader enterprise, enterprise sub-sector or occupational cluster coverage in order to have a wider application and be quicker to develop for work:

- Which is the target of established and growing areas of vocational training;
- In areas where there is migration of skilled workers;
- Where there is strong economic development; and
- That is service focused and not just in traditional manufacturing trades.

(iv) *Competency-based Standards for Training and Certification*

It is useful to review competency as being in essence extremely simple, involving:

- Being clear about what people in, or entering work, need to be able to do.
- When this is described in a standard outcomes-focused format it is an essential tool for:
- Basing training and assessment, at the least, on those identified outcomes; and
- Certifying that people can actually do what was specified as the outcome and credentialing them accordingly.



This requires a standard that enables enterprise to accurately define its workplace requirements – these are called competency (not ‘skill’) standards. As well as underpinning training and vocational education outcomes they can provide the benchmark for recognition of competencies gained informally.

The fundamental concept of competency for Regional Model Competency Standards (RMCS) is that it focuses on what is expected of an employee in the workplace rather than on a learning process. In other words, it describes exactly what someone should be able to do and not any particular training they should undertake. It also embodies the ability to transfer and apply broad skills and knowledge to new situations and environments. The description of competency must therefore capture the way effective workers operate, not just list their duties. This is a comprehensive definition of competency in that all aspects of work performance, not only narrow task skills, are included.

Competency-based standards are specifically designed to recognize workplace learning and performance. Secondly, they help to guide and improve the effectiveness of workplace learning by providing structure and goals for that learning, as well as an objective assessment of attainment. Current systems for assessing and formally recognizing workplace learning are far from perfect but they do represent a step in the right direction. Nevertheless, care must be taken to ensure that new recognition systems do not mirror their predecessors in ignoring the potential for human capital depreciation by assuming that qualifications confer permanent gain. This would run counter to the concept of lifelong learning.

There is a broad consensus that traditional skills recognition systems are in crisis. Even where, as in the ‘old’ industrialized countries, fairly comprehensive systems exist, these are increasingly revealed as inappropriate in today’s environment. It has been pointed out that until recently many skills recognition systems suffered from the fact that the standards upon which they were based paid no heed to workplace competency and prior learning. Furthermore, existing recognition systems have been slow to cover the new skills associated with ICT and the intangible skills of teamworking, problem solving and communications.<sup>17</sup>

ILO experience in Asia and elsewhere confirms that developing skills standards and recognition systems is time consuming and expensive and that, even where such systems exist, take up by employers and workers is generally low. The perception exists that the more traditional occupational standards do not reflect the actual skills needed in the

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<sup>17</sup> David Ashton: *Skills Recognition Systems – the US, UK and European experience*. Paper for the ILO/APSDEP/Japan Regional Meeting on Workplace-based Skill Recognition and Training, OVTA:Chiba, 2000.

workplace and that they are slow to adapt to new technologies and changes in work organization.

One often cited explanation for some employers' reluctance to invest in training (human capital investments) is that conventional accounting frameworks cannot accurately measure the returns on investment in training or other forms of knowledge acquisition. It may be then, that governments, as 'neutral agents' could work with the business community to devise and implement reporting systems that better measure human capital investment activities.<sup>18</sup> Even the effort of trying to measure the gains to learning would help companies to understand how and when learning takes place and to actively support what may be an informal process.

(v) *Providing foundation skills and the tools for learning*

As governments retreat from their central role in the provision of occupationally specific technical and vocational training, it may be that they should assume a new or enhanced role in teaching generic skills or core competencies. These include knowing how to access and organize information, how to communicate ideas, how to plan and organize activities, problem analysis and solving, working in groups and sharing knowledge and experience and using technology.

These competencies or generic skills amount to developing the individual's capacity to think for themselves, exercising their critical faculties and formulating and expressing ideas and solutions to problems. They also involve knowing what one does not know and where and how to look for answers; in other words, learning how to learn. Teaching these core competencies may well be a future task for public vocational and technical institutions, along with 'remedial' courses targeting gaps in basic understanding of technologies and their application in the workplace. This may not be quite as revolutionary as it sounds: many approaches to craft training, including the much admired 'dual system', which employs precisely this combination of college-based theory and workplace-gained practical skills. What may be different in certain newly industrializing countries are, (a) the required reorientation of public TVET institutions and their staff; (b) forging of new and closer linkages with industries and their representative bodies; (c) the need to better support and structure workplace learning; and (d) a different definition of 'practical skills' to encompass the domain of teamworking and other social and learning skills already discussed.

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<sup>18</sup> Ibid.

One example of such core skills is the “key competencies” defined under the Australian system. They include:

- Collecting, analyzing and organizing ideas and information;
- Communicating ideas and information;
- Planning and organizing activities;
- Working with others and in teams;
- Using math ideas and techniques;
- Solving problems; and
- Using technology (particularly ICT).

Training in core work skills is an area in which public training institutions can play a useful role, since such skills are not company, market, process or – with the exception of IT – technology-dependent. Focusing formal training on core or generic facilitating skills could also mitigate to some extent the disadvantage suffered by SMEs who often find themselves at a disadvantage when it comes to providing training as they lack the scale of economy – the smaller the enterprise the higher the opportunity cost of releasing employees for training.

(vi) *Reforming the education system*

A great deal of workplace learning happens informally and/or autonomously. There remains scope for workplace learning to be structured and assisted by inputs from outside the immediate work environment or group; however the emphasis remains on individually-driven efforts to seek out information, to apply one’s critical faculties to problem analysis and solutions, to developing a questioning yet at the same time, a team player’s attitude to work situations. The increasing use of ICTs can only accelerate the growth of autonomous learning: anyone accessing the Internet to help solve a work-related problem is in reality

### **Quality Assurance in Australia**

In Australia, the Australian Quality Training Framework provides VET Qualifications through a set of nationally agreed standards. Through the Framework the requirements of registered training organizations are specified, and standards and agreed processes for registering and accrediting courses are maintained. Through the Framework the rights and responsibilities of all parties are also outlined.

The Framework ensures the Australian VET system and its training packages remain “an integrated set of nationally endorsed standards, guidelines and qualifications for training, assessing and recognizing people’s skills, developed by enterprise to meet the training needs of an enterprise, of group of industries”.

A central feature of the training packages offered under the Framework is that they are output rather than curriculum focused, and based on competency standards.

*Source: Lifelong Learning Background Report (ILO: 2003)*

creating his/her own learning opportunity. However, it should also be remembered that Internet access and usage in this region has yet to even reach double figures in most countries, and as such, remains extremely limited in its potential to act as a resource for learning.

Despite the potential of individual-driven learning, the general education system has done little to prepare students for this relatively unstructured, self-driven learning environment that is the workplace. All too often, rote learning has been the order of the day, born of poor teacher training (and low motivation as a function of poor salaries) and social attitudes towards 'authority figures'. Flooding primary and secondary schools with computers in the hope that this will somehow magically transform the learning ethos in schools is clearly not the answer.<sup>19</sup>

A radical reform of the general education system is needed, embracing not only improved facilities, but also a transformation of how learning takes place in the classroom and how students learn to think and explore. This in turn will necessitate a thorough overhaul of curricula, teacher training and, indeed, the whole question of the role of the teacher as a learning facilitator.

More initial learning tends to be associated with more adult learning<sup>20</sup>. In Singapore, which has one of the highest participation rates for VET in the region (33 per cent of population aged 15-64), adults with tertiary education have the highest participation rate in training. The participation rate falls to just over a third for those with only secondary or post-secondary education, and drops even further, to just 12 per cent for adults with less than secondary education.<sup>21</sup>

Figure 1: Internet World Statistics. Source: <http://www.internetworldstats.com/stats3.htm>

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<sup>19</sup> ILO: *Life at Work in the Information Economy – World Employment Record 2001* (Geneva, 2001).

<sup>20</sup> ILO: *Lifelong Learning Asia*, a background report (Bangkok: 2003) p.6

<sup>21</sup> Ibid.

C o u n t r y	Population (Est. 2004)	Internet users (2000)	Internet users latest	User growth (2000-2004)	% Population (Penetration)	% of users
<a href="#">Bangladesh</a>	141,398,200	100,000	204,000	104.0 %	0.1 %	0.1 %
<a href="#">Brunei</a>	371,100	30,000	35,000	16.7 %	9.4 %	0.0 %
<a href="#">Cambodia</a>	13,805,300	6,000	30,000	400.0 %	0.2 %	0.0 %
<a href="#">China</a>	1,327,976,227	22,500,000	79,500,000	253.3 %	6.0 %	34.6 %
<a href="#">Hong Kong</a>	7,394,170	2,283,000	4,571,534	100.2 %	61.8 %	2.0 %
<a href="#">India</a>	1,088,056,200	5,000,000	16,580,000	231.6 %	1.5 %	7.2 %
<a href="#">Indonesia</a>	221,777,700	2,000,000	8,000,000	300.0 %	3.6 %	3.5 %
<a href="#">Japan</a>	127,944,200	47,080,000	57,200,000	21.5 %	44.7 %	24.9 %
<a href="#">Korea, South</a>	47,135,500	19,040,000	29,220,000	53.5 %	62.0 %	12.7 %
<a href="#">Laos</a>	5,692,800	6,000	15,000	150.0 %	0.3 %	0.0 %
<a href="#">Malaysia</a>	24,645,600	3,700,000	7,841,000	111.9 %	31.8 %	3.4 %
<a href="#">Mongolia</a>	2,558,700	30,000	50,000	66.7 %	2.0 %	0.0 %
<a href="#">Myanmar</a>	52,804,800	1,000	25,000	2400.0 %	0.0 %	0.0 %
<a href="#">Pakistan</a>	157,056,000	133,900	1,500,000	1,020.2 %	1.0 %	0.7 %
<a href="#">Philippines</a>	83,407,700	2,000,000	3,500,000	75.0 %	4.2 %	1.5 %
<a href="#">Singapore</a>	3,499,500	1,200,000	2,100,000	75.0 %	60.0 %	0.9 %
<a href="#">Sri Lanka</a>	20,482,000	121,500	200,000	64.6 %	1.0 %	0.1 %
<a href="#">Taiwan</a>	23,073,800	6,260,000	11,602,523	85.3 %	50.3 %	5.0 %
<a href="#">Thailand</a>	64,337,900	2,300,000	4,800,000	108.7 %	7.5 %	2.1 %
<a href="#">Vietnam</a>	83,030,400	200,000	1,500,000	650.0 %	1.8 %	0.7 %
TOTAL ASIA	3,654,644,200	114,303,000	229,816,057	101.1 %	6.3 %	100.0 %

## **CHAPTER 3**

### **ENTERPRISE – TAKING THE LEAD**

As we have seen in the previous chapters, we live in a changing world, and it is no longer possible to rely on the systems and traditions of past. Since the 1997 Asian economic crisis the region has been confronted by unforeseen economic and social instability and volatility. In addition, international pressure on the region from more developed countries to sign trade agreements, remove tariffs, and open up hitherto protected local national economies means that globalization is no longer simply a catchphrase; it is a reality, increasingly impacting on the economies and workforces of Asia.

However, it is not all bad. Globalization brings with it benefits of increased access to existing markets and the development of new markets, and increased competition. To capitalize on the new opportunities enterprises must become leaner, more flexible, more adaptive and quicker in their response to changes in their market environment. This increased competition and the ensuing adjustments in the production system is also rapidly changing the skills requirement of enterprise; the workers' skills must be upgraded or new skills learned in order to adapt to new technologies and work methods. And as we saw in Chapter One, the skills of those who are unable to be retrained, trained or adapt their existing skills to new fields become unmarketable. Therefore, companies wishing to stay competitive in the knowledge-based society must invest in skills training of their workforce in order to remain flexible, competitive and responsive to rapid market changes. Enterprises must also introduce incentive schemes for workers and develop good cooperative labour-management relations.

Responsibility for skills development requires the involvement and shared responsibility between all three social partners – government, labour and enterprise. The last two chapters have focused on the benefits of skills development to labour and to government, and also to the changing roles of these two partners in skills development. However, the trend towards market-oriented training systems now gives an increasingly prominent role to the private sector.

Enterprises, in particular, are now increasingly expected to undertake a proactive role in training. Conversely, as we saw in the previous chapter, the traditional role of government is evolving from government-led and government-owned training systems towards creating an enabling environment for enterprises and individuals, employers and workers, to invest and actively participate in a collective training effort. So what are the benefits to enterprises of participating in, or in fact in leading, skills development in the workforce?

### *Benefits to enterprise of skills development*

Firms and investors more often than not undervalue investment in people (as reflected, for instance, in stock market price). It is not an easy task to measure investment in human resource development. Efforts by ILO and the OECD and others to incorporate human resources into balance sheets have proved difficult, but it is clear that a more skilled workforce does increase productivity, a primary objective of all businesses. Employability is also closely linked with productivity and competitiveness. A skilled, adaptable workforce can contribute to increased productivity resulting in efficient and effective utilization of resources. Workers with higher skills do better in a globalized world. Growth in productivity, which measures the amount of goods and services produced for each hour of work, is a key to economic and industrial recovery.

One of the criticisms of previous training systems which have been heavily reliant on government is that the slow response to, and poor understanding of, market demands in public training centres has led to a mis-match between skill and demand. An increase in skilled workers can benefit enterprise by creating a larger pool of skilled workers for the labour market which will enable it to meet enterprise demands.

### *Knowledge-based economies*

The vexed question of whether existing education and vocational training systems are able to meet the enormous demands to train and retrain workers quickly enough and with the required skill adaptability to meet the challenge of knowledge-based, free market economies is gradually becoming evident. Governments alone are not able to address this issue, therefore, enterprises must recognize and value the investment in human capital, and moreover, workers themselves must also play a role by investing in the development of their own skills.

The extent to which a country can become a knowledge-based economy will now depend on how quickly it can become a “learning economy.” Formal education and training will need to become less about passing on information and more about teaching people how to learn. In the “learning economy” individuals, firms and countries will be able to create wealth in proportion to their capacity to learn and share innovation.<sup>22</sup>

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<sup>22</sup> ILO: The Skills Challenge, in *The World Employment Report 2001*, p. 26.

Many forward thinking enterprises now seek to capitalize on the knowledge and skills of their employees by finding ways to exploit the vast well of tacit knowledge that is inherent in many organizations. This knowledge is often lost when workers jealously guard it in an attempt to create job security, or when workers move on, are retrenched or retire. Many enterprises now recognize the value of human resources and assets such as tacit knowledge and encourage and provide employees with the opportunities to learn and to share and exchange knowledge with other workers and supervisors. Such enterprises are usually high performers, fostering, recognizing and rewarding innovation among their workers. They often exhibit a common set of attributes such as a level management system, stable workforce, with workers who are willing to work in teams and share their knowledge.

The value of tacit knowledge needs to be nurtured and recognized, even within government departments. Indeed, the importance of tacit knowledge and skills among government officials and staff often receives little recognition, when it should be nurtured and rewarded in order to foster and encourage a better and more efficient working environment. This in-turn will be reflected in a more relevant and efficient service to the citizens of that country.

It is understandable that, with a few exceptions, countries are having difficulties restructuring their education and training systems to meet the training required for the rapid transition to knowledge-based economies. Indeed, most education and training systems are products of a bygone era and require significant restructuring because they cannot adapt. Therefore, fundamental changes are required in education and training from kindergarten to high school and to college and university. For it is very clear that in order for countries to compete in a globalized knowledge-based economy, it will be in areas where the rates of learning are higher than those of other countries.

### *High performance work organizations (HPWO)*

The precise definition of HPWOs and the work practices they use varies, however, there is some agreement that HPWOs display the following attributes: devolved management, regular performance feedback, self-managed workteams, multi-skilling, Total Quality Management (TQM), extensive training, performance incentives, communication of business information shared with all staff and security of employment where possible.

Over the last decade there is a growing body of evidence on the impact of HPW practices on the performance of organizations. There is strong evidence that there are links between HPW practices and enhanced performance, particularly an increase in productivity and profitability. The ILO together with David N. Ashton and Johnny Sung has produced a



monograph entitled *Supporting Workplace Learning for High Performance Working* (2002)<sup>23</sup>.

The publication identifies some of the main characteristics of HPWOs and some of the problems encountered in establishing HPWOs. It also looks at a series of case studies undertaken by the ILO as well as reporting other case studies. The analysis reveals that one of the most important characteristics of HPWOs is building trust in order to the effectively implement high performance work practices. This is particularly important in organizations that had previously developed elements of tension and conflict in the relations between management and employees. It was demonstrated that organizations that have strong unions must start to share confidential business information with union management. Alternatively, where unions are not present, management has to establish relationships with individual workers. The building of trust must be an ongoing process. In all the case studies observed efforts were made to ensure a steady flow of information about the current state of business, with feedback from employees on changes required to sustain high levels of performance. Part of this process of building trust is to ensure that all employees share the values and objectives of the organization and are involved in the decision making process.

Most organizations studied had restructured the work process, introducing teamwork. The teams consist mainly of multi-skilled workers with varying degrees of autonomy and a fair degree of control over the work process including responsibility for quality<sup>24</sup>.

Enterprises wishing to become high performance work organizations face a number of constraints. They often lack the necessary material and financial resources. Workers or management may resist change. Workers' absence from the decision-making process on the introduction of HPWPs may generate mistrust towards management. Lack of incentives and funding support by the Government may also inhibit the introduction of these new practices.

Certain learning and training practices are critical to improving enterprise's performance. Workers' training needs must be assessed realistically. Management needs to create, in a proactive manner, a true learning environment that encompasses the entire staff. Learning processes should endeavour to develop problem solving skills among staff. Supporting the introduction of these practices should be a system of skills recognition and an appropriate scheme that rewards workers for their improved skills and performance. The provision of adequate facilities, including paid leave for attending skill upgrading courses,

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<sup>23</sup> Ashton, D and Sung J: *Supporting Workplace Learning for High Performance Working* (ILO: Geneva, 2002).

<sup>24</sup> David, N. Ashton: Working paper for the training of high performance enterprises in the knowledge economy meeting, December 2000.

are also essential.

Trust between management and workers underpins successful high performance work organizations. Trust can be promoted by a variety of means, including effective information sharing and communications at various levels in the organization; well defined rules and procedures, and transparent implementation; effective collaboration between management and workers in decision-making regarding HPWPs; and appropriate institutional mechanisms for the promotion of workers' welfare. Dialogue between employers and workers and between their representative organizations can also promote shared understanding of organizational goals. Collective bargaining can cover joint assessment of training needs, organization of skill development programmes and design of appropriate reward and remuneration schemes.

*New trends in training for small and medium enterprises: recent experiences, initiatives and developments*

Across the region, small and medium sized enterprises (SMEs) are growing rapidly in number as a result of restructuring and introduction of new technologies, phenomena that are associated with globalization. SMEs face increasing pressure to raise production capacities and adapt to change. They must learn new skills, or find themselves locked-out of markets and supply chains between enterprises. Some larger firms are promoting the diffusion of knowledge and skills by establishing supply chains that incorporate small firms. Supply chains can comprise two or more enterprises, or they can be led by an intermediary institution, like a training institution or a development agency. By stating its requirements, and by providing training, a large, "lead" firm strongly influences the performance of its small supply chain enterprises in terms of improved product quality, working conditions and adherence to delivery times.

Most SMEs face a number of constraints in training their staff. They often lack the necessary resources; training programmes are often irrelevant to their needs; and they cannot access them for lack of time, long distances to, and unsuitable duration and timing of, training courses. Developing countries often lack the basic infrastructure that is necessary for accessing learning and training opportunities offered by new technologies, like distance learning and the Internet. SMEs need data on the costs and rates of return of training in order to make informed decisions on whether to invest in training. The findings in some of the case studies were strongly influenced by employers' views; for future surveys and research it is important to integrate viewpoints on training by the concerned workers. Accessing government funding for training (e.g. from government budgets, training funds and employment insurance schemes) was an issue; many SMEs did not avail themselves of such

opportunities. There was a need for training in support of responsible enterprise restructuring and workers' interests. Collective bargaining was a means to promote such training. South African Breweries offered a good example of a tripartite approach to successful, market driven enterprise restructuring and shift from public to private ownership<sup>25</sup>.

SMEs in Italy had organized training on a collective basis in order to improve their occupational health and total quality management practices. Cluster initiatives at the sector level are an effective means for groups of firms to exchange information on sector competencies and training programmes. Managerial leadership was crucial in building the necessary trust between management and workers and strengthening the commitment of the later to the enterprise. The efforts by SMEs in Thailand to gain ISO accreditation was given as an example of how enterprises endeavour to become internationally recognized for their excellence. There was concern that workers often did not share equitably in enterprises' productivity. One example offered was the case of the USA, where recently productivity had increased by 6 per cent while wages had risen by less than one per cent. The ILO case studies suggested that the modes of training SME staff tended to vary for different staff categories. Managerial training was mostly formal; supervisory staff were given a mix of formal and non-formal training, while workers mostly learned on-the-job or informally<sup>26</sup>.

In Singapore, franchises have also been successful in sharing the skills development across companies, passing the skills benefit down from big to small. The appeal of joining a franchise is that the risk to SMEs is minimized through "borrowing" proven business concepts. There are two types of franchises - product/tradename franchises and business format franchises. Product/tradename franchises let the franchisee use a product or tradename but offer no supporting relationships. The business format franchise is faster growing and is the format most people are interested in today. It is characterized by an ongoing business relationship between franchisor and franchisee. The franchisee is offered not only a trademark but also a complete operational system. McDonald's, Holiday Inn, and Baskin-Robbins are examples of business format franchises.

In the best franchise systems, there is mutual dependence - financial, professional and personal - that benefits both franchisors and franchisees. This is facilitated by open communications and complete understanding of each party's roles. In Singapore, franchises can be found in a wide variety of trades, from education, childcare, food and retail, to

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<sup>25</sup> Ashton, D. and Sung J. op. cit.

<sup>26</sup> Pike, Frank: Learning and training in small and medium enterprises, a paper written for the ILO Tripartite meeting on HPWOs, Bangkok December 10-14, 2000

cleaning services. A number have become household names, such as Prima Deli which was mentioned in Chapter One, which was Singapore's first homegrown franchise.

In a survey conducted in 2001 jointly by Spring Singapore (formerly known as the Productivity and Standards Board), the Trade Development Board (TDB), and Singapore International Franchise Association (Sifa), nine out of 10 local businesses that have franchised their operations have become more profitable. While, two out of three say they consider franchising as a strategy for expansion in the next two years. In terms of financial performance, 88 per cent of the franchisors reported increased monthly sales since embarking on franchising. Compared to 2000, 77 per cent of these franchisors saw an increase in annual sales turnover. This was attributed largely to the economies of scale generated and good relationships with their franchisees.

Due to their size, individually, SMEs are often unable to formulate detailed training strategies that will enable their employees to be better qualified to cope with increased competition. However, co-operation between organizations within markets has long been identified as a factor in economic success and networking is one way to overcome this. Networks can evolve over time as 'natural' clustering's of enterprises, or can be 'induced' artificially as a result of interventions like the development of business or science parks.

Clusters are groups of inter-related industries which are linked in some way, and secondly, locate in close proximity to one other. The links between enterprises can be both vertical, through buying and selling chains for example, and horizontal, through Complimentary products and services, the use of similar specialized inputs, technologies or institutions, and other linkages for example. Most of these linkages involve social relationships or networks that produce benefits for the firms involved.

Clustering can help SMEs meet the demand of skills development at reduced cost and risks by linking up with other SMEs to identify skills and employment needs and to facilitate the development of new courses and learning materials in partnership with Higher education institutions.

The main players in cluster development must be the firms that are involved. Only through their active involvement will a cluster strengthen and develop. Business leaders thus play a crucial role. However, they are not the only players. Educational institutions also have a role to play and have proved to be important catalysts in cluster development in some cases. Universities may play an educational role but can also be key players in promoting research and development innovation within the cluster.

### Clustering in Indonesia

The metal casting cluster in Ceper is well known in Indonesia. The cluster has more than 150 enterprises, ranging from micro enterprises employing ten workers specializing in the production of simple fences of cast iron to firms with more than 200 workers assembling parts for the railway and automotive industry.

Buyers of output are the main initiators (change agents) of the technological upgrading processes in the cluster. Their continuous demand for better quality of output is the driving force behind process and product innovations among the producers. The main buyers of the output have an ongoing dialogue on quality of output with the leading firms in the cluster. The latter disseminate their expertise to the others in the cluster through the existing inter-firm linkage patterns and subcontracting.

Leading firms in the cluster are the main providers of a range of Business Development Services (BDS) to the smaller enterprises. BDS is 'part of the package' for smaller enterprises that operate in subcontracting networks of the leading firms. Training and counselling are provided to the smaller enterprises in accordance with their capabilities and the need for leading firms to ascertain high quality of the half-fabricates that are manufactured by their subcontractors.

There are also small enterprises in this metal casting cluster that produce directly for final consumers. Learning by doing and advice from colleagues are important strategies to upgrade product quality through time. These producers make much more use of the subsidized BDS from government agencies and NGOs compared with small firms that are embedded in subcontracting networks.

*Source: Henry Sandee and Sandra C. van Hulsen*

### *Bottom line for business – competitiveness and productivity*

Many enterprises have sought new sources of competitive advantage, profitability and improved productivity by introducing a range of management systems, new products, services and technologies. But many find that traditional means of developing competitive advantage (technology, economies of scale, patents etc.) are diminishing in value. They also find that while new technologies are advancing and improving the speed and power of communications and better access to learning for some; new technologies themselves rarely reap improvements in productivity and are in many cases increasing the complexity within the workplace.<sup>27</sup>

“...each successive innovation in communication is taken up faster than the one before...But each successive wave of new communications technology does not replace the previous wave, it adds to it.”<sup>28</sup>

Further to this, in the rush to be part of the global economy, some governments encourage

<sup>27</sup> Australian Institute of Management: New Technologies – Replacement of Multiplication, in *Management Today*, September 2002, pp. 8-9.

<sup>28</sup> Ibid.

public and private sectors to spend limited resources needed to make the transition to a knowledge society on new technologies at the expense of developing the skills and knowledge their workforce requires. But leading enterprises now realize that in order to stay competitive in a global economy, they must identify knowledge and skill gaps in the markets and develop flexible strategies to train and retrain their own management and workers to meet new workplace requirements.

*The benefits are simple – but how are they achieved?*

Countries in Asia need to improve or develop a new range of policies that promote a more flexible and positive response to social and economic fluctuations of world markets. This, in-turn, requires leaner and more productive economies with enterprises that have an innovative and competitive edge. This in-turn requires flatter and more consultative management systems, matched with strategies for the continual upgrading of the skills of their workers to meet the challenge of new technologies and new working arrangements that are necessary to ensure productivity and global competitiveness.

This is the key to the new workplace and to ensuring marketplace competitiveness, and it can be a win-win situation for enterprise, labour and government, providing it is approached in the right way. To become successful, skills training must balance the wants and needs of all the three tripartite partners. This calls for social dialogue – an open communication, cooperation and commitment among partners. It is a shared responsibility for formulating policies, capacity building, and partnership.

Enterprises on occasions have been wary of engaging in negotiations with labour, many enterprises have taken a negative perspective on worker engagement in workplace restructuring, believing too much labour involvement could impinge on managerial control, and in cases where there isn't a stable labour-management relationship already in place, negotiations could decrease productivity rather than increase it. They may also feel that labour representatives don't have the expertise necessary to participate in dialogue on skills development. Labour too is not free from criticism. Labour unions may often consider skills development training as the responsibility of the company or government, irrelevant to labour itself. But as we saw in Chapter One with the example of the Labour Learning Fund in Korea, labour-led skills development is an important component of opening up the field to new ways and opportunities to increase the skills and productivity of the labour market.

*The challenge of social dialogue (is to engage in it...)*

One of the core limitations of social dialogue to date is that it requires a leap of faith

on behalf of all three partners. Lessons learned by firms making half-hearted attempts to introduce high performance work practices are costly. Without full support of management and workers, through social dialogue, prior to, during and after the restructuring period the result will be immanent failure.

Therefore, partnerships and strategic alliances between the tripartite partners is the key to improve the relevance, efficiency, effectiveness, equity and sustainability of training policies, systems and programmes. Training is increasingly conceived and promoted as a cooperative effort in which the various relevant institutions in the public and private sectors must participate and share responsibilities. Moreover, the partners concerned are being called upon to contribute to the overall training effort, and to articulate their inputs, making the best possible use of their respective strengths and comparative advantages.

### *Creating a win-win situation for all*

The major task before the developing economies of this region is to strike an equilibrium between rights and social protection of workers with development and job creation and increased productivity. This can be made possible through social dialogue.

Traditionally, government's role in relation to skills development has included the provision of general education (as a basis for preparing young people for work). It has organized and run technical and vocational education and training (TVET) through public training institutions; and developed and administered skills standards and certification systems. On the policy side, it has formulated policies and overseen their implementation while providing guidance, coordination and leadership with a view to maximizing the impact of limited resources; and, in some countries, generated funds for training through levy/grant systems.

Today, in the ever changing skills market, this 'static' model of government's is no longer appropriate as global interdependence grows and new skills development systems emerge. Much has been written on the subject of the 'training market', the assumption being that the demand for skills will generate its own supply within the private sector. However, the sector is characterized by pronounced market imperfections. The actual market demand may not reflect the true need for training for a variety of well known reasons.

Enterprise has the means and the capacity to provide training for their staff. However, paradoxically the businesses/enterprises that employ the most are SME's – who often can't afford to do in-house/on-site training. As a result they tend to poach from other companies with more skilled staff. This leads to a depletion of the pool of qualified workers, pushing up

the cost of the labour market.

The examples shown in this chapter are just some of the possible avenues for innovative ways of rebalancing the roles and responsibilities of the private and public sectors in training. Hopefully, the lessons learned from these experiences will contribute towards building trust and fostering cooperation between enterprise, labour and government. Stimulating their participation and promoting the best use of their respective strengths in training. It should also help to lay the basis for improving awareness and institutional capacity for collaboration and joint ventures on human resources development and training among a wider span of institutions and interested parties in the public and private sectors.



## CONCLUSION

### THE WAY FORWARD

As we have seen in the preceding chapters, social dialogue is a practical approach to responding to the social and economic challenges, and opportunities, created by the impact of increased globalization on national economies. Social dialogue provides the tripartite partners of labour, government and enterprise with a forum to engage in regular consultation with each other and allows economic reform policies to be explained. This is an important point, as much of Asia's labour force is uneducated or, as is often the case, not included in the decision making process in the workplace due to prevailing social norms.

Sound social dialogue and consensus building mechanisms at all levels, be it at individual, local, regional or national level, are indispensable in building a strong and sustainable economy, generating growth and ensuring a fair and equitable distribution of the benefits and burdens of globalization.

Social dialogue can be pursued through a number of different channels, including tripartite consultation, collective bargaining, negotiation, mediation, conciliation or finally, if all else fails, through arbitration.

Tripartism is a

#### Australia – Pursuing tripartite reform

Few countries have pursued reform of vocational education and training (VET) as persistently as Australia. The pursuit began in the seventies, but it was soon realized that an expansion of training options was on its own, not a solution, institutional changes were also needed, including redefining the role of government in training.

The establishment of the Australian National Training Authority (ANTA) by the federal and state governments was a major step in this direction. ANTA was established to work on behalf of all the governments acting in unity. Employers and unions were incorporated into ANTA making it a tripartite authority – one of the few truly tripartite institutions in the region. Through ANTA, governments and enterprise partners embarked on an ambitious plan to develop new accreditation procedures, industry-based competency standards, encourage new training providers and develop a nation-wide system of assessment and certification.

With the establishment of ANTA, the government sought to engage the employers and unions, not as advisors, but as integral parts of the executive management of the VET system. While such an approach is difficult to adopt in countries which have depended on the public sector, getting full value for the investments they make will depend on making it happening.

*Source: Alan Abrahart and Zafiris Tzannatos*

concept that is basic and fundamental to the International Labour Organization. It is the cornerstone for achieving the goal of sustainable social and economic development. The contribution of the social partners to the labour market and social and economic policies is the key to the evolution of a socially responsive public policy that is fair, equitable and sustainable. A good example of tripartite consultation can be found in Australia, in the Australian National Training Authority (see box).

Social dialogue through bipartism systems such as collective bargaining, dispute settlement and worker participation have also long been a feature of some industrial relations schemes in Asia. However, in most countries it takes place between enterprise and government, generally with the exclusion of labour. Institutions, be they formal or informal, for promoting bipartism function reasonably well. Tripartite processes have been less commonly used. However, global pressures and political changes have strengthened the resolve of some governments and social partners to use social dialogue in a more inclusive way to address key labour market and social and economic issues. The example of the Somboon group in the box below shows how bipartism negotiation between enterprise and employees can benefit all.

Nabisco in America is another good example of how dialogue between workers (represented by the Bakery, Confectionery and Tobacco Workers' International Unions) and enterprise can turn around a company and in turn provide security of employment for workers and increased job satisfaction. In this case, the goal was pursued with negotiation.

In recent years the Bakery, Confectionery and Tobacco Workers' International Unions (BCTWIU) in the United States has pursued the goal of securing consultation prior to the introduction of new technology and new forms of work organization in the plants where they represent workers. It has encouraged the selection of a skill-based and skill-enhancing socio-technical design style that preserves jobs for front-line workers. In Nabisco's plant in Richmond, Virginia, these negotiations between BCTWIU and the company have provided the basis for arranging new forms of work. This began with capability studies, which were carried out, followed by the development of process operating guidelines in 1991. Nabisco and BCTWIU renewed their partnership in October 1994, emphasizing five core partnership elements including empowerment, work redesign, changing roles and responsibilities, employment security and rewards. They also developed a "joint vision matrix" which outlines "the stages of organizational development from a traditional organizational structure to a flat, non-authoritarian, cross-functional structure and a work group-based culture that is mutually supportive for company and union goals". Nabisco's top management's commitment to the principle of skill-based design allowed the union to focus more on the selection of technology, training, the configuration of operator stations and changing roles and

responsibilities associated with new technology. Management and workers at the Richmond plant are likely to continue pursuing the positive trend of a skill-based path to enhance product quality and company performance<sup>29</sup>.

### **Somboon Group, Thailand - Working together**

Somboon Group is a Thai automotive parts manufacturing group. The group produces more than one hundred different types of autoparts, for both domestic and export auto assembly industries. Somboon group has expanded in the last 40 years, from a small family company to three companies, employing over 1,200 people. It has achieved this by investing in its workers, and prioritizing ongoing human resources development. The company's main goal is to continuously increase the competency of its work force through upgrading skills, increasing basic knowledge, and increasing qualifications.

The company's vision is, "To be a leading autoparts manufacturer of world-class standards with an aim to enhance product value and contribute to society." In tandem with this, its human resources mission is to, "Be a world class company with efficient people and a good life". The company has a clear understanding that it benefits from its workers' growth and happiness. The company's human resources strategy is to:

- Develop training programmes that are linked to business strategy
- Provide internal training that focuses on technical and production process
- Build internal trainer skills
- Become a lifelong learning organization

To this end the company has set up a training centre for workers with the support of the Departments of Skill Development and Non-formal Educational. The training centre is free of charge, but does have a competitive selection process. The company has also set up a programme entitled, "We Care" which conducts regular staff surveys in order to ascertain employee attitudes to management style, company benefits, effective communication, motivation effect, and areas for improvement.

The company emphasizes the shared goal of training, and an important part of its development programme is Competency-based Learning, which is divided into two areas - Technical and non Technical training. Training activities include on-the-job training, in-house short courses, dual vocational training, and in-house technical competence development courses. More development process orientated activities include the development of occupational/competency standards, development of competency-based curriculum, development of training modules and packages, assessor training and development of recognition for prior learning (RPL).

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<sup>29</sup> ILO: *Technology and employment in the food and drink industries*, Report for discussion at the Technology and

The examples given above, are an indication that the benefits of social dialogue are increasingly being understood by all three tripartite partners. Further, it demonstrates that the responsibility to ensure its effective use can be taken up either by government as in the Australian example, enterprise as we saw in Thailand, or even workers as the Nabisco case demonstrates. The benefits are clear, and as this publication and the examples above show, there are a number of different approaches which can be used, depending on the situation and the partners involved.

In this particular publication we have chosen to focus in on the use of social dialogue to achieve skills development. Social dialogue can be used to achieve win-win outcomes on many issues, however, we chose to use the issue of skills development as it is a pressing issue for this region, and is a clear concern for all three partners. As mentioned at the beginning of this book, a skilled, adaptable workforce can contribute to increased productivity resulting in the efficient and effective utilization of resources. Workers with higher skills do better in a globalized world. Growth in productivity, which measures the amount of goods and services produced for each hour of work, is a key to economic recovery. As each chapter explores the benefits for labour, government and enterprise of skills development it becomes apparent that the benefits overlap and are interdependent, making it the perfect goal for all three partners to pursue through social dialogue.

In Chapter One, the rights of workers to decent work, a key platform of the ILO was emphasised:

Decent work means productive work in which rights are protected, which generate an adequate income, with adequate social protection. It also means sufficient work, in the sense that all should have full access to income-earning opportunities. It marks the high road to economic and social development, a road in which employment, income and social protection can be achieved without compromising workers' rights and social standards.

The case was made for a more representative social dialogue that is tripartite in nature, ensuring that all three social partners - government, enterprise and workers - are included in negotiations. Singapore is leading the way in the region, and provides some of the few examples of tripartite negotiation. While there is responsibility on the behalf of government to provide an enabling environment which will encourage the participation of labour in social dialogue, in the specific example of skills development discussed in this publication the point is made that labour not only has a right to decent work, it also must share the responsibility for pursuing decent work by actively pursuing increased skills and better trainings.

It is the role of government, however, to ensure an environment which encourages, even legislates for, worker involvement in workplace negotiations. Government needs to create a space for workers to become active participants in skills negotiations. The role of government, as discussed in Chapter Two, is, and must, change. This publication makes a call for a new approach by government - one in which it is the enabler rather than the controller. It should be the role of government to provide the mechanisms and infrastructure to ensure that social dialogue can work effectively. In terms of skills development in particular, the traditional function of government in providing training has been shown to be less effective in today's demand-driven skills market. Opting out of delivery of skills and taking up responsibility for providing the supporting infrastructure is perhaps a more suitable role for today's governments.

In Chapter Three, in which the role of enterprise in social dialogue was explored, the benefits of social dialogue were shown through the rise of the new High Performance

### **The visit to LG Company during and ILO mission, December 2001**

Mr Young-Kee Kim, Executive Vice President, Human Resources Division of LG Electronics provided the Director of the ILO Sub-Regional Office, Bangkok and the Senior Specialist in Vocational Training with an insight into a number of issues relating to industrial relations and training within the large corporately owned, multi-national company with production plants covering China (11), India and Eastern Europe as well as 30 plants within Korea. LG Electronics and LG Energy provides training through a number of methods, such as on-the-job training (OJT), training through its own colleges or university (LG Energy Group) and Education Centres (LG Electronics). Training is over a five to six week period for OJT with five to eight weeks at college or university. Mr Kim said the company provided 40 hours training per year for its staff in an effort to keep abreast of new technologies and new product development. The Executive Vice President also explained the LG found it more productive to train new recruits from high schools, colleges or universities rather than try to train someone trained by the public training system.

Although LG can be considered a high performance work organization (HPWO), implementing a number of high performance work practices, there are some aspects that do not fall within this framework. For example, although there has been a restructuring of management from seven to four levels, this has only been partially successful, achieving ten per cent success. Mr Kim rationalized that it was difficult to completely achieve the desired level of management needed because of the social and cultural expectations. To the outside world, Korean management structure is still hierarchical. However, Mr Kim pointed out that industrial relations were well above the average within Korean Companies. Further, he said that, since 1999, the company has moved from a promotion system based on seniority to one where salary and promotion are performance-based.

Work Organizations (HWPO). The chapter explores how dialogue has been driven by enterprise's recognition that in order to improve productivity there needs to be social dialogue between workers and enterprise. This type of dialogue is largely bipartite, but unlike bipartite negotiations of the past, it is between enterprise and workers, not enterprise and government, providing an encouraging development. Successful dialogue between labour and enterprise has led to the development of HWPO's, in which labour is empowered and encouraged to participate in negotiations and in which everybody ultimately benefits from increased productivity and quality of working life.

Very few examples of effective social dialogue exist in this region, however from the examples given in the preceding pages, some which have been successful and others which have been less so, it is possible to learn much.

If we look at the way in which some western economies have developed in comparison to those in this region, perhaps we can find a clue to the way forward in Asia. Western economies have mainly relied on the market to co-ordinate supply and demand for skills, keeping the input of government to a minimum, supporting role. This has worked well, in the past, if not in the present, letting market take their time to make adjustments. This approach is better suited to societies where the process of industrialization has taken place over a long period of time, and is used in the USA, UK, Canada, Australia and New Zealand. Conversely, Asian economies have had much less time to become industrialized and have had to find ways of accelerating the process of skill formation. They have done this by using the agencies of the state to speed up the operation of the market. In conclusion, we would therefore like to argue that this experience of Asia's tiger economies provides a new set of options from which developing societies can draw lessons.<sup>30</sup>

The Asian Tiger approach is one in which government action is used to help structure the operation of the labour market. This may be to help speedup adjustments in the labour market and to shift the basic equilibrium within which the market operates. It may also involve influencing the level of rewards individuals receive for their skills. Here government action is an integral component of the labour market. It can be used to ensure a rapid adjustment of demand and supply, to speed up the increases in the stock of skills in the labour market and to change the incentive structure for the acquisition of skills. The countries which epitomise this approach are Singapore, South Korea and Taiwan, although elements of it are found in Hong Kong (Ashton et al. 1999).

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<sup>30</sup> David Ashton and Johnny Sung: *Adopting the market for skill formation: Two Contrasting Approaches*, Centre for Labour Market Studies: unpublished paper, University of Leicester, U.K., 1999.

The “Asian Tiger” context may in part explain why social dialogue on skills development is weak in the Asia and Pacific Region. However, others reasons include the way in which major political systems operates, while others still reflect the diverse cultures, languages and influences from past experiences, such as exploitation, sometimes by occupation and ongoing regional conflicts.

Historically skills development has remained the domain of government and, indeed, this has often been the source of a power struggle between different ministries resulting in duplication, which in-turn has resulted in competition for meager budget training budgets against those for general education, military budget and other such priorities.

This can be evidenced in developing economies such as Cambodia where the dominant ministry is the Ministry of Education, Youth and Sports in competition with the Ministry of Social Affairs, Labour, Vocational Training and Youth Rehabilitation, the Ministry of Rural Development, the Ministry of Industry, Mines and Energies, the Ministry of Public Works and Transport, and the Ministry of Women’s and Veterans Affairs. Although a National Training Board exists, it is under the chair of the Ministry of Education, Youth and Sports, resulting in limited participation by other ministries, the private sector and trade unions. Of course there are other reasons too, for example when national training authorities are developed, they often require ministerial level participation, resulting in difficulties arranging meetings because Ministers may have more pressing tasks or are on overseas travel. Besides, if a national training authority is to work, democratically the chair should be elected and members should be at an executive level where the board has the authority to advise government and push through reform. Too low level training boards have no significant effect on reforming skills systems – while high level tripartite structures often cover a range of issues beyond those related to skills and, if skills are dealt with, they are not often able to be operationalized at the practical level to meet immediate needs.

On the other hand, the Korean Tripartite Commission has the mandate to deal with industrial relations at all levels of the economy. However, the problem appears to be that it is at a too high level with the President as its chair. Its effectiveness is limited because of ongoing confrontation between the social partners, and the Board is more likely to make arbitrary decisions rather than using a consultative process.

These challenges then lead us back to government, and the need for it to continue to play a major, although somewhat changed, role. In many countries government does not wish to step back from its major role of training provider and, instead continues to fund costly training institutions with out-of-date equipment and instructors without the cutting edge technologies, skills and knowledge required for modern enterprises. They continue to

provide training for school leavers or the unemployed in skills that are not in-line with the needs of enterprises.

This has, in many countries such as Japan and Korea, and to some extent in Malaysia, resulted in larger enterprises developing their own training institutions and universities because the public training systems do not meet the needs of modern enterprises and are not able to respond to the rapid advances in technologies and the short life cycles of products.

While a number of large companies recognize that they must provide support to small enterprises in their support chain, others do not provide such assistance. Therefore, many small and medium enterprises do not have the resources to train their workers and often resort to poaching of staff. Indeed, many labour intensive larger and small to medium enterprises still hang-on to Taylorist principles that only provide workers with limited training on basic, narrow tasks.<sup>31</sup>

### **The King of Drudge: Frederick W. Taylor**

By giving work a scientific basis [Taylor] sought to transcend labour-management antagonism. This was naive in the extreme, and very early on Taylorism came under fire from labour unions and politicians influenced by them. Taylor, who waved his years as a machinist as a moral credential, styled himself the friend of the workman. But his blunt views about the limited intellectual capacity of ordinary workmen undercut that claim. And his efficiencies tended to make work more onerous and alienating. To cut down on time-wasting conversation, for example, he seated telephone operators too far apart to talk to one another. Dictating the penmanship on time cards, establishing production quotas for labourers, cutting the time it took to make a cast-iron ring from fourteen to three hours, Taylor grew rich as one of America's first management consultants.

However, some governments are providing assistance to smaller and medium enterprises by encouraging them to work in economic clusters or provide mentors in order that workplace training can be facilitated at a convenient workplace location. Other governments in the region, such as Philippines are making efforts to improve the relationship between employers and workers

Social dialogue as a means of solving skills development and productivity is perhaps confused with the confrontational image that social dialogue has in solving the wider issues of industrial relations, usually terminating with all parties feeling that they have lost ground

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<sup>31</sup> Beatty, Jack: "The King of Drudge," in *Frederick W. Taylor, 1856- 1915*, 11 February 1988, Internet.



or only gained a small concession. Whereas, social dialogue on skills can be a win-win situation.

For the answer to how to achieve successful social dialogue in the region we should look to the role of government. It is government that must take the lead in bringing together the social partners. They can do this by creating mechanisms such as national training authorities that are able to work with enterprises to support and encourage them to take their share of responsibility of skilling the workforce by becoming involved, either directly the provision of workplace learning programmes or through institutions and organizations that provide skills training. Governments should also take the lead in encouraging workers to invest in their own skills, by facilitating and providing other incentives and by ensuring that the systems and institutions work by providing the regulatory framework, enabling environment, core skills and basic skills. However, at the same time, they should step back from the provision of cutting-edge skills that are beyond the capacity of public institutions.

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