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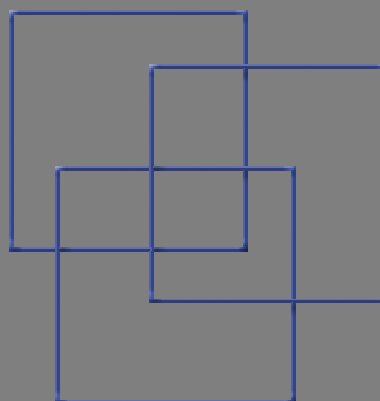


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A manual: Building up enterprise competitiveness in ASEAN through good industrial relations practices

Prof. Rene E. Ofreneo, Jose Roland Moya
and Joy Hernandez



ASEAN-ILO/Japan Industrial Relations Project
ILO Regional Office for Asia and the Pacific

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First published 2013

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A manual: building up enterprise competitiveness in ASEAN through good industrial relations practices / Rene E. Ofreneo, Jose Roland Moya and Joy Hernandez; ASEAN-ILO/Japan Industrial Relations Project, ILO Regional Office for Asia and the Pacific. - Bangkok: ILO, 2013

vi, 35 p.

ISBN 9789221280323 (web pdf)

ILO Regional Office for Asia and the Pacific; ASEAN-ILO/Japan Industrial Relations Project

labour relations / social dialogue / collective bargaining / labour dispute / labour dispute settlement / labour legislation / competitiveness / comment / ASEAN countries

13.06.1

ILO Cataloguing in Publication Data

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Printed in Thailand

Foreword

The International Labour Office (ILO) has always been supportive of the multi-sided programme of the ASEAN in building a community of caring and sharing societies, the fulfilment of which should lead to the creation of more and better jobs in the ASEAN. The ILO has extended technical and other assistance to the ASEAN programmes on skills development, human resource development, occupational safety and health, and migration.

However, the ILO considers the joint ASEAN-ILO/Japan programme on strengthening industrial relations (IR) practices in the ASEAN region of special importance. For ASEAN, building up capacity in IR is considered crucial in strengthening the ASEAN's readiness as a rules-based organization as well as a competitive regional economic hub. This is clearly articulated in the ASEAN Charter (2007) and in the ASEAN Roadmap for the three community-building projects of the ASEAN: economic, socio-cultural and political-security. For the ILO, on the other hand, the development of good IR practices is at the core of its mission as an international body mandated to promote social dialogue and social partnership among the industrial relations actors (labour, employers and government) through decent work standards and observance of the basic rights of both employers and workers.

This is why we hailed the decision of the ASEAN Labour Ministers (ALM), in their May 2010 Meeting in Hanoi, when they approved a Work Programme for 2010-2015 focused around industrial relations and adopted the "ASEAN Guidelines on Good IR Practices". The Guidelines – legal framework, fundamental rights of employers and workers, bipartite cooperation and collaboration, building mutual trust and respect, mutuality of purpose and benefits, dignity at work and highlighting best practices, good faith behaviour, effective labour dispute settlement and tripartite partnership and social dialogue – are aligned with the ILO's own Decent Work Programme.

It is in this context that we at the ILO have asked Prof. Rene E. Ofreneo and his colleagues, Roland Moya and Joy Hernandez, to draft a Manual on how ASEAN enterprises can build up competitiveness through the ASEAN framework on good IR practices. The Manual turned out to be a validation of the ASEAN's and ILO's thesis that good IR practices are indeed a key to building up productivity and competitiveness.

Incidentally, making the shift to a regime of good IR practices is not expensive. To borrow from the ASEAN integration vocabulary, what is needed is an attitude of "caring and sharing" with one another.

Contents

Foreword	iii
Contents	iv
Acronyms and abbreviation.....	vi
1. Introduction: Good industrial relations practices in an integrating ASEAN.....	1
1.1 ASEAN labour ministers' strategic response to the adjustment dilemma.....	2
1.2 Outline of the manual.....	3
2. Good industrial relations practices and enterprise sustainability	4
2.1 Definitions: Industrial relations, good industrial relations practices and decent work.....	4
2.2 Good industrial relations positively impact productivity and competitiveness	5
2.3 ASEAN promotes good industrial relations practices	7
3. Translating the ASEAN Guidelines at the enterprise level.....	9
3.1 Fostering bipartite cooperation and collaboration.....	9
3.2 Bringing about mutual purpose and benefits	14
3.3 Respecting the fundamental rights of employers and workers.....	16
3.4 Upholding dignity at work and highlighting best practices	19
3.5 Promoting tripartite partnership and social dialogue	22
3.6 Institutionalizing a labour dispute settlement mechanism	24
4. Tackling difficult industrial relations adjustment challenges in an integrating ASEAN	27
4.1 Enterprise search for flexibility amid workers' demand for greater security	27
4.2 Designing an orderly business restructuring	28
4.3 Transforming adversarial relations into cooperative and productive ones.....	30
5. Conclusion	33
References	34

List of tables

Table 1: Select ASEAN economic indicators.....	2
Table 2: Tips for operationalizing good industrial relations at the enterprise level.....	9
Table 3: Opportunities from union-management cooperation.....	14

List of figures

Figure 1: Modified Verma, Kochan and Lansbury model of the relationship between high-performing enterprises and good industrial relations practices.....	6
Figure 2: From distributive to strategic collective bargaining	17
Figure 3: Shifting from adversarial to cooperative relations	31

List of text boxes

Box 1: ILO Conventions on core labour standards.....	5
Box 2: Good idea: Conditions for an environment conducive to sustainable enterprises	7
Box 3: Good idea: ASEAN Guidelines for Good Industrial Relations Practices	8
Box 4: Good experience: Including a productivity clause in a collective bargaining agreement in the Philippines	12
Box 5: Good idea: Gainsharing: What it is and how to make it a success	13
Box 6: Good idea: Principles guiding the mutual gains enterprise	14
Box 7: Good idea: Creating a mutually beneficial relationship.....	16
Box 8: Good experience: Uninterrupted collective bargaining agreement: A good practice of good-faith bargaining in Malaysia	18
Box 9: Good experience: Reaping benefits through strategic collective bargaining: Economic benefits for the union, productivity gains for management in Malaysia	19
Box 10: Good experience: Star Publications Berhad – Demonstrating social partnership in difficult times in Malaysia.....	20
Box 11: Good idea: Proactive industrial relations and human resource approaches	21
Box 12: Good experience: Going proactive: Powering human resources and skills in Singapore.....	22
Box 13: Good experience: Tripartism in action in ASEAN.....	23
Box 14: Good experience: Open communication towards openness to cooperation in problem solving.....	24
Box 15: Good idea: Prerequisites of proactive grievance mechanisms.....	25
Box 16: Good experience: Writing a code of conduct together to cement industrial peace in the Philippines	25

Box 17: Reflections of the research teams	26
Box 18: Good experience: Union–management dialogue on contracting out in Singapore	28
Box 19: Good experience: Painless and job-full privatization: Win-win restructuring in Malaysia.....	29
Box 20: Good experience: Negotiating for wage cuts across the board in the Philippines.....	29
Box 21: Good experience: Transforming business and people’s lives in the Philippines	32

Acronyms and abbreviations

AFAS	ASEAN Framework Agreement on Services
AIA	ASEAN Investment Agreement
AJPIR	ASEAN/ILO-Japan Project on Industrial Relations
ALM	ASEAN Labour Ministers
AMS	ASEAN Member States
ASCC	ASEAN Socio-cultural Community
ASEAN	Association of Southeast Asian Nations
ATUC	ASEAN Trade Union Council
CEO	chief executive officer
EMS	environmental management system
LMC	labour-management council
MRAs	Mutual Recognition Agreements
PASAR	Philippines Associated Smelting and Refining Cooperation
QMS	quality management system
SMART	specific, measurable, actionable, realistic and time-bound
SWOT	strengths, weakness, opportunities and threats
UPAGE	Union of Power and Gas Employees
USSC	Universal Storefront Service Corporation

1. Introduction: Good industrial relations practices in an integrating ASEAN

As the 2015 opening gate to the ASEAN Economic Community draws near, the movement towards the free flow of goods, services, capital and labour throughout the bloc is accelerating with the continued lowering of duty tariffs and the increasing number of liberalizing agreements.¹

The planned economic integration among the ten members of the Association of Southeast Asian Nations (ASEAN) – Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam – will have significant competition implications for employers and workers in all ASEAN-based enterprises, large and small.

An enlarged market. A unified ASEAN economy represents an expanded regional market. As shown in table 1, some 600 million people live in the ASEAN region, occupying a land area of 4.4 million km². As a bloc, ASEAN countries register a collective gross domestic product totalling roughly US\$1.5 trillion a year and trade grossing more than \$1.5 trillion a year. Before the global financial crisis of 2007–08, the region had been attracting close to \$50 billion a year of foreign investment. The region draws a large number of tourists, estimated at more than 65 million a year. An increasing proportion of the “arrivals” are classified as “intra-ASEAN”, meaning more and more ASEAN nationals are travelling within the region.

Through the ASEAN+3 Annual Summit, which involves China, Japan and the Republic of Korea, the ASEAN market is essentially much greater, which represents considerable opportunity for economic expansion for ASEAN-based enterprises.

But the ASEAN Economic Community will also mean tough adjustment challenges for enterprises:

Competition challenges. Within each ASEAN country there are enterprises poised to accrue more benefits created by the bigger markets under a free economic environment and there are those that will grapple with the elemental tasks of survival and growth under increased competition. Translating a profitable expansion into reality is not easy; nor is shielding one's operations against the onslaught of fiercer competition in a bigger market. To stay in the market by delivering goods and services at the highest-quality level, on time and at competitive prices, enterprises will need to shape up, do market niching and strive for higher productivity. All of this implies adjustments in work processes and in work relations because a business mission cannot be delivered in a work vacuum. Equally necessary will be adjusting industrial relations and human resource management practices.

People-centred adjustments. ASEAN leaders have embraced economic liberalization as an instrument for building a balanced and equitable regional economy (*ASEAN Economic Community Blueprint*, 2007), with the region evolving into a community of “caring societies”

¹ ASEAN economic liberalization is facilitated by a number of regional agreements, such as the ASEAN Free Trade Agreement (AFTA), the ASEAN Framework Agreement on Services (AFAS), the ASEAN Investment Agreement (AIA) and various protocols on Mutual Recognition Agreements (MRAs). An ASEAN Economic Community Blueprint was adopted in 2007 to hasten the integration processes and synchronize all the liberalizing initiatives.

(*Vientiane Action Programme*, 2004). ASEAN leaders also have accepted “decent work principles in ASEAN work culture, safety and health at workplace” (*ASEAN Socio-Cultural Community Blueprint*, 2007) as integral in the regionalization process. In this context, enterprises are expected to help develop a people-centred ASEAN “community-hood”. Achieving this dynamic will require enterprises to modify their industrial relations and human resource management to improve productivity and competitiveness while strengthening industrial peace and workers’ protection.

Table 1: Select ASEAN economic indicators

Indicators	2008	2009
Total land area (km ²)	4 435 830	4 435 670
Total population (thousands)	583 673	590 844
Gross domestic product (at current prices, US\$ million)	1 512 707	1 496 341
GDP per capita	2 592	2 533
International merchandise trade (US\$ million)	1 897 127	1 536 846
Exports	977 537	810 489
Imports	919 591	726 354
FDI (US\$ million)	49 469	39 387
Visitor arrivals (thousands)	65 605.5	65 808.6

Source: ASEAN statistics (as of February 2011). Available at: <http://www.asean.org> [4 Aug. 2012].

1.1 ASEAN labour ministers’ strategic response to the adjustment dilemma

Confronting enterprises in the region is the dilemma of how to be productive and competitive in an integrating ASEAN while adhering to the ASEAN vision of a “caring and sharing” economic community. According to the preamble to the ASEAN Guidelines for Good Industrial Relations Practices, developed by the bloc’s labour ministers in May 2010:

Whereas in the time of globalization, growing economic integration, and a rapidly changing and highly competitive business environment, establishing good industrial relations practices is a progressive and essential step to enhance the competitiveness of ASEAN and make it a choice destination of global investments and businesses;

Whereas one of the important principles in the ASEAN Charter is respect for fundamental freedoms, the promotion and protection of human rights, and the promotion of social justice;

Whereas industrial relations practice is developed through tripartite cooperation and requires constant improvement and adjustment...and is consistent with internationally recognized principles, obligations and standards, including the fundamental principles and rights at work and the need to maintain the link between social progress and economic growth;

The ASEAN Ministers of Labour lay down and adopt the following set of guidelines on sound and good industrial relations practices for the guidance and benefit of all ASEAN members in their continuing quest for harmonious and productive industrial relations based on social justice, as a

cornerstone of quality workplaces and economic success, that should be expected and promoted by ASEAN member countries.

1.2 Outline of the manual

This manual, which is a component of the ASEAN-ILO/Japan Project on Industrial Relations (AIJPIR), fleshes out critical elements of the Guidelines for Good Industrial Relations Practices to show how enterprises can develop good industrial relations practices. The AIJPIR project subscribes to the belief that an enterprise has a better chance of becoming productive, competitive and successful in a liberalized ASEAN by adopting sound industrial relations practices.

This manual is divided into three parts. The first part defines good industrial relations practices and how they contribute to good enterprise governance and increased productivity and competitiveness. The second part enumerates different approaches to building up those good industrial relations practices, based on the ASEAN Guidelines. The third part outlines critical industrial relations challenges confronting ASEAN enterprises amid the globalization and regional integration processes. The manual includes advice, tips and illustrative good practices (in the form of “good ideas” and “good experiences”) from outstanding enterprises² in the region that were collected by the research team.

CAVEAT: This manual is not exhaustive. It cannot cover all types of work and industrial relations situations and problems. The primary objectives of the manual are twofold: (i) clarify what are good industrial relations practices; and (ii) show that the vision of good industrial relations practices in support of a caring and sharing ASEAN community is workable. In the end, however, each ASEAN enterprise, together with its workers, must address the challenge of instituting good industrial relations practices and human resource management within a liberalized economic environment.

² ASEAN countries have a growing number of competitive enterprises known for their corporate social responsibility as well as good industrial relations practices. Due to time and resource constraints, the research team documented only a select few.

2. Good industrial relations practices and enterprise sustainability

2.1 Definitions: Industrial relations, good industrial relations practices and decent work

Industrial relations is broadly defined as the composite of rules and institutions governing the relationships of employers and employees (Dunlop, 1958; Kaufman, 2004). Without these rules and institutions, productive work cannot be achieved or sustained. After all, work in an enterprise setting requires the coordinated efforts of all production partners or actors – managers, supervisors, team leaders and rank-and-file workers. These rules and institutions include terms of employment, discipline, grievance procedures, worker involvement in enterprise decision-making processes, a system of compensation and rewards and other rules governing the workplace.

But there are both good and bad industrial relations practices.

As delineated in the ASEAN Guidelines, good industrial relations practices are anchored on a legal framework, fundamental principles and rights at work, bipartite cooperation, tripartite partnership and social dialogue and effective labour dispute settlement. **Good industrial relations practices** entail the continuous improvement of rules and institutions without compromising the goal of decent work for all. In general, good industrial relations practices:³

- reflect the needs, cultures and practices of each country;
- promote social dialogue, with a full sharing of relevant information in advance;
- start at the enterprise level through better communication between the parties;
- encourage compliance with national laws, agreements and core labour standards (box 1);
- protect workers' rights and interests in times of corporate stress;
- instil in contractors and subcontractors the duty to comply with labour standards, especially standards on workers' rights, health and safety;
- institutionalize training and re-training on good industrial relations practices, social dialogue, core labour standards, labour laws and regulations; and
- promote cooperation with the International Labour Organization in the conduct of these activities, including the documentation of good industrial relations practices and outcomes.

These industrial relations practices are supportive of **decent work**, defined as productive work for women and men in conditions of freedom, equity, security and human dignity. Apart from compliance with the international core labour standards, the ILO explains that decent work:

- involves creating opportunities for work that is productive and delivers a fair income;
- provides security in the workplace and social protection for workers and their families;
- offers better prospects for personal development and encourages social integration;
- gives people the freedom to express their concerns, to organize and to participate in decisions that affect their lives; and
- guarantees equal opportunities and equal treatment for all.

³ As discussed in the February 2009 regional seminar on industrial relations, Towards ASEAN Integration: Promoting Good Practices for Industrial Relations, in Bogor, Indonesia.

Box 1
ILO Conventions on core labour standards

No. 29	Forced Labour Convention, 1930
No. 87	Freedom of Association and Protection of the Right to Organize Convention, 1948
No. 98	Right to Organize and Collective Bargaining Convention, 1949
No. 100	Equal Remuneration Convention, 1959
No. 105	Abolition of Forced Labour Convention, 1957
No. 111	Discrimination (Employment and Occupation) Convention, 1958
No. 138	Minimum Age Convention, 1973
No. 182	Worst Forms of Child Labour Convention, 1999

2.2 Good industrial relations practices positively impact productivity and competitiveness

How can good industrial relations practices contribute to greater productivity and competitiveness of an enterprise? **Productivity** refers to the more efficient use of the factors of production, such as labour and capital. This means any of the following: (i) more output with an unchanged amount of input; (ii) same output with less input; and (iii) more output with less input. Raising productivity usually entails better organization and management of the factors of production as well as the adoption or introduction of better technology.

Competitiveness at the enterprise level means producing goods and services at a rate equal, if not above, the productivity of the most capable competitors in a given industry. Competitiveness in the globalized market is the ability to produce quality goods and services, deliver them on time and sell them at reasonably competitive prices.

As early as 1994, three international industrial relations experts – Anil Verma, Thomas Kochan and Russell Lansbury – expounded on the dynamic interrelationship of adjustments to industrial relations and human resource management with competition and productivity through a discussion of what they have dubbed as the “high road” in practices.

First, the changing global economic order, characterized by rapid globalization and heavy competition, has altered the way industries, markets and businesses operate. To adapt to the economic and other external pressures while staying competitive, enterprises must make necessary adjustments not only in their operational aspects but also in their industrial relations and human resource structures, strategies and practices. These include upgrading the competencies of workers through the adoption of new technologies and changing organizational structures and work processes to boost efficiency in the face of fierce competition.

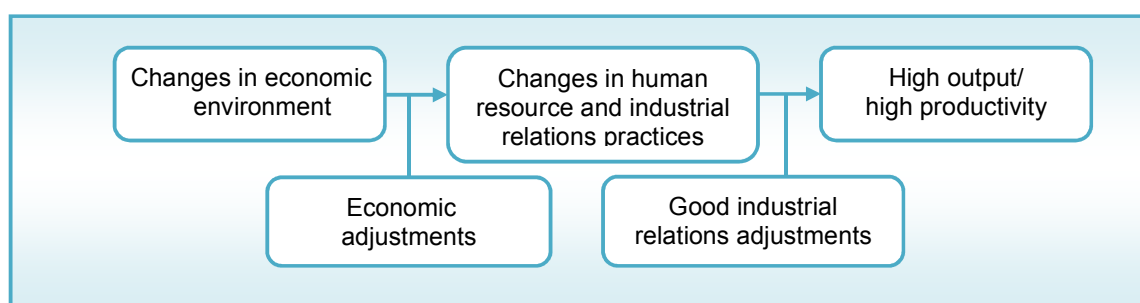
Second, enterprises must also tackle the challenges generated by the emerging liberalized and yet rules-based regional and global integration agreements, such as the ASEAN Economic Community, and through the World Trade Organization. Employers must learn to cope with such pressures in a manner that is least disruptive of business, jobs and livelihoods. Hence, there is a need to modify the existing industrial relations and human resource management strategies or develop new ones. Based on the experiences of industrialized countries, Verma, Kochan and Lansbury (1994) highlighted the critical importance of employee-focused, productivity-enhancing adjustments. They include the following:

- **Work organization**, which promotes flexibility, teamwork and greater employee representation and participation in solving problems and raising productivity and quality.
- **Skills formation**, which involves investments in different forms of skills acquisition, development and training by both public and private institutions to smooth the adoption of new technologies and innovations.
- **Compensation**, which includes adoption of such creative compensation schemes as performance- and merit-based pay systems, individual or group incentives, profit sharing, stock ownership and wage adjustments in accordance with economic performance.
- **Staffing arrangements** that do not compromise job security or minimize job disruptions, which is one of the most challenging aspects of industrial relations under globalization because of the global increase in temporary and part-time hiring arrangements and a decline in social protection coverage.
- **Corporate governance**, which takes into account the role of industrial relations and human resource management in corporate decision-making (for example, via the integration of such issues into the overall strategy of the enterprise through work councils and through increased influence of an industrial relations and human resource department).

Verma, Kochan and Lansbury advanced the proposition that innovative and employee-centred industrial relations and human resource practices are central components of competitive enterprise-level governance, as illustrated in figure 1.

The Verma-Kochan-Lansbury framework and the ASEAN Guidelines on Good Industrial Relations Practices are consistent with the conclusions of the ILO Committee on Sustainable Enterprises (box 2). Because enterprises are formed and developed in response to the needs of society rather than in the name of an abstract and faceless market, the Committee declared that a good and sustainable enterprise is one that respects labour, human, community and environmental rights and develops a regime of good industrial relations practices in all those areas.

Figure 1: Modified Verma, Kochan and Lansbury model of the relationship between high-performing enterprises and good industrial relations practices



Box 2: Good idea

Conditions for an environment conducive to sustainable enterprises*

- Peace and political stability
- Good governance
- Social dialogue
- Respect for universal human rights
- Entrepreneurial culture
- Sound and stable macroeconomic policy
- Trade and sustainable economic integration
- Enabling the legal and regulatory environment
- Rule of law and secure property rights
- Fair competition
- Access to financial services
- Physical infrastructure
- Information and communications technology
- Education, training and lifelong learning
- Social justice and social inclusion
- Adequate social protection
- Responsible stewardship of the environment

*Based on the conclusions of the ILO Committee on Sustainable Enterprises, International Labour Conference, 96th Session, Geneva, 2007

2.3 ASEAN promotes good industrial relations practices

ASEAN, through its labour ministers and the ASEAN Secretariat, fully backs good industrial relations practices. In addition to the ASEAN Guidelines, the labour ministers adopted in 2010 the ASEAN Labour Ministers' Work Programme, 2010–15, which declares the goal of a better quality of life, productive employment and adequate social protection for ASEAN people through workforce competitiveness, harmonious and progressive workplaces and decent work for all. The ASEAN Labour Ministers' Work Programme emphasizes the following four priorities:

- **Legal foundation** – to ensure that labour rights and conditions of work are legally protected.
- **Institutional capacity** – to ensure that government bodies are capable of overseeing the enforcement of labour laws and regulations and the settlement of disputes.
- **Social partnership** – to ensure that mechanisms for social dialogue among the industrial relations actors are present at all levels (enterprise, national and regional).
- **Labour market and workforce development** – to create opportunities for decent work and to improve the competitiveness of the workforce.

These priorities are consistent with the ASEAN Guidelines (see the key points in box 3).

Box 3: Good idea
ASEAN Guidelines for Good Industrial Relations Practices

- **Sound legal framework**, which takes into account the national economic and social conditions and guarantees the basic rights of employers to grow and manage their business and the workers to have just, safe and healthy working conditions.
- **Fundamental rights of employers and workers**, which are guaranteed, particularly the right of workers to freedom of association and collective bargaining.
- **Bipartite cooperation and collaboration**, to develop harmonious and productive labour–management relations within the workplace.
- **Building mutual trust and respect**, to facilitate productive discussions between labour and management, especially in clarifying the strategic directions of the enterprise.
- **Mutual purpose and benefits**, which is developed through joint visioning, joint goal-setting and win-win approaches in industrial relations.
- **Dignity at work and highlighting best practices**, which means the well-being of both employers and workers are given central importance, and best practices in employment relationships are developed and popularized.
- **Good-faith behaviour**, which means honest, open and professional negotiations between workers and employers.
- **Effective labour dispute settlement**, which means having not only an effective dispute settlement mechanism but also mechanisms to prevent disputes.
- **Tripartite partnership and social dialogue**, which stresses the central importance of tripartism and consultation on workplace issues among the three actors in the industrial relations system – government, employers and workers.

The ongoing AIJPIR project includes an annual ASEAN Regional Seminar on Industrial Relations. In the three regional industrial relations seminars in 2009–10,⁴ the tripartite participants agreed that there is a diversity of cultures, legal systems and industrial relations systems among ASEAN Member States; that there are basic labour rights that should be respected; and that ASEAN Member States are facing common challenges. They also emphasized the central role of social dialogue in developing a sound industrial relations system at the enterprise, industry, national and regional levels, especially considering the pressure of the global financial crisis and the challenge of ASEAN integration.

⁴ First Regional Seminar on 26-27 February 2009 at Bogor, Indonesia; Second Regional Seminar on 3-4 February 2010 at Kuala Lumpur, Malaysia; Third Regional Seminar on 25-26 November 2010 at Manila, Philippines

3. Translating the ASEAN Guidelines to the enterprise level

The ASEAN Guidelines provide a general landscape of ideal industrial relations at the regional level. Eventually, however, industrial relations practices have to be crystalized at the enterprise level. Table 2 offers a short list of tips on how employers, together with their workers/unions, can transform their enterprises into models of good industrial relations.

Table 2: Tips for operationalizing good industrial relations at the enterprise level

Good practices	Tips for good industrial relations practices
<i>Fostering bipartite cooperation and collaboration in the enterprise</i>	• Build mutual trust and respect between union and management. • Use bipartite approaches in solving enterprise-level problems and productivity enhancement through positive engagement with unions and other employees and a better communication system. • Explore new forms of labour–management partnerships, such as gainsharing and profit sharing.
<i>Bringing about mutual purpose and benefits</i>	• Engage in a joint visioning exercise. • Identify common goals and objectives.
<i>Respecting the fundamental rights of employers and workers</i>	• Observe the fundamental rights to freedom of association and collective bargaining in a win-win manner through: • honest information sharing • commitment to good-faith bargaining • prioritizing strategic concerns (such as productivity improvement and competitiveness building) over the traditional negotiation of demands for wages and benefits • professional and not personalized approach to problem solving.
<i>Upholding dignity at work and highlighting best practices</i>	• Consider the human resource or industrial relations dimensions when implementing industrial adjustments during crisis situations. • Adopt proactive human resource or industrial relations programmes that ensure dignity at work while building enterprise competitiveness.
<i>Promoting tripartite partnership and social dialogue</i>	• Make social dialogue a sustainable practice in the enterprise by: • opening the lines of communication • maintaining the regularity of social dialogue • being open to the discussion of a variety of workplace issues during social dialogues.
<i>Institutionalizing an effective dispute settlement mechanism</i>	• Deal with grievances positively and proactively. • Avoid a legalistic approach to settling disputes to prevent their aggravation into a full-blown labour problem.

3.1 Fostering bipartite cooperation and collaboration

A core principle in good industrial relations is cooperation between labour and management. Of course, nurturing cooperative labour–management relations takes time and effort, such as with employee–management training, team building, problem solving and so on. But the gains are undeniable – greater enterprise profitability, improved productivity and quality, more effective management, less supervision cost, greater employee identification with the enterprise and so on. In the end, the enterprise is able to achieve higher productivity and organizational flexibility through committed and motivated workers who are rewarded in terms of better working conditions and benefits and a greater sense of involvement in the work processes, such as job flow and design. Industrial relations experts have termed the

resulting work systems as “high-performance work systems” (Edwards and Sengupta, 2010; Kleiner et al., 1987).

Cohen-Rosenthal and Burton (1993) outline some distinctive features of good union–management cooperation:

- Acceptance by the management that the union and the workers have the willingness and the capacity to cooperate in collaborative efforts to reduce costs and improve efficiency.
- Readiness of the management to assign to or share some managerial functions with the union representatives.
- Union commitment to contribute towards improving productivity in exchange for both tangible and intangible benefits for the union and its members.
- Recognition by both parties of their joint responsibility in solving enterprise problems and boosting efficiency.
- Expression of mutual trust and respect by both sides.

Advice on building trust and respect to nurture cooperative relations

Genuine labour–management cooperation can only be achieved if there is mutual trust and respect with one another. Hence, nurturing cooperative relations means cultivating trust and respect, with the initiative coming primarily from the management side. This requires the following:

- **Commitment from the top management.** The best way to earn the trust and respect from employees is through leadership by example. Show sincerity in dealing with the union and in ensuring the welfare of employees. Be keen in understanding the behaviour of the union and the employees. Uncooperative and distrustful behaviour of employees has a corresponding reason; look at the root causes of mistrust and address them immediately and reasonably.
- **Concrete industrial relations and human resource management programmes in support of trust- and confidence-building.** Programmes on building trust and bipartite cooperation should be included in an enterprise’s strategic human resource plan. These programmes must be aligned with the overall business vision, mission and strategic objectives. The management, at all levels, must participate in these programmes. The confidence of the supervisors and middle managers towards the cooperative programmes initiated by the top-level management is pivotal for acceptance among the other employees.

In enterprises with a long history of labour disputes, trust and respect are difficult to develop, especially when a culture of scepticism and cynicism is deeply entrenched in the labour–management relationship. As well, workers and union leaders initially may eye the efforts at fostering cooperation with distrust and suspicion. In short, trust building is usually a long and dedicated process.

For enterprises trying to transform an adversarial culture into a cooperative one, industrial relations or human resource programmes usually start with behaviour and leadership trainings

for all – from the top management down to the rank and file employees. A neutral consultant, such as an academic or a religious leader, can be brought in to help steer the paradigm shift among both sides, from a hostile to a trusting relationship.

Advice on promoting bipartite approaches to solve enterprise-level problems and improve productivity

Bipartism means face-to-face dialogue and negotiation between labour and management on various work-related issues, with minimum participation of government or a third party. Bipartism entails the use of bipartite communication mechanisms in which both sides talk to one another in a direct manner, express or articulate their concerns and complaints openly and discuss together how to resolve such issues for the good of the whole organization.

The point is that employees are not robots who are expected to do their jobs in a narrow sphere of being. Employees feel a sense of empowerment through their involvement in some aspects of decision-making. This, in turn, inculcates a keener sense of employee identification with and dedication and loyalty to the company.

Bipartism is deeply and significantly meaningful and productive if focused on joint problem identification and joint problem solving, such as with the challenge of reducing high wastage of materials or debilitating high power consumption. Although managers have the grand or overall view of the production process, it is the workers who know the situation on the shop floor. Hence, an active and dynamic system of consultation and information sharing between them is usually beneficial for both, especially during economic downturns when saving businesses and jobs becomes paramount. Employers also can encourage workers to suggest ways to improve the business operations and rally them to meet international standards, such as the ISO 9000 series.

Bipartism usually revolves around the establishment of an open communication system that is available to both parties on a regular and as-needed basis. For this purpose, companies set up or institutionalize employee–employer communication systems to tap into employees’ concerns and to encourage them to express their opinions without any fear of retribution. Employee consulting mechanisms vary in terms of structure and formality, depending on the culture and tradition in each enterprise.

Bipartite mechanisms range from simple employee suggestion systems (suggestion box) to the more sophisticated “quality circles” or productivity improvement committees (involving team efforts to monitor production standards) and the more complicated design/re-design or reengineering of work processes. These participatory mechanisms include the usual issue-oriented employer–employee committees, such as health and safety, welfare, sports and recreation and community welfare committees.

A system that encourages employee feedback on industrial relations and human resource issues (such as computing benefits and measuring productivity) is also considered a necessary element in any of the employee consultation and bipartite mechanisms.

In unionized enterprises, the unions can become great partners towards improving productivity and competitiveness – if they are given the opportunity to be involved (see box 4 for a sample

productivity clause in a collective bargaining agreement). Unions have the capacity to mobilize their members and encourage them to participate in any productivity enhancement programmes of the enterprise. Additionally, unions can be management's direct and easy link to employees, serving as a channel of information on various workplace issues.

Box 4: Good experience
Including a productivity clause in a collective bargaining agreement in the Philippines

Partnership with the union on productivity enhancement can be included as a provision in a collective bargaining agreement. In doing so, labour–management collaboration towards productivity can be made official and institutionalized accordingly. To guarantee adherence, it is essential that both labour and management are responsible and have due respect for the collective bargaining agreement.

The following is a sample provision* that was included in the collective bargaining agreement encouraging union support for the company's productivity programmes in the Philippines:

The UNION recognizes the need for running the business efficiently and agrees to work with the COMPANY to promote such efficient operation and welfare of the business.

The UNION likewise agrees to cooperate and fully support the COMPANY's Productivity Improvement Quality Circle, 5S Programs, Cost Busters, Environmental Management System (EMS), Quality Management System (QMS), Occupational Safety and Health (OSHA), Oracle System and other programs that will improve operational efficiency...

* Excerpt from the collective bargaining agreement between the Philippine Associated Smelting and Refining Corporation (PASAR) and the Concerned Organization of PASAR Progressive Employees for Reform, effective 1 April 2010 to 31 March 2012.

Also in unionized enterprises, a less formal labour–management council (LMC) can supplement the more formal system of collective bargaining between the union and management. The idea is to address – jointly – issues that have not been covered in the collective bargaining agreement. The LMC is co-chaired by a management representative and a labour representative. To bolster the LMC's credibility, management usually assigns a senior officer to work with the LMC and provides the budgetary and other material support for decisions that it makes, such as improving toilets and other facilities, organizing sports programmes and developing a day-care centre.

When it comes to formal employee grievances, it is imperative that enterprises have *a working and credible grievance mechanism*. This should be a system for the fair and balanced processing of grievances – from the filing or receiving of a complaint to the initial assessment (sometimes a solution comes in a rudimentary form of rule clarification) or to a full-blown inquiry into the nature of the grievance and then to a resolution. It is important that such a grievance mechanism maintains balanced representation of employees and management, regardless of whether the enterprise is unionized or not. It is also important to clarify that the

grievance machinery is different from a disciplinary procedure, which is managed and controlled by management (see also the discussion on dispute settlement further on).

Advice on exploring new forms of labour–management partnership

Bipartism can lead to new and higher forms of labour–management partnership. As already pointed out, such partnerships can transform the employer and the union into strategic partners.

One form of partnership is productivity gainsharing, or promoting productivity by sharing the gains with the workers (box 5). In Japan, gainsharing in big enterprises has been instrumental in stabilizing and sustaining industrial peace and productivity since the late 1950s. Gainsharing has complemented the twin national programmes on strengthening labour–management cooperation and promoting quality through the zero-defect movement (the philosophy that people should “do things right the first time”). The general principles used as a guide for gain-sharing have been relatively simple: Part of the productivity gain should go to the workers as added benefit, another part to the employer and investors and still another part to consumers (in terms of reduced prices and better products). The overall principles for Japan’s national productivity movement have been: maintain employment, intensify bipartite consultation and cooperation and distribute benefits fairly to all parties.

Box 5: Good idea
Gainsharing: What it is and how to make it a success

What is gainsharing?

Gainsharing means that the “gains” or financial benefits generated from past or targeted performance are shared between the enterprise and the employees. There are four main features that make gainsharing distinct from individual incentive schemes:

- It is based on productivity.
- It covers a group rather than individual employees.
- It highlights the importance of teamwork and cooperation.
- Productivity is measured according to the total group involved.

What are the necessary conditions for a successful gainsharing scheme?

- A long-term commitment by the union and management to the success of the gainsharing effort.
- Realistic expectations from the beginning.
- A properly designed formula.
- Adequate wages and benefits.
- Proper planning from the beginning.
- An effective employee education process.
- Vital, continuous employee participation.
- An effective communication system.
- Accurate, sensible accounting and record keeping for the programme.

Source: Cohen-Rosenthal and Burton, 1993.

Of course, enterprises – and their unions and members – have broad options on how the productivity shall be measured (individual or team efforts, or both), how much gain to share, how the sharing shall be proportioned and when the gains are to be distributed (annual, semi-annual or quarterly). The nature of an enterprise’s product or service and its size should also be considered. Some gainsharing plans focus on providing incentives to instigate positive

change, such as motivating employees to become more involved or committed at work (box 6). Others require an alignment in corporate philosophy.

Box 6: Good idea Principles guiding the mutual gains enterprise		
Strategic level	Functional level (human resource policy)	Workplace level
• Supportive business strategies • Top management commitment • Effective voice for human resources in strategy-making and governance	• Staffing based on staffing stabilization • Investment in training and development • Contingent compensation that reinforces cooperation and contribution	• High standards of employee selection • Broad task design and teamwork • Employee involvement in problem solving • Climate of cooperation and trust
Source: T. Kochan and P. Osterman. <i>The mutual gains enterprise: Forging a winning partnership between labour, management and government</i> (Cambridge, Massachusetts, Harvard University Press, 1994).		

The enterprise can also explore other forms of partnership, such as profit sharing, cooperation in community programmes (flood rehabilitation, with the enterprise providing funds and the workers providing volunteer labour) and the formation of consumer cooperative (to lower the cost of essentials purchased by the workers). Such partnership projects may entail additional expenses for the enterprise, but the gains should not be underestimated. Many opportunities beneficial for enterprise viability and sustainability – in terms of performance indicators, employee outcomes and union–management programmes – can be created from harmonious labour–management cooperation. A summary of these opportunities is outlined in table 3.

Table 3: Opportunities from union–management cooperation

Performance indicators	Employee outcomes	Relationship changes
• Productivity improvement • Reduced labour costs • Quality improvement • Product design changes • Reduced absenteeism • Reduced turnover • Reduced tardiness • Reduced accidents • Improved human resource use	• Increased job satisfaction • Job influence and involvement • Information about job and company • Commitment to the company • Improved conditions of work • Improved supervision • Reduced job frustration • Improved earnings • Upgraded job characteristics • Increased trust • Increased job security	• Attitude change among actors • Union influence on key decisions • Reduced likelihood of future strikes • Reduced grievances • Better understanding of labour–management issues • Continuous study of ongoing problems • Facilitated technological change

Source: M. Schuster. "Cooperation and change in union settings: Problems and opportunities" in *Human Resource Management*, Vol. 23, No. 2 (1984), pp. 145–160.

3.2 Bringing about mutual purpose and benefits

Another fundamental in developing a cooperative framework in labour–management relations is determining common purposes and interests and building a relationship on this basis. In this exercise, it is a prerequisite to recognize and respect each party's rights and responsibilities.

Only when both parties acknowledge and understand each other's rights and responsibilities can there be a successful development of mutual purpose and benefits.

Advice on practical approaches in promoting mutual purpose

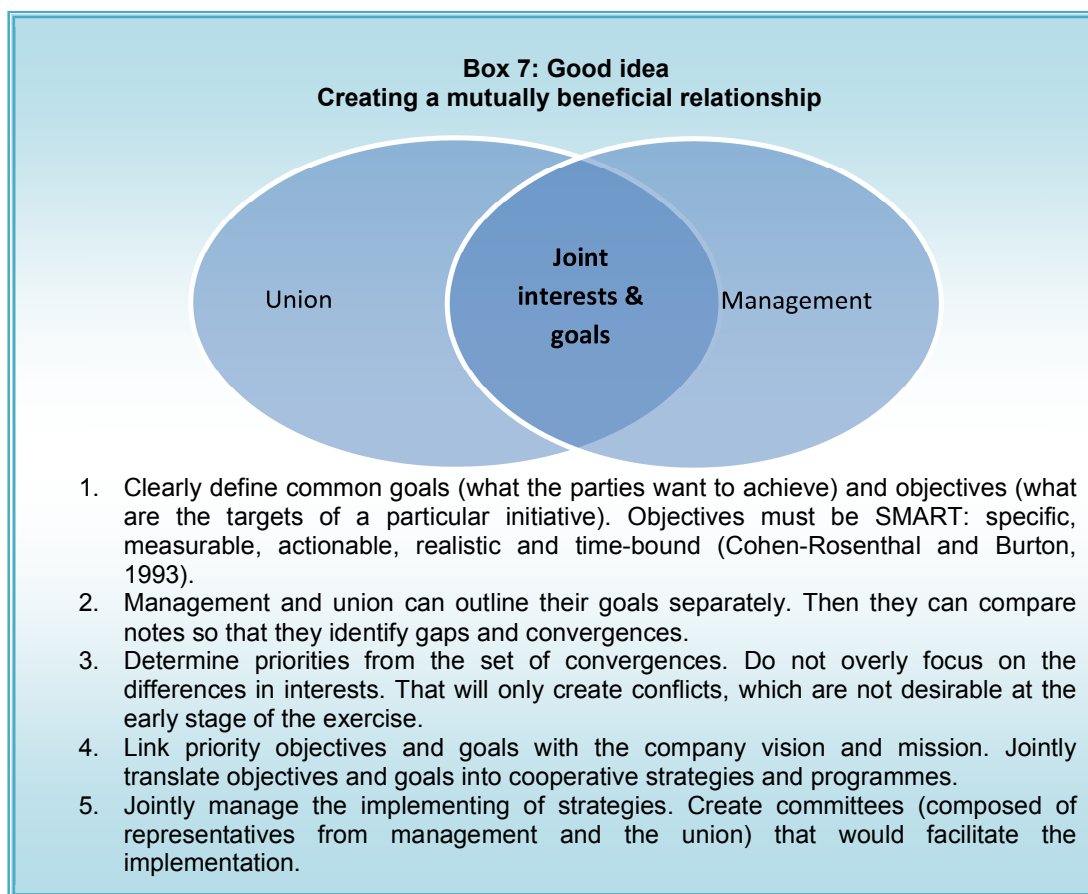
How can an enterprise identify or determine mutual concerns and benefits? Some practical tips:

- **Engage in a joint visioning exercise.** Joint visioning can help employers and workers in creating the “best possible future together” (Cohen-Rosenthal and Burton, 1993). As a joint exercise, the visioning should not be limited to the future of the business side of the organization. In the context of sustainable development, the exercise should look instead at the economic, social and environmental aspects of the organization, making the enterprise vision more holistic and more responsive to the needs of all parties.

For an effective joint visioning exercise, the following should be considered:

- **Co-leadership.** Joint visioning must be spearheaded by the management and the union to affirm their respective leadership in the organization.
 - **Consultation.** Before starting with the actual joint visioning exercise, consult all employees. Gather initial inputs and comments on the initial draft of the vision statement.
 - **Comprehensiveness and attainability.** Formulating a vision is relatively easy because everyone has an aspiration for the future. The challenging part is how to make them realistic, comprehensive and attainable at the same time. As for comprehensiveness, be guided by the sustainable development framework. Conduct a SWOT⁵ analysis of the enterprise to examine whether the vision is realistic.
 - **Communication.** When the vision statement is finalized, it should be communicated to all employees. Having employees properly informed about the vision statement is critical in developing an organizational culture that is directed at following through on the vision.
 - **Human resource programmes in support of the vision.** The next challenge will be how to follow through on the joint vision. Solidify the vision through human resource or industrial relations strategies, programmes and practices. Specify clearly defined indicators for achieving the vision and the targeted behavioural outcomes.
- **Set common goals and objectives.** The biggest factor in determining the level of cooperation between labour and management is the commonalities in goals and objectives. One party cannot be expected to cooperate when the goal or objective is not within their interest and concerns. And again, without cooperation, establishing good industrial relations practices within the enterprise will not be an easy process. Box 7 provides discussion on how the management and the union can create mutual purpose and benefits out of divergent interests and goals.

⁵ A strategic planning method used to evaluate the strengths, weaknesses/limitations, opportunities and threats.



3.3 Respecting the fundamental rights of employers and workers

Both employers and workers have basic rights. Employers have the right to reasonably manage their business, while workers have fundamental rights that are universally recognized (see the earlier discussion on decent work).

The fundamental rights of employers and workers are the freedom of association and the right to collective bargaining. Both employers and workers can benefit from the exercise of such rights, if done responsibly and in a mutual-gains framework. This is especially true in relation to the challenge of restructuring business towards both ASEAN and global economic integration.

In traditional collective bargaining, the focus is on dividing the economic pie. If the parties are bent on keeping their proportion of the pie, bargaining deadlocks ensue, and the parties become bogged down in interminable disputes.

All parties have choices. One is to adopt open, honest-to-goodness, give-and-take, good-faith bargaining. Next is to elevate the bargaining process to a higher level – as a problem-solving instrument and as a compass for future growth:

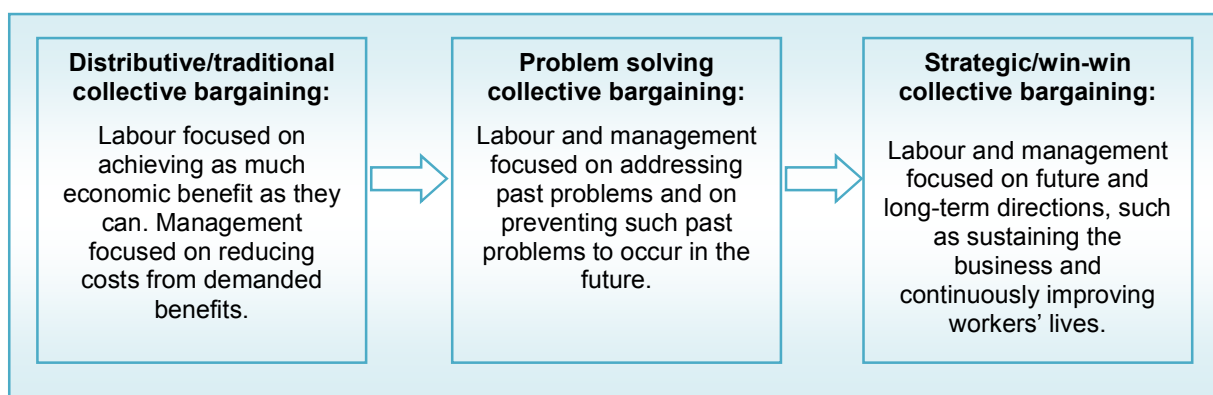
- **Problem-solving collective bargaining** means reviewing past problems, present difficulties and each party's demands by finding possible or appropriate resolutions. For example, management may ask the union where to source the funds needed to respond to workers' demand for additional benefits, and the union may answer that a

review and reform of waste management or materials use can lead to much savings for the enterprise, which can then fund the additional benefits.

- **Strategic collective bargaining** is future oriented because it highlights the directions and vision of the enterprise, in which both labour and management stand to benefit if they work together. It is thus proactive and focused on mutual interests and gains.

Both the strategic and problem-solving approaches in collective bargaining are above traditional collective bargaining, which is overly focused on haggling for each other's share of the pie. They are also linked to crucial enterprise survival concerns: productivity, competitiveness, solutions to workplace problems and meeting strategic business objectives. Simply put, these are win-win types of collective bargaining, as illustrated in figure 2.

Figure 2: From distributive to strategic collective bargaining



Advice on forging win-win collective bargaining

- ***Practise honest information sharing.*** Information sharing is very important because it enables all parties to come up with more realistic proposals and counter-proposals during the collective bargaining process. An established trust between management and the union can be eroded when there is no relevant information sharing during collective bargaining. To avoid the erosion of trust and ensuing labour disputes, there must be transparency in information, such as sharing the true financial status of the enterprise and a realistic assessment of the economic conditions at the industry and country levels.
- ***Commit to good-faith bargaining.*** Genuine bargaining means exploring what is possible, given the good faith of both parties. In good-faith bargaining, no party imposes a “take it or leave it” stance, thus avoiding a deadlock. Before and during the negotiation process, the two parties should consult their respective principals so that there are no mixed signals and that they are bound to the results of the honest-to-goodness bargaining.

Box 8: Good experience
Uninterrupted collective bargaining agreement:
A good practice of good-faith bargaining in Malaysia

Ever since the unions at Malaysia's Tenaga Nasional Berhad, the country's largest electricity utilities company, acquired recognition under the Trade Unions Act in 1992, seven collective agreements have been successively concluded with the management. Irrespective of when they are signed, their effectiveness is always made retroactive to the first day of the year after the expiration of the previous collective agreement by mutual consent between the unions and management. Both the management and the union at Tenaga Nasional Berhad agree that the true measure of stability of labour–management relations is the existence of the collective agreement.

Source: Interview with Tenaga Nasional, 22 Aug. 2011.

- **Prioritize strategic concerns within the negotiations on wages, benefits and other economic provisions of a collective bargaining agreement.** Certainly the economic provisions of a collective bargaining agreement are important to workers – they are the primary reason why workers exercise their right to freedom of association and collective bargaining. However, collective bargaining in the form of never-ending demands and counter-proposals is not strategically advantageous for both parties. Why? Both parties are pursuing their interests without broadly thinking about the overall and long-term survival and growth of the enterprise.

Nonetheless, the union and its members may not initially like the idea of strategic win-win bargaining. It is important that an employer ensures that the union leaders and its members understand that this kind of bargaining does not compromise the union's right to seek better benefits and that it is, in fact, aimed at making the quality of workers' lives better in the long term. Bargaining should revolve around the principle that the "labour force makes profitability possible, and profitability makes a fair standard of living".

- **Focus on the problems rather than on the parties involved.** Try to be professional and avoid enmity. When personal battles exist between labour and management, there is a tendency to conduct the bargaining process on the basis of the personal sentiments rather than on the problems at hand and the possible problems in the future. Set aside past animosities. Both labour and management should instead jointly identify the root causes of past problems that can continue to stoke further conflict in the future. Then look at the problems that the enterprise is likely to encounter, based on the current conditions of the economy, the challenges of regional economic integration, increasing business competition and their industrial relations or human resource dimensions.

Box 9: Good experience
Reaping benefits through strategic collective bargaining:
Economic benefits for the union, productivity gains for management in Malaysia

Usually, a union secures annual increments in the wages of its members through the collective bargaining process. These increments are typically set at fixed annual percentages. In the case of Tenaga Nasional Berhad, the largest electric utility company in Malaysia, the unions accepted the prerogative of management to introduce a performance management system (PMS) to achieve a performance-driven culture. The PMS is governed by well-defined measures and demonstrated values. Its essential design elements are performance measures, which take into account employees' contribution to the production goals, in accordance with pre-set key performance indicators (KPIs), and the employees' individual competencies, as evaluated on how they demonstrate their skills in their jobs. Bonuses are based on the achievement of the KPIs, and annual salary increases are based on competencies, on top of what has been guaranteed under the collective bargaining agreement. The management thoroughly discussed the elements of the PMS with the workers, through their unions, before it was implemented.

Source: Interview with Tenaga Nasional, 22 Aug. 2011.

3.4 Upholding dignity at work and highlighting best practices

An excellent indicator of good industrial relations is the preservation of workers' dignity at work while sustaining enterprise competitiveness and productivity. Dignity at work requires respect for rights, value for the functions performed in the enterprise and freedom from harassment in the workplace.

When faced with various challenges, such as globalization, economic integration and with crisis situations, enterprises usually have to make appropriate industrial adjustments to survive. In designing and implementing these adjustments, both the economic and industrial relations and human resource dimensions have to be equally taken into account.

Advice on preserving dignity at work amid industrial adjustments

- **Avoid immediate, massive and permanent loss of jobs.** During times of crisis, employers are confronted with the challenge of how to remain competitive or, in worse cases, to survive. At times, short-term survival measures are necessary. To somehow preserve dignity at work during economic downturns, however, the idea in implementing short-term survival measures is to make layoffs the last resort.

Instead of mass and permanent layoffs, employers can opt to *temporarily* retrench a number of workers or put them on forced leave. This tactic should be properly planned and gradually implemented. Job rotation and job sharing can also be practised. When in the middle of collective bargaining renewal, employers can propose a moratorium on wages and benefits.

Box 10: Good experience
Star Publications Berhad – Demonstrating social partnership in difficult times in Malaysia

The Star Publications, the publisher of *The Star* daily, is one of the most admired companies in Malaysia. It is also a leading proponent of social partnership with its two unions, which are affiliates of the National Union of Newspaper Workers and National Union of Journalists.

This partnership was put to a very tough test for five months in 1987–88, when the newspaper was suspended for its alleged subversive content. Instead of closing down the press, CEO Datuk Steven Tan gathered the employees and told them: “We need to work together and survive the crisis together.” The newspaper workers responded positively by helping campaign at the national and international labour forums for the restoration of the newspaper license and by reporting for work (maintaining the facilities mainly) in exchange for a token salary of “quarter pay”. When the license was restored in March 1988, the company paid all employees who had remained their back wages and benefits. The impact of *The Star’s* reopening was received warmly by the market. This encouraged the workers to work doubly hard to make *The Star* the top newspaper in the country. With its phenomenal success, *The Star* never stopped sharing with its loyal employees the gains of the company, not only through better wages and benefits but also employee stock options.

When another crisis hit the company ten years later as a result of the 1997–98 Asian financial meltdown, the Star Publications had no difficulty talking to the two unions, particularly the union of newspaper workers, on how the two parties could survive together. The two sides agreed to hold down wage increases, and in return, the company pledged not to retrench anybody. This helped the company weather the financial storm.

Source: Interview with Star Publication, 22 Aug. 2011.

- **Engage in continuous consultation with workers during the course of the industrial adjustments.** It will be difficult to smoothly implement industrial adjustments when employees are not well informed about the situation confronting the enterprise. Communicate the problems to the entire workforce and ensure they understand the issues. Devise mechanisms on how to make industrial adjustments less terrible for the affected by consulting the employees and asking for their suggestions.
- **Put in place an adjustment programme for the affected employees.** Employers can sponsor seminars on career shifts and business/livelihood programmes, offer subcontracting arrangements with workers or provide outreach programmes for affected workers’ families.
- **When loss of jobs is unavoidable, prepare an acceptable separation package.** Show to the affected employees that the company has done everything possible to save jobs and to make the separation as humane as possible for all.

Advice on investing in workers to build up competitiveness

Ensuring workers' dignity is not possible when the enterprise is not sustainable; and an enterprise cannot be sustainable without the productive contribution of its workers.

Building the competitiveness of an enterprise is important to easily adjust to the external challenges of the market. An efficient way to do this is to invest in the workers – to adopt proactive industrial relations or human resource approaches. A productive and competitive workforce translates to a productive and competitive enterprise.

Box 11 outlines the different industrial relations or human resource programmes that an enterprise can implement to guarantee workers' dignity at work and to develop enterprise competitiveness even in the midst of economic challenges.

Box 11: Good idea **Proactive industrial relations and human resource approaches**

- **Practise internal labour market development**, such as promoting from within, multiskilling and multitasking and recognition of seniority.
- **Fully regularize the workforce** (except for any who are on probation) in exchange for greater loyalty and commitment for the workers and the enterprise.
- **Upgrade workers in terms of skills and know-how**, not only in terms of hard or job-specific skills but also in terms of soft or behavioural skills.
- **Conduct experiments on high-value, employee-oriented adjustments**, such as setting up fast-moving modular production process requiring a highly trained and motivated workforce.
- **Enhance productivity through material incentives** to reward employees' hard work and to motivate them to be more productive.
- **Benchmark with other enterprises locally and overseas on certain industrial relations and human resource practices**, with a special focus on best practices.
- **Include a competitiveness clause in the collective bargaining agreement** to maintain the competitiveness of the enterprise in globalization-induced competition while strengthening the benefits that each party enjoys from the business operations. Competitiveness measures, including re-engineering, job evaluation and total-quality management, work best when they have the support of both parties.
- **Invest in industrial relations and human resource management and integrating human resource development into the business strategy** to ensure that the above-mentioned approaches are implemented effectively. Enterprises that have developed separate bureaucracies for labour relations and for human resource development or personnel management should realize that both departments need to harmonize.

Source: Recommendations of Research Team.

Box 12 illustrates a good practice in investing in upgrading workers' skills as part of the enterprise's capacity building.

Box 12: Good experience
Going proactive: Powering human resources and skills in Singapore

Singapore Power Ltd, which provides electricity and gas, believes that its core expertise lies with its employees. Thus it invests in staff training, and the development of employees remains a top priority. Singapore Power upgrades the skills of its workers by providing opportunities for higher learning, on-the-job training, participation in specialist and apprenticeship training schemes, overseas cross-postings and job rotation. In pursuit of lifelong learning, it provides subsidies for personal development courses. It promotes a culture of open communication and work-life balance so that workers can lead healthy and enriching lives. Communication avenues were created to collect comments and inputs from workers so as to better understand their needs. Other flexible yet labour-friendly schemes, such as flexi-hours, work-from-home schemes and family leave schemes, were introduced to help employees balance the demands of work and family. Despite the flexibility in work arrangements, productivity has not been compromised.

Source: Interview with Singapore Power Ltd., 29 Aug. 2011.

3.5 Promoting tripartite partnership and social dialogue

The key to constructive social dialogue at the enterprise level is sustainability. Although many enterprises have attempted to set up a mechanism for social dialogue, only those that have regular, sustained social dialogues were able to reap the benefits of the exercise. The challenge then for employers is not just how to engage in social dialogue but how to make social dialogue sustainably work for the benefit of all concerned.

Box 13: Good experience
Tripartism in action in ASEAN

Case 1 – In 2007–09, Thailand's export-oriented industrial parks' difficulties with the global financial crisis, such as in the Amata Nakorn Industrial Estate, resulted in the suspension of some employee bonuses and benefits and lay-offs in the more distressed companies. But unlike in the 1997–98 Asian financial crisis, Thailand was more than prepared. Labour disputes were few and far between. The Department of Labour Protection and Welfare, guided by the call of the Prime Minister to save jobs and solve economic problems, worked intensively with the various employers and investors in the industrial estates, mapping out necessary adjustment measures. The Department urged both employers and employees to make full use of bipartite consultation and dialogue in the search for job and business survival options, supplemented by the Government's training and credit assistance for affected workers. Some tripartite-led social dialogues tackled such difficult issues as a temporary cost reduction in employee benefits and voluntary (primarily) early retirement.

Case 2 – In Singapore, two innovative programmes recently launched to help vulnerable workers now enjoy tripartite support. These are programmes aimed at helping two categories of workers: (a) the low-wage contract workers; and (b) ageing workers. For the first, Singapore's tripartite system has been educating both employers and employees on the importance of observing "responsible outsourcing", which means respect for the rights of contract workers, and giving them opportunity to move up the job ladder through skills development. For ageing workers, the challenge is keeping them fit for work. The tripartite solution: Project Advantage, which entails the re-design of jobs to enable senior workers to remain in the workplace. For example, at Media Corp., the heavy camera equipment lugged around or carried by camera men have been made easier to handle with the acquisition of lighter equipment and flexible trolleys.

Sources: Case 1: "Thai Country Report" in *Second Regional Seminar on Industrial Relations*, 2010.
Case 2: Yeo, "New Jobs for Old" 2007, and UNI Apro, *Outstanding Employers*, 2007.

Advice for sustainable social dialogue at the enterprise level

- **Open the lines of communication.** As communication lines become truly open, it will be much easier to dig up the root causes of workplace problems and, accordingly, the chances of immediately resolving them are high. In the end, minor grievances will not lead to hard-to-resolve legal disputes and industrial conflicts. Two important guidelines can help employers build effective employee–employer communication:
 - **Open-door policy.** Implement an open-door policy that allows employees direct communication with management on workplace concerns. Do not, however, expect the policy to work by itself. At the initial stage, it cannot be expected that employees will be assertive enough to approach the managers and air their concerns.
 - **Management makes the first move.** Because employees tend to be timid despite the open-door policy, the employers and managers can take initiative and make the first move. Ask employees about their problems. Show them that you listen to their concerns and that you are concerned as well. Once the management’s openness, listening skills and responsiveness is established, employees will not shy away at the idea of expressing workplace issues to their superiors.
- **Maintain regular social dialogue.** Some attempts to institutionalize social dialogue in an organization fail due to the lack of regularity and flexibility of the process. Make social dialogue a regular practice and not just a way to communicate when problems arise. Set an agreed-upon frequency and schedule for the dialogue and encourage the participation of employees at all levels. In some companies, social dialogue takes different forms – labour–management councils, coffee with the president, meetings of special workplace task forces and subcommittees. The form depends on what would work best in an enterprise.
- **Discuss a variety of workplace issues.** During social dialogue, be flexible and allow discussion of any issue about the workplace. For employers, social dialogue can be a good way to learn what is actually happening on the shop floor and to immediately detect and troubleshoot operational problems. It also can be a venue to discuss areas and measures for improvement and upgrading. For employees, it is an easy way to forward concerns immediately and directly to higher-level management. For both parties, it is a good way to generate mutually acceptable solutions to workplace problems and concerns.

Box 14: Good experience
Open communication towards openness to cooperation in problem solving

The cooperative labour–management relations today at Universal Storefront Service Corporation (USSC) can be attributed to the maturity of both parties in dealing with workplace issues. On one hand, the union has matured a great deal in the sense that it tries not to adopt any aggressive or radical measures without conducting a thorough investigation of issues and without consulting or seeking clarification with management. On the other hand, the top management is ever ready and willing to personally listen and discuss workers' concerns. Once the management or the union perceives that an issue might become more problematic, both parties immediately sit down and discuss the situation.

An open-door policy is genuinely implemented within USSC. When problems arise, the CEO is just a phone call away. While projecting an easily approachable disposition, the top management is still able to assert its leadership and authority in the enterprise. Direct and open communication between the union and management has become the secret to resolving problems, minimizing disputes and increasing employee productivity and morale.

Source: Interview with USSC, 16 Aug. 2011.

3.6 Institutionalizing a labour dispute settlement mechanism

Dispute settlement can be effective not only when it serves as a way to address conflicts and other problems in the workplace but also as an instrument to prevent future disputes from happening. This can be done through the following:

- **Deal with grievances positively and proactively.** Grievance machinery should be viewed as a forum for “continuous clarification and discussion of mutual relationship” and as a problem-solving mechanism. In proactive grievance machinery, small grievances are not disregarded because they indicate that more serious problems exist in the enterprise.

Box 15: Good idea
Prerequisites of proactive grievance mechanisms

1. The shop stewards and the supervisors/managers should be well informed about the grievance procedure and interpret similar the dynamics of the process. Differences in interpretation tend to create more conflicts than resolutions.
2. Those involved in settling the grievances should have good communication and problem-solving skills.
3. Problems should be clearly defined, and if possible, their root causes identified.
4. Solutions must not be limited to resolving the existing grievance; rather, they should be directed at preventing the return of the same problem.
5. Look at grievances in a positive way – as a chance to improve the organization. Examine their patterns and implications to develop more effective settlement strategies.

-
- **Avoid legalistic tactics in settling disputes.** In a legalistic industrial relations system, small disputes that could be settled in the grievance machinery or at the shop floor in the first instance drag on and on until they become full-blown legal disputes. Instead of being guided by common sense and goodwill, both parties seek out the legal opinions of their lawyers as if every situation in the workplace has a corresponding law guiding it.

Rather than depending on lawyers and their legal advice, management must avoid “quick fixes” and instead work at understanding the impetus behind the grievances, labour cases or union demands. Remember that those who are most knowledgeable of the problems and its root causes are not the lawyers but the involved parties. Hence, a good understanding of the organizational culture and the company rules and regulations is critical in institutionalizing an effective dispute settlement system. Having a dedicated human resource and industrial relations department to troubleshoot the problems at the shop-floor would greatly prevent the escalation of disputes to the level of never-ending and costly legal battles.

Box 16: Good experience

Writing a code of conduct together to cement industrial peace in the Philippines

Angeles Electric in Philippines is a medium-sized company with more than 100 employees. Like many companies in Central Luzon in the 1980s and 1990s, it experienced turbulent labour relations. In 1991, it was hit by a strike, which lasted ten months. The strike was triggered by the union–management dispute over a representation issue and the terms of the first collective bargaining agreement sought by the Angeles Electric Workers Union, an affiliate of the militant National Federation of Labor. In the late 1990s, the two sides realized that the tension and animosity between them could not go on and that both had to reach out to one another. The CEO and the human resource manager introduced confidence-building measures, such as open communication and various joint labour–management committees, such as a committee on health and safety. But the most startling development was when the management asked the union to help in updating and writing the company’s code of conduct, a task that is normally considered a purely management prerogative. Because of this shared experience in writing the code of conduct, trust between the parties was strengthened and better discipline and higher productivity were achieved by the company. The ensuing collective bargaining agreement, a product of a less legalistic and non-confrontational process, was even nominated as an outstanding model under the Sikap-Gawa Award of the Bishops-Businessmen Conference.

Source: Interview with Angeles Electric Corporation, 20 July 2011.

Box 17: Reflections of the research team

An enterprise with a well-established employer–employee communication system can become a productive and grievance-free company. An enterprise with a well-established grievance mechanism does not allow employee grievances to develop into formal legal complaints that are settled by outside arbiters. An enterprise with no system for the airing of employee concerns and for addressing them constructively can end up mired in troublesome and expensive industrial strife and legal cases.

Source: Research Team.

4. Making difficult industrial relations adjustments in an integrating ASEAN

There are many industrial relations and human resource management challenges confronting ASEAN enterprises. Incorporating commentary from the ASEAN-ILO/Japan Industrial Relations Project seminars, this section focuses on three of the most difficult (and interrelated) adjustments: (i) enterprises' search for business flexibility amid workers' demand for greater security; (ii) designing an orderly business restructuring; and (iii) transforming adversarial labour relations.

4.1 Enterprise search for flexibility amid workers' demand for greater security

Given the competition in today's highly globalized economy, the security of businesses and employees are threatened alike. Employers view globalization as an opportunity as well as a threat to their established business niches. Labour perceives globalization as a serious threat to their job, income and union security.

Because of fierce competition, some employers choose to stay competitive through what they deem as the least costly yet most sustainable adjustments. The trend across the globe has been the adoption of external labour market flexibilization measures, which usually come in the form of work/labour subcontracting, short-term hiring of workers and third-party agency hiring. Such approaches provide employers cheaper labour and access to "flexible" or replaceable labour, which seems to be in abundance in labour-surplus economies.

However, the downsides of external labour flexibilization are hardly discussed. In addition to the endless labour conflicts that they generate, the low-road flexibilization measures hide the cost of training and the loss of experience when workers are displaced as well as the high cost of recruiting new workers, their increased supervision and the eroded community image of the company. Low-road flexibilization measures also tend to discourage enterprise investments in skills and technology upgrading, which are essential in acquiring competitiveness in a globalized market, both in the short and long terms.

This is why the ILO, through the Decent Work Programme and the Verma-Kochan-Lansbury model, has been pushing for labour-friendly and productivity-sustaining approaches. Such approaches are known as the "high road" in industrial relations and human resource management adjustments, also called "internal labour market flexibility adjustments" by labour economists. One typical approach is attaining flexibility by transforming employees into better-trained and versatile workers who can work in a more productive, creative and all-around manner. This is what industrial relations/human resource management practitioners often refer to as the "multiskilling, multitasking route". Other approaches entail the development of high-performance teams among workers' groups, reducing or eliminating supervision and transforming each team to become responsible for targeted outputs. Crucial to all these changes is frank and serious dialogue with the workers and with the unions, if they happen to be organized. Box 17 provides an example of Singapore's SP PowerGrid Ltd and how the two social partners – management and union – succeeded in transforming PowerGrid into a sustainable enterprise for both.

Box 18: Good experience
Union–management dialogue on contracting out in Singapore

Contracting and outsourcing are difficult issues everywhere. Employers resort to contracting to realize more economic and efficient methods of production. Labour, however, views contracting as a scheme to retrench regular workers so that they will be denied their right to safe and healthy working conditions, retirement benefits, social security and welfare benefits, self-organization, collective bargaining and the security of tenure.

In Singapore, the management of Singapore Power Ltd declared outsourcing as a policy of last resort and only after such a measure is discussed by the employer and the union. When left with no other choice, outsourcing is now used not to “downsize” but to “rightsize” operations, which means that “jobs must be outsourced for the right reason”. For instance, when Singapore Power had to give up the street lighting business, it had to lay off some 300 workers. Nonetheless, the company’s management talked to the union leaders and the workers and then helped the workers find alternative jobs among the contractors who took over the business.

When workers started to complain about doing “overtime work,” the management had to explain to its labour union, the Union of Power and Gas Employees (UPAGE), that such refusal might result in the engagement of contractors. Through dialogue, the union agreed to accept “shift work”. In fact, the management established a Nightwork Support Section to recognize and institutionalize the efforts of the workers who agreed to take the night shift.

While the UPAGE leaders do not accept outsourcing, they also believe that workers must continue to upgrade their technical knowledge and expertise through training and retraining to make themselves more relevant and competitive.

Today, Singapore Power is one of Asia’s and the world’s most efficient power distributors, having lowered the cost of electricity distribution through the years – which is considered an amazing feat. Above all, the company and the union have managed to stay united and in constant communication as they work together to preserve the business and jobs.

Source: Interview with Singapore Power Ltd., 29 Aug. 2011.

4.2 Designing an orderly business restructuring

Due to various pressures associated with the globalized marketplace, some employers have no choice but to reorganize or restructure – and even downsize. Many reorganizing/downsizing programmes are turning bloody and sometimes fatal, not only to the workers but also to the enterprise. Instead of saving the enterprise, downsizing and reorganizing can lead to intense conflicts that can consume the enterprise’s resources until it dies.

By its very nature, restructuring entails pain. Some become unnecessarily bloody, however, while others experience almost no pain. There are three types of industrial restructuring:

1. *Bloody restructuring.* This is undertaken without any consultation and imposed arbitrarily on a workforce that was not given any time for adjustment. Such an approach usually backfires because it ends in strikes and protracted litigation.

-
2. *Not-so-bloody restructuring.* This still causes pains because some workers and managers are displaced. But it is less bloody because the affected workers are informed well in advance and substantial benefits and support are provided to them.
 3. *Win-win restructuring.* Nobody loses in this approach because there is assurance that nobody loses a job. The approach requires meticulous planning and dialogue with the workers and their union (box 18). Workers in redundant positions are placed in new work stations or new areas of business without any diminution of benefits and wages. Those who cannot cope with the requirements of the new work are given the option to retire, with above-average benefits.

Box 19: Good experience
Painless and job-full privatization: Win-win restructuring in Malaysia

Privatization oftentimes leads to the destabilizing of labour–management relations. Labour suspiciously regards privatization because of its tendency to cause organizational adjustments that are detrimental to workers. Privatization is allegedly used as an alibi by management to violate workers' security of tenure, reduce their pay and benefits and undermine their right to self-organization. In Malaysia, the Tenaga Nasional Berhad never experienced any labour pains when it needed to restructure in 1990, after it was privatized. Through sustained dialogue between management and the union, no retrenchment took place; the workers' terms and conditions did not become less favourable; there was no loss of benefits and no curtailment of the right to join the unions and associations in the company.

Source: Interview with Tenaga Nasional, 22 Aug. 2011.

What is problematic is the haste and arbitrariness by which some employers try to impose a restructuring programme, without consulting the affected workers and without giving them due notice and appropriate information on why the restructuring is unavoidable.

Box 20: Good experience
Negotiating for wage cuts across the board in the Philippines

At Yazaki-Torres Philippines, the Filipino CEO was informed by his Japanese partners that Yazaki-Torres, the country's biggest auto wire harness producer, would have difficulty surviving in the global market. Three decades of collective bargaining with the two unions (supervisors and rank-and-file workers) had gifted the company with high productivity, industrial peace and wages and benefits higher than those in similar companies in the Philippines and other Asian countries. The CEO's solution in 2006: communicate, consult and negotiate with the managers, supervisors, the leaders of the two unions and other employees on how to reduce or roll back wages, which goes against the country's Labor Code's provision on "non-diminution of wages and benefits" (Article 100). After six months of all-around communication and consultation/dialogue, everyone, including the CEO, accepted a wage cut of 30 per cent – across the board – through an imaginative retire–rehire scheme. The scheme allowed for employees to retire, receive one month of pay for every year of service (funded by the existing company's retirement fund) and then be rehired (optional) the day after, without any loss of job security or other benefits, except that wages were fixed at 30 per cent lower.

Source: Interview with Yazaki-Torres, 11 Aug. 2011.

4.3 Transforming adversarial relations into cooperative and productive ones

Adversarial relations between labour and management exist when each party treats the other as an enemy rather than as a partner in development, with a huge dose of distrust added in. Hostile labour relations breed tension and even costly disruptions. They are inevitably expressed and translated into labour disputes, which impair the efficient operations of the industry or enterprise. They naturally affect the morale of both labour and management. With the global demand for better-quality products and services delivered on time and priced reasonably, an adversarial relationship is a formula for failure. ASEAN enterprises cannot afford to harbour hostile labour relations, unionized or not.

In this context, it is important to understand the root causes of some persistent and divisive industrial relations conflicts. The following is a quick listing done by Prof. Rene Ofreneo, based on his experience in handling hundreds of labour cases in the Philippines during the 1997–98 Asian financial crisis.

Problems due to labour

- Some labour groups are too dependent on their federations and outside lawyers, who may have their own narrow agendas.
- Some labour groups refuse to understand the economics of business and that enterprise survival requires difficult adjustment measures. In turn, jobs depend on the success of such difficult adjustments.
- Some labour groups, unable to unite, try to compete against each other by coming up with unrealistic demands. Naturally, employers refuse to sit down with any of them.
- Some labour groups have the mistaken belief that the exercise of certain rights, such as the right to strike, is absolute.
- Some labour groups refuse to recognize that management also has basic rights.

Problems due to management

- Some management groups are obsessed with “quick fixes”. They do not want to analyse the root cause of grievances or union demands. Hence, they tend to rely on legal or legalistic solutions instead of talking to their own employees or union.
- Some management groups try to pit one faction of the union against another and resort to legal or extra-legal manoeuvres to prolong intra-union disputes. They forget the downsides: that this approach deepens demoralization and cynicism among the ranks of the workers and tends to punish the productivity of the workplace.
- Some top management people, dependent on their middle-level managers, become aware of certain urgent labour problems only when they have become full-blown problems. This means they have to look for remedies when the disease is already well in an advanced stage.

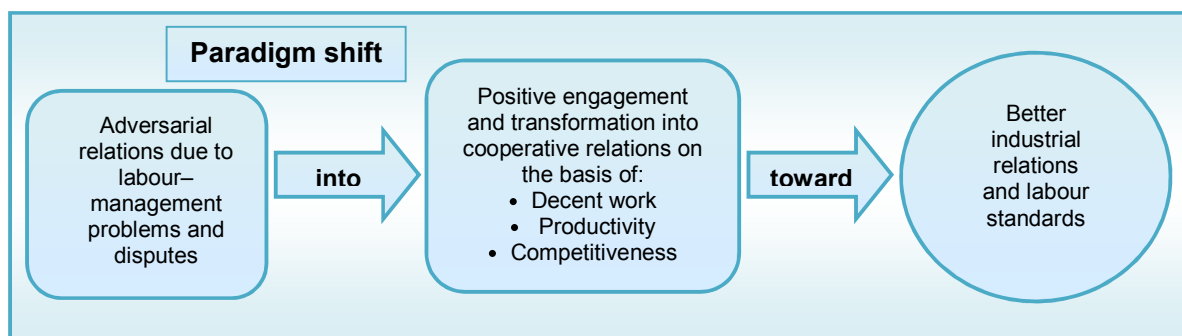
- Some management groups insist on certain personnel and labour policies that are in violation of the law or, at the least, professional industrial relations practices. This works only for a while and, in the end, boomerangs negatively to management in terms of costly labour cases or work disruptions.
- Some management groups refuse to recognize that unions and workers have basic labour rights and should be given respect and recognition. This lack of respect for unionism and collective bargaining is at the root of many hostile disputes.

Problems due to both labour and management

- Both parties tend to adopt a boulderistic (a take it or leave it stance) and legalistic attitude and approach to collective bargaining, which naturally leads to deadlocks and endless litigation. They do not understand that:
 - collective bargaining is a give-and-take process
 - collective bargaining addresses issues not covered by the statutory provisions of the labour laws, and regulations should be guided by common sense and the goodwill of both parties – not by the legal opinion of the lawyers.
- Both parties do not have the proper orientation on how to conduct collective bargaining. As a concept, collective bargaining is a means to achieve industrial peace through the mutual efforts of the two parties. In practice, it has become too legalistic and adversarial.
- Trust and open communication does not exist between labour and management. Both parties refuse to share credible and reliable information, which should be the basis of demands and counter-demands.

For enterprises with adversarial relations, the transformation route – from conflicting to cooperative relations – will naturally vary and likely will be a lengthy and challenging process. An attitude change and a paradigm shift from adversarial relations to positive engagement by both parties, through a social partnering approach, are necessary (figure 3).

Figure 3: Shifting from adversarial to cooperative relations



Box 21: Good experience
Transforming business and people's lives in the Philippines

The Philippines Associated Smelting and Refining Corporation (PASAR) was privatized in 1999. At that time, it was dormant, swimming in a large pool of corporate debt, hated by the host community and struggling with numerous legal cases filed by two rival unions. Then something miraculous happened: The new management went all out for transformation in all aspects of business: from adversarial to harmonious labour-management relations, from unpopular to favoured corporate citizen of the host community and from polluting to environment-friendly operations. Today, PASAR is considered a model employer in the Philippines in all those aspects of business. How did it achieve such a metamorphosis?

First, at the organizational level, a new culture of cooperation was established through rigorous industrial relations and human resource programmes, which instilled among employees (from top management down to the rank-and-file workers) the organization's vision, mission and core values. The top management did not stop talking to the two unions and negotiated for a peaceful and productive transition for the privatized firm.

Second, PASAR gained the support and favour of the formerly hostile community. The initial yet huge move was to transfer its tax payments to the local government, followed by the establishment of the PASAR Foundation, Inc. for the benefit of community development, such as offering medical outreach programmes, livelihood projects and literacy enhancement opportunities for children. Recently, its employees were also involved in disaster response and management.

Third, PASAR also transformed its operations to make it green and sustainable. Investments were made for pollution-abatement facilities; a fish sanctuary was set up, and continuous greening programmes in nearby communities were implemented.

Source: Interview with Philippine Associated Smelting and Refining, 4 Aug. 2011.

5. Conclusion

There are no hard and fast rules on how each enterprise will develop just and harmonious labour relations. What have been presented here are some general principles or guideposts in forging industrial peace. In the final analysis, each enterprise has to make the decision on whether it wants to transform its industrial relations situation. Once it has decided to do so, it should grapple with the task of transforming itself. The ASEAN Guidelines on Good Industrial Relations Practices and this manual can be of valuable assistance in this transformation.

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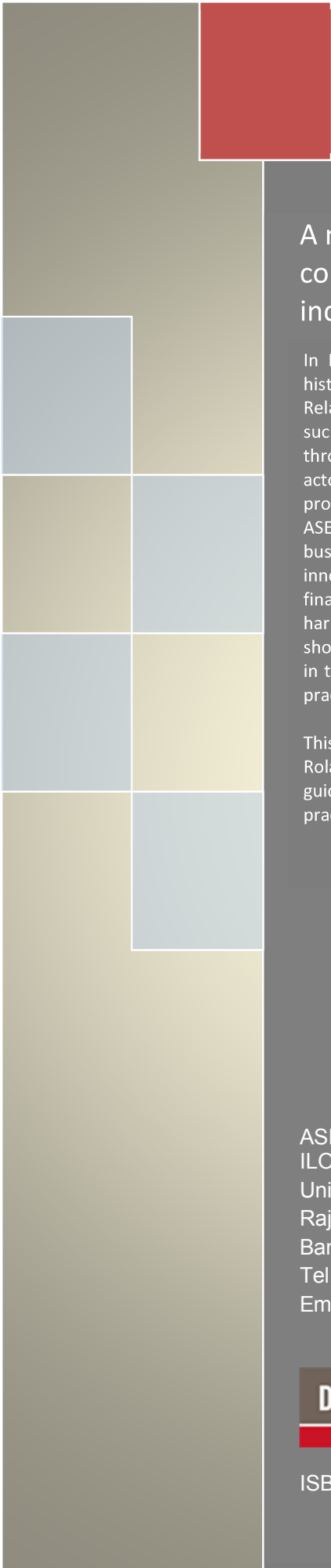
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A manual: Building up enterprise competitiveness in ASEAN through good industrial relations practices

In May 2010, the 21st ASEAN Labour Ministers (ALM) adopted a historic document entitled the “ASEAN Guidelines on Good Industrial Relations Practices”. The document emphasizes that good IR practices such as building up strong bipartite and tripartite partnership through social dialogue, observance of the basic rights of all the IR actors and establishment of a sound legal framework constitute “a progressive and essential step to enhance the competitiveness of ASEAN and make it a choice destination of global investments and businesses.” In short, ALM chose investments on social partnership, innovation and productivity as the best response to the global financial crisis and to the challenge of building a competitive and harmonious ASEAN community. This Manual on good IR practices shows that the most competitive companies in the ASEAN region and in the world are indeed those which have internalized these good IR practices as part of their corporate culture.

This Manual, written by three IR scholars (Prof. Rene E. Ofreneo, Roland Moya and Joy Hernandez), explains how each of the guidelines on good IR practices advocated by ALM can be put into practice by all companies, big and small, ASEAN-wide.

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ISBN: 9789221280323 (web pdf)