

APEC BEST PRACTICES TOOL KIT

INTRODUCTION²

Why is Labor-Management-Government (LMG) Cooperation an important topic to address in APEC? This is a fair question, considering the organization's traditional focus on hard economics and trade and investment facilitation. The answer does not lie solely in the connection between LMG Cooperation and the broad macroeconomic goals that APEC seeks to advance. Nor does it lie solely in the overall political and social stability that LMG cooperation promotes, which complements those macroeconomic benefits. Rather there is also a third, more humanitarian, dimension to LMG cooperation in the global economy: namely its potential to help workers take advantage of the opportunities afforded by the global workplace so that they may have more fulfilling and better paying work experiences.

As we will see in the pages to follow, these three benefits of LMG cooperation are not mutually exclusive of one another. We can emphasize the economic, social and political benefits of LMG cooperation at the same time that we state that this is all really about helping people realize their human potential in the workplace. Accordingly, below we will elaborate on the benefits of LMG cooperation in terms of: (1) economic benefits for both economies as well as organizations; (2) social and political benefits; and (3) how LMG cooperation helps workers to better realize their human potential.

² By David Thaler, with the assistance of David Glines and Jennifer Oritz.

I. ECONOMIC BENEFITS OF LMG COOPERATION

The economic benefits of LMG cooperation are clear: improved LMG cooperation means fewer strikes, with their associated enormous economic consequences. These economic consequences take the form of both direct costs, resulting from lost productivity of the people who are not working, and indirect costs flowing from lost economic activity such as reduced purchases and savings and investment on the part of both the employer and the workers. In addition, businesses and consumers that depend on a company that is stalled by a strike cannot add productivity to the economy, further multiplying the economic consequences. Thus, governments that invest resources in a mediation and conciliation service

Governments that invest resources in a mediation and conciliation service recoup that investment many times over in the form of the avoidance of strikes and their concomitant economic costs.

recoup that investment many times over in the form of the avoidance of strikes and their concomitant economic costs.

Above and beyond the direct and indirect costs of strike avoidance, improved LMG cooperation can make a huge economic contribution to an economy through the enhanced productivity of its workforce. LMG cooperation enhances productivity in at least two ways: (1) improved dialogue among workers and managers tends to result in the sharing of information and valuable ideas that make work processes more productive and efficient; and (2) when workers and managers have a good relationship, they spend less time in activities and behavior that negatively impact productivity such as open conflict, issue avoidance, gossip, complaints and grievances. As a result, they spend more time in productive activities.

Improved productivity in an economy brings several concomitant benefits. For one thing, improved productivity reduces the cost of the factors of production and as a result helps to keep inflation in check. In addition, stable inflation rates in a group of economies tend to have a stabilizing effect on exchange rates, thereby reducing exchange-rate risk and creating a more propitious environment for attracting investment capital.

While economic growth and international exchange rates are obviously influenced by a wide variety of economic, political and social variables that are beyond the purview of LMG cooperation, it is clear that a cooperative labor-relations environment is an important component of economic growth and development.

II. SOCIAL AND POLITICAL BENEFITS OF LMG COOPERATION

At the risk of engaging in circular reasoning, we can also safely make the point that improved labor relations enhances overall social and political stability. A society that enjoys generally good Labor-Management relations is less likely to be polarized along ideological, economic and even ethnic lines. Consequently, that society stands a better chance of forging a consensus to confront other challenges it faces such as reducing poverty and making improvements in education, health care and other social indicators. As good labor-management relations tends to reduce the number of people that feel marginalized by the politics of the economy, it makes them more likely to promote their interests within the established political framework as opposed to other more radicalized means.

When labor and management partners reach out not only to each other, but also to the stakeholders in the wider community, as they did in the [Lapaday Agricultural and Development Corporation \(Ladeco\)](#)

(Philippines) and the [Atlantic Baking Group](#) (USA) cases, they form alliances that help the entire community in addition to the business itself. For example, in several cases from both the Symposium for this project and the APEC Victoria Colloquium on “Successful HRD Practices in the Workplace: Contributions from Labor-Management-Government” (June 1999), labor-management partners forged valuable alliances that promoted demand driven skills training, retraining for displaced workers, learning centers for pre-school children and, in the case of LADECO, a family welfare program consisting of nine activities – i.e., healthcare, nutrition and sanitation, responsible parenthood, cooperatives, housing, transportation, sports, values formation and income generation.³

In short, improved LMG relations encourage a healthy respect for the rule of law and improve social capital through greater civic participation. It is generally accepted that these factors in turn promote good government and foster the necessary collaboration for many desirable social outcomes that APEC Leaders have made their goal.⁴

III. HOW IMPROVED LMG RELATIONS HELPS PEOPLE AT WORK TO BETTER REALIZE THEIR HUMAN POTENTIAL

Separate and apart from the economic, social and political benefits described above, LMG cooperation is important because it can be a vehicle to empower workers at all levels to provide input into work processes and thereby exert greater control over their working lives. Many of us spend

³ The Lapanday Development Corporation (LADC) Labor-Management-Government Cooperation Case Study (hereinafter referred to as “[Lapanday](#)”), at p. 5.

⁴ See, e.g., 2000 Bandar-Seri-Begawan Leaders’ Declaration at paras. 7-8, 20; 1999 Auckland Leaders’ Declaration under “Participation in Prosperity” paragraphs; 1998 Kuala Lumpur Leaders’ Declaration at paras. 24, 32. For a discussion of the connection between social capital and other social indicators, see also, Putnam, Robert, Bowling Alone: The Collapse and Revival of American Community, Simon & Schuster, Aug. 2001. (orig. June 2000)

the majority of our waking hours at work as well as a majority of our lives in the workforce. If a worker is stuck in a situation in which virtually all of his decisions are made and all of his time is apportioned by a manager, this means that he is spending much of his life deprived of the well-documented fundamental need for control. He is deprived of the ability to “create” in accordance with his values, talents and abilities and, as a consequence, enjoying the value of his creations. That worker stands little chance of realizing what Abraham Maslow referred to as “self-actualization.”⁵

As we will see in the case studies to follow, improved LMG Cooperation allows people to take more control of their working lives and more fully realize their human potential than is possible in workplaces characterized by traditional top-down, assembly line, work processes focused on repetitive activity.

In particular, the workplace of the global, information-based economy, characterized by myriad ways of receiving, processing and communicating information, by its very nature requires a “human value added” in order to maximize the productive and efficient use of that information. In this workplace, if there is no human value added, a job will either be automated or eliminated. Machines can do rote, repetitive tasks well enough. Human beings are needed for the creativity and ingenuity that a machine could never furnish.

Improved LMG Cooperation allows people to take more control of their working lives and more fully realize their human potential than is possible in workplaces characterized by traditional top-down, assembly line, work processes focused on repetitive activity.

⁵ See Maslow, Abraham, Toward a Psychology of Being, Wiley, John & Sons, 3d ed.

This prospect of more satisfying work, and the reduction of monotony on the job, is an important promise of the global workplace. This is true in manufacturing as well as the service sector. Like their counterparts in

Machines can do rote, repetitive tasks well enough. Human beings are needed for the creativity and ingenuity that a machine could never furnish.

service sectors such as banking and information technology -- which are more obviously are based on receiving, processing and communicating information -- manufacturing workers also play an increasingly important role in ensuring quality, productivity and efficiency:

while robots now insert rivets, it is up to people to think about designing processes to reduce the percentage of defects per million units produced, even if it is only within their particular part of the factory or production chain. (See, e.g., the case study on the **Harley-Davidson Labor-Management Partnership** from the June 1999 APEC Colloquium on Successful Practices in Human Resources Development in the Workplace: Contributions from Labor, Management and Government.⁶) It is this type of work that holds the humanizing, self-actualizing promise of the global workplace.

And if LMG cooperation is geared toward devolving decision-making to the lowest levels of an organization, it is a vehicle that can help workers satisfy their fundamental need to control what happens to them and to enjoy the value of their creations. It is more empowering for an automobile worker to have an established process to suggest changes to improve efficiency and safety, as opposed to simply following top-down rules. And not only is it more empowering for the worker, this front-line, just-in-time input

1998. (orig. 1962)

⁶ The Summary Report, including all of the case studies, from the Victoria Colloquium is available on the World Wide Web at <http://www.capi.uvic.ca/publications.html>.

provides a more efficient car for the company's shareholders and for the environment and is also less likely to have manufacturing defects that reduce the car's safety.

When a worker has no discretion to deviate from a procedure where appropriate, or there is no established mechanism for her to provide valuable front-line input to alter that procedure if she deems it in the organization's best interests, the organization is taking a big risk: it is betting that the existing rule perfectly maximizes benefits such as safety, efficiency, and productivity. It is also betting that today's rule will anticipate tomorrow's challenges. If the organization bets wrong and the procedure remains inflexible, the organization is denying itself the benefit of the unique front-line input gained by the people who implement the rule. It is also denying its workforce of any incentive to make suggestions or, in appropriate cases, on-the-spot decisions to improve safety, productivity and efficiency. This inflexibility can be costly when your (now global) competitor implements a program of LMG cooperation and attracts your customers with higher quality, faster and cheaper service.

As we will see in the pages that follow, LMG cooperation is a win-win situation: workers feel more empowered to create value for the benefit of the organization, and the organization gets the unique perspectives and insights that can only come from the front lines. In such a manner, individuals, organizations and societies can best meet the challenges and take advantage of the tremendous opportunities afforded by globalization.

It is important to remember, however, that separate and apart from whatever humanizing changes the global workplace may offer to workers,

the fact remains that, in a global, highly competitive economy, the bottom-line is king: businesses will not develop programs of LMG cooperation, or otherwise incorporate workers' human creativity and ingenuity, unless those processes are "better, faster and cheaper." If a business's work processes are not better, faster and cheaper than those of its competitors, the business will lose out, whether the competitor is across town or across the world.

Therefore, not only is LMG cooperation entirely consistent with preparation for the intensely competitive environment with which many organizations must now cope, one could make a very strong case that LMG Cooperation is actually *essential* to an organization's competitiveness in the unprotected terrain of globalization. Therefore, there is no tension to resolve between economic success and the humanization of the workplace in the global economy through improved LMG cooperation. On the contrary, effective LMG cooperation can enable the APEC economies and the organizations and people within them to take advantage of the awesome opportunities provided by globalization: e.g., access to markets, technology transfer, trans-border partnerships and vertical integration, and access to capital and the best people from around the world.

The pages that follow detail principles that organizations can follow to best take advantage of the opportunities and avoid the pitfalls presented by globalization. They also contain examples of organizations that succeeded by following those principles, and have learned valuable lessons along the way.