



‘REFLECTIONS ON REPRESENTING PACIFIC EMPLOYERS IN 2008 AND BEYOND’

**A Background Paper for the ILO Regional
Office on the occasion of the visit of the
Regional Director to Australia**

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Introduction

In recent years, collaborative initiatives led by ACCI and Business New Zealand, with the assistance of the International Labour Organisation and the International Organisation of Employers, supported by the Confederation of Asia-Pacific Employers, have been directed towards capacity building and information exchange amongst Pacific and South-east Asian employer bodies.

A number of factors have brought about this heightened sense of dialogue and collaboration:

- An awareness of the differing impacts of globalisation in our region;
- An understanding of the vulnerability of fragile economies in our region;
- Instances of political and social instability amongst states or communities in our region;
- Natural catastrophes in our region, such as the Asian tsunami and the Solomon's tsunami;
- The need for follow-up from the Asian Regional Conference (Busan, 2006), the ILO South-east Asia and Pacific subregional forums and other tri-partite and bi-partite events;
- The existence of social dialogue in the region.

Workshops of employer organisations were held in August 2007 (Sydney), which built on an earlier and highly successful employer workshop held in Auckland in 2006. These followed dialogue amongst employer bodies during the tri-partite sub regional meeting in Melbourne in 2005.

This paper briefly reflects on some characteristics of our unique Pacific region, some of the challenges facing various countries throughout the region and the role employer associations could aspire to play in the development of life in the Pacific during the next decade.

The paper then briefly reflects on the Australian experience in relation to a number of key topics.

It is appropriate to highlight what we share in the Pacific – notwithstanding the obvious diversity between developed and developing states, and between each of our nations. Three things in particular we share:

Geography: Obviously we share substantial geographic remoteness from the major trading nations not only of the Northern Hemisphere, but also from the powerhouse economies of our region. This has implications for the economic aspirations and structures we adopt and for the labour market arrangements we aspire to.

History: This is not the place for us to compare notes on the legacy of our post colonial heritage – but what we have inherited is an innate history of sound legal and parliamentary structures, and respect for the rule of law. This is a substantial asset to build on.

Neighbours: We also share of course our relationships with our neighbour states. Notwithstanding the dual engagement of many countries, including my own with Asia, we are and will remain linked as states in the Pacific, trading with each other, migrating within the region, and trying to forge a place in an increasingly globalised world.

Challenges for the Pacific

So what are some of the key challenges facing countries in the Pacific?

Globalisation: The reality of globalisation is with us. Our world shrinks, economically, politically and even culturally. Trade, open markets, relative ease of movement in human and financial capital and information technology have imposed that reality upon us. It is

an opportunity, but its impacts have been uneven especially for some smaller nations or economies with traditional or narrow bases. Some of us have gained, but others have not to the same degree.

Political Stability: It is well known that states in the region have had a diverse experience with political stability. A challenge for commerce in the region, and thereby for those of us who champion it, is ongoing stability and ensuring our laws, including laws governing labour and commerce, are made by politically stable elected representatives.

Economic Development: Another challenge is that of development, and of continuing and improving on the initial phase of post-colonial development. States in the region need to make sure they can join their counterparts in other parts of the world on the ongoing path towards improved living standards that economic development provides. In large measure, this means attracting industry and investment to states which lack natural geographic advantages, often lack natural resources and may not have a substantial history of investment and growth.

Institutions: Another challenge is the creation of open, accountable, stable and effective regulatory institutions to support states in becoming centres of trading, manufacturing and employment. This extends well beyond the regulation of work – where many would argue less rather than more institutions are needed. Institution building is particularly vital to ensure the free and efficient operation of trading and financial markets.

Corruption: Our business communities must guard against institutional corruption and seek to protect the principle of independence between the government / regulatory institutions and those being regulated. Many countries outside of the region encounter this problem, and we would be mistaken if we thought the problem did not exist closer to home. As was the case with the emergence of the Australian states / the former British colonies in Australia in the late 19th century – some Pacific states face the challenge of forging independent regulatory structures necessary to construct viable commerce and the conditions business needs to trade successfully and viably. Regulatory integrity and independence appears particularly important as financial and commercial

operations internationalise. Potential investors in the region need meaningful assurance that corruption is not endemic.

Migration: All of us share the challenge of holding onto our labour force and not having them leave us for other bigger countries perceived to offer more opportunities and more excitement. Just as people in various Pacific states may migrate to New Zealand, New Zealanders migrate to Australia, Australia also faces the prospect of a brain drain of our talented young people into central and north Asia, the US and Europe. Each of the states face a shared challenge of maintaining their labour force and in particular the talents and intellect of emerging generations.

Engagement with Government: Governments need a viable business community to establish economic wealth and deliver living standards. Yet all too often governments fail to engage or engage meaningfully with employers and their collective employer bodies. Establishing mutually respected and beneficial dialogue with governments is an important challenge – indeed not just with governments but also other regulatory institutions, and union and community stakeholders.

HIV: A pressing challenge for a number of the Pacific states is that of HIV/AIDS. As some of you will be very well aware, HIV can very quickly escalate well beyond a health challenge into a wider social and economic crisis.

It can be seen from this list that some of the challenges facing our region are traditional industrial relations matters, including those often discussed by employer and union representatives. However challenges for the Pacific extend well beyond this, to issues of governance, economic structures and institutions, and also social issues.

There are also some substantial opportunities and advantages in the Pacific, including a common language heritage, reasonable education and health care systems in many countries, and social stability in many countries. And of course – our great climate, easier pace of life and friendliness!

What role should employer organisations play?

A key question is the role employer representatives can play in meeting these challenges, and in ensuring Pacific societies develop, prosper and grow.

Ultimately, the implementation of policies to address these and other challenges depends upon broad support from the government, business and the wider community. Employer organisations play a vital role in ensuring two things: the right policies are implemented, and the community supports the implementation of the policies.

Indeed employer representatives and employers' organisations are uniquely placed to become leaders in the emergence of sound and successful Pacific societies, and to be change agents in the operation of Pacific economies and labour markets, and to play a key role in delivering greater stability, transparency, and sustainability.

In each and every country of the world those who represent business are uniquely placed. We inherently understand and have a feel for commerce, for trade and for what it takes to operate a business. Our members provide an understanding of practical economics and the conditions necessary for national building and stability.

We are the conduit for the views of commerce on how the economy should properly operate, and the institutions which will best protect the operation of markets and commerce.

It is equally important that we do not over-state what employer representatives can achieve. We can at best be part of wider forces for change – however I believe we do have a role to play and in the Pacific in particular are uniquely placed to provide policy leadership, and insight.

This is also not an easy task. It is always simpler to identify an opportunity than it is to seize on it. Any employer representative in any part of the world needs substantial tools and capacities to be able to fulfil their role in transforming their society – particularly in cases where there is a history of societal instability / entrenched vested interests.

The IOE, the ILO Employers Bureau, CAPE and organisations such as ACCI our colleagues such as Business New Zealand have been keen to offer the employer representatives of the Pacific the type of capacity building and experience sharing employer bodies in smaller countries need to take up your role in transforming societies, and to realising the long overdue capacity of Pacific states to provide stable and secure work, and improve living standards.

Economic Challenges

Australia is a fairly wealthy country. Yet even in Australia, and our region more generally, we are seeing in 2008 the evidence of slowing economies arising from slower world growth and uncertainty in markets.

One of the best measures of wealth is GDP per person. On this measure, Australia ranks as the eighth wealthiest country in the world, ahead of France, Germany, Japan and the United Kingdom, but behind the United States.

Australia has used this wealth to provide assistance to many countries in the Pacific. The Australian Government will provide over 3 billion Australian dollars of aid in this financial year, with about \$517 million going to the Pacific, \$355 million to Papua New Guinea and \$72 million to East Timor. This doesn't include multilateral aid, such as Australia's contributions to UN aid organisations.

There is also substantial private sector aid, with 32 percent of Australians giving to overseas aid organisations, but we don't have the data to say how much goes to the Pacific.

In addition to aid, many Pacific countries also receive remittances from citizens who are temporarily working overseas. According to the World Bank, remittances are 14 percent of the economy in Samoa, 12 percent in Kiribati and 7 percent in Fiji. They are much lower in other Pacific countries.

The importance of economic growth is obvious. It will lead to reduced poverty and higher standards of living. The clear question is why

some developing countries are successful in growing faster than others – what have the success stories done right? This is a complex issue.

However, there are some broad lessons:

- Aid can be beneficial, but is not a guarantee of economic growth. Misdirected, aid can harm growth in some circumstances – for example, if it props up corrupt governments and keep exchange rates artificially high. Aid needs to be designed so these problems are avoided where possible.
- The quality of institutions is extremely important for growth. The most important institutions are those that protect private property. If private property cannot be protected, then investment will largely stop. Corruption, weak police and poor quality courts all stop the protection of private property. Several types of private property deserves special mention:
 - The ownership of land is a subject of significant debate in Pacific countries. Collective ownership of property is important in many cultures, but the economic costs of joint ownership needs to be weighed against cultural benefits. Aside from this issue, private owners (whether individuals or communities) need to be confident of their land rights and tenure and should be protected from takeover without compensation.
 - Money: Governments have a particular role in ensuring that the value of private property held as money is maintained. The way they can ensure this is by keeping inflation low.
- Excessive red tape and bureaucracy can strangle growth. Many developing countries put excessive controls on the operation of business. These regulations are meant to protect the community, but often end up helping neither business nor the community because they restrict the growth of businesses. Excessive regulations also promote corruption because businesses have an incentive to use any means to bypass the unnecessary red tape.
 - Red tape is a particular problem in some Pacific countries. The World Bank's ease of doing business indicator places East Timor at 142nd out of 155 countries. AusAID has indicated that the average cost of recovering a debt in Pacific countries is

equal to 86 per cent of the debt and takes more than 500 days¹, but Pacific governments have made commitments to reduce these costs substantially.

Poverty is a related challenge. While national governments and the international community have an important role in reducing poverty in developing countries, in the longer term, the best way out of poverty is through sustainable economic growth – as discussed above.

Many Pacific countries are also facing challenges relating to the environment, and over time this may have important economic and social impacts.

The emergence of community, business and government awareness about the impact of greenhouse gases on our societies and economies, and the search for global and national solutions is a great economic and social challenge for our nations and economic structures. Post the signing of the Kyoto protocol by Australia in early 2008, there is a real need for multilateral solutions to be found, starting from the Copenhagen follow-up in late 2009.

The collapse of the Doha round of trade talks in Geneva in July 2008 is a particular concern on two fronts. Not only does it weaken global economic activity and press bilateral rather than multilateral outcomes, it acts as a barrier to lifting communities from poverty through wealth creation and entrepreneurship.

It also sends very poor signals about the capacity of global agreements in the short term on greenhouse issues.

Another challenge is high population growth in some (but not all) countries. This is not a bad thing, but presents challenges in terms of having adequate infrastructure for the growing population – they need more roads, hospitals, schools and phones. It can also be hard to build houses fast enough.

- Australia has actually been facing a similar problem with our population growing quickly for a developed country, mainly due to immigration. Governments have been too slow at allowing houses

to be built for these new Australians, as a result house prices have gone up quite quickly in some areas.

Australian experiences

All IOE member organisations are trying to secure more members, greater influence and better infrastructure for trade and commerce.

It may be relevant to outline some experiences from Australia, and some of the lessons we have learned during the past two decades.

In doing so, I note the substantial differences between the situation in Australia and that facing many other employer organisations.

Governance

Australia has for many years had substantial requirements for sound financial and democratic governance of employer associations, through the requirements of our industrial relations and association laws. So – there are substantial pressures for sound governance of employer associations in our country.

If there is anything to be taken from the Australian experience however – it is that sound and transparent governance makes for the most effective employer representation. The respect with which employer organisations are viewed, and the extent to which we can influence government and policy making is a direct function of the respect with which we are held in the community.

Linked to this is the importance of unity. Australia's employers speak most strongly on any issue when a single or united view is being articulated.

Policy makers of all complexions find it hard to resist exploiting any differences between employer bodies when these exist.

Another ongoing consideration for any employer body is the division of responsibility between the paid and elected representatives of employers. There are varying approaches to this in Australia and

again no single model stands out – but consistency and unity again appears very important.

Revenue Building

Employer organisations are for the most part significantly under resourced bodies, rarely able to do all that they want to do in any country. Employer representatives throughout the world have learned to make do – indeed better than make do – with scant financial resources. We will continue to punch above our weight.

However pacing employer bodies on at least a sound and sustainable financial footing is fundamental to being able to be effective and provide real services to members. It is also fundamental to you being able to play the transformational and leadership role I outlined in my introduction.

In Australia, building revenues has been a key focus in the transformation of employer bodies and in changing the mix of services they offer. There appear to be a set of trends amongst Australian employer bodies:

- Some organisations have moved away from very high fees which provided for a full range of services where an employer may have experienced a claim, stoppage or dispute. Instead, they have shifted to slightly lower fee structures above which specific additional fees are payable for specific services.
- This “fee for service” model allows employer bodies to leverage additional revenue from the services members actually use. Some organisations also contract with service providers, rather than providing services through association staff (e.g. contracting specialised trainers).
- However, it also arguably emphasises the competition between employer associations and any competing providers, such as lawyers, accountants etc, who may charge on an hourly fee basis.

There is no single approach – various models have served various Australian bodies well. One thing we can say with confidence is that Australia’s employer representatives are increasingly exposed to

competition and have increasingly needed to reconsider how they structure their membership fees and service charges.

Membership Management

Intrinsically linked to revenue is membership – securing and retaining members is of course a fundamental challenge for all employer organisations. Members deliver not only also additional revenue, but additional voice, influence and legitimacy.

Australian employer associations have experienced pressure on membership during the past two decades, but not to the degree of the trade union movement. The causes of this are subject to conjecture, but they are, at least in part, a function of wider changes in our industrial relations system and changes in our society.

Australian employer organisations have had significant success in stopping the membership drain, and reversing these trends. Much of this success has been a function of broadening services and becoming not just employer organisations, but business organisations.

Lobbying

Lobbying can be by far the most interesting and rewarding part of representing employers – and potentially the most frustrating when decision makers refuse to listen. Under the label of “lobbying”, I include one-to-one relationship building, behind the scenes meetings, making a public case for against changing policy, preparing publications, and making media and public comments.

Lobbying is of course the advantage employer organisations enjoy over lawyers, accountants, consultants and even governments and NGOs. Only we as employer representatives can articulate the collective views of employers. Only we are recognised by the ILO and our international peers with that institutional status.

Recognition of the lobbying status of employer bodies is part of the social dialogue that underpins the re-statement of ILO principles in the June 2008 International Labour Conference Declaration on Social Justice for a Fair Globalisation.

Lobbying is an area in which we as employer organisations can more than any other punch above our weight. One intelligent person, with access to a word processor, and the internet can produce analyses which can determine regulation affecting many thousands of businesses and the employment of tens of thousands of persons.

In Australia we have found the internet in particular absolutely invaluable in enriching our capacity to make a public case in favour of employers.

Overall Reflection

Employer organisations throughout the world face a mismatch between what they would like to achieve and the expectations of their members on the one hand – and their resources on the other. Throughout the world there are never enough resources to do what we want, never enough time, and always too much to do. The amazing thing is that across national systems, across regions and language groups – we all find a way, we all punch above our weight.

This includes the employer organisations of the Pacific.

No longer can employer organisations rely on the good nature of employers or a sense of social obligation or collective identity to encourage membership or engagement. Just like our union counterparts – members will not just come to us automatically anymore. Like all parts of the business world, it is increasingly vital for employer organisations to provide a value proposition to their potential members – and to provide services which are of commercial benefit to their members.

An important option for employer organisations is to become more broadly based and to engage the wider spread of government policy and regulation beyond industrial relations and the regulation of work. Some employer associations have successfully transformed themselves into business organisations, representing business on an increasingly wide range of issues.

Another option which has emerged in Australia is combining formerly competing organisations into larger bodies, able to offer a greater range of services and to assert greater representation in lobbying and influence. Some of Australia's unions and employer associations have benefited from amalgamations and economies of scale during the past two decades, although it is not for everyone.

A key challenge for all organisations is the mix of direct, revenue generating services and more collective, non-revenue generating policy and representation services, including lobbying. Too much of an emphasis on policy may render an organisation less able to sign up members, however too much of an emphasis on micro level services may render an employer association indistinguishable from the services offered by lawyers, accounts, governments etc.

One of the key lessons from Australia and from the dozens of major employer associations we deal with, is that there is no one way to navigate these challenges – there is no one model or panacea.

We should not presume the developed world, or countries such as Australia pass on some generic way of operating an employer organisation.

In countries like Australia, employer representatives have made some excellent progress but there are some areas which need further development. Employer bodies compete amongst each other, and each has to make out a business case for its existence.

There are substantial differences in how employer associations are run - even within Australia.

We also have lessons to learn from international experience. On that basis dialogue with the ILO Regional office and sub regional offices, together with a responsive field structure, is vital.