



**Joint Meeting of Management and Trade Union Experts on
“Firms, Workers and the Changing Workplace:
Considerations for the Old and the New Economy”**

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BIAC Discussion Paper

The February 23 Joint Meeting of Business and Trade Union Experts on “Firms, Workers and the Changing Workplace: Considerations for the Old and the New Economy” offers an opportunity to consider forces effecting governments, companies, educational organizations and other groups’ efforts to manage major changes affecting the world of work. The differentiation of “new” and “old” economies in the meeting’s title highlights the need to address continuing critical changes, especially regarding accelerating technology innovation applications and knowledge requirements.

These changes have been underway and evolving for decades and have become more widespread as the world moves into the 21st Century. What has been, is and will be occurring applies to the broad spectrum of companies whether “old” or “new.” The old and new differentiation can be misunderstood. A broad view of the situation is needed to address the needs of the new economy workplace.

1. THE NEW ECONOMY: OPPORTUNITIES AND CHALLENGES

A. What is the new economy?

- As globalization proceeds, open markets, competition and the free flow of goods, services, new technologies, capital and knowledge are creating a new economy in which the speed at which transactions are taking place and information is being communicated throughout the world creates new demands on business practice, work organization and labor-management relations.
- The new economy has seen the rise of trade and investment in services and information across borders, as well as an increase in the flow of goods to and from new and expanding markets. This is facilitated by deregulation of international financial markets. While decentralisation and globalization have become increasingly important, distinct values of local environments also need to be taken into account.
- The uptake and diffusion of ICT and its applications, such as e-commerce, have a direct impact on business routines. As trade in services and information grows, the new economy will increasingly call for employees with new skills and competencies beyond those in the traditional economy. Human capital is a key contributor to innovation and economic development and is becoming all the more important in the context of the knowledge-based economy. In addition, there is change in how business is performed, creating a new labor-management dynamic.
- Specialized training and education requirements and the lack of access to diverse employee pools all contribute to the problems new as well as old economy companies experience in employing a strong and diverse employee base. In addition, while the United States, for example, has enjoyed low unemployment, other OECD countries have experienced high unemployment

rates. It is predicted that by 2005 demand will exceed the supply of information technology professionals by 1.2 million jobs. The gap between demand for employees and the supply imposes costs on business in the form of lost productivity, hiring and recruiting costs and limits on growth.

B. Changes in work organization and business practice

- In the new economy, global companies are focusing on their core business. As business structures are becoming more decentralized, the role of corporate headquarters is shifting from command and control to company governance and high-level operating policy. For decades, many international companies pursued a highly decentralized approach with regard to operations outside the home country. The intent was for operations outside the home country to be seen as national companies or local citizens. At the same time, a company might have had a more centralized approach in the home country. Today, many operational aspects of companies have been devolved to local operating entities in home and host countries. However, a centrally directed worldwide strategy is often in place within companies, including for example, company financial reporting, currency management, marketing and sales, environment and safety-health applications, production rationalization, research efforts, and key managerial assignments.
- Business practices are changing to meet consumers' demands for more choices, resulting in a proliferation of brands and services with a shortened "product" life.
- In developed countries, the workforce is aging with just the reverse happening in developing countries. In addition, retirement is occurring at a younger age.
- Dual income families are becoming the norm, which is driving the need for more flexible work arrangements that allow for better balance of work and family. These work arrangements include part-time, temporary, freelance, homework, job sharing, and telecommuting.
- Flexible working time patterns initiated decades ago have become more widespread and diverse. For example, the long existing 12 hour shift schedule of the flexible work week, with the number of days worked each week varying from week to week, has expanded in design and extent of application, such as to utilization of a work week of four 10 hour days. Flexibility in some companies has allowed employees help shape their own hours, such as hours that overlap with operations outside their home country or to meet family needs.
- With the increased application of technology and telecommunications in the new economy, employees can be located anywhere in the world. A company headquartered in one country can have employees working for them in multiple countries half a world away. Home country operations are directly using employees in various countries for computer programming and software development. The movement from country to country of some employees, such as in technical, research, marketing and managerial work, serves to strengthen a local entity's workforce regarding skills, knowledge and technology transfer. At the same time, there is increased international competition in the recruitment of high-skilled employees.

2. LABOR RELATIONS IN THE NEW ECONOMY CONTEXT

A. New forms of labor-management cooperation (individualization of work)

- Labor relations' laws and practices are very different from region to region. Many new economy companies are "union-free" as employees find greater benefit in individually negotiating contacts with their employers to maximize their personal benefits. There is a general trend of the white-collar workforce away from unions and an increase in the unionization of the service sector, civil service and educational institutions.
- Labor is ever increasing its demands to partner with management in setting the direction of the company, especially on business decisions that impact on employment. In some OECD countries, for example, there is a trend toward industry level bargaining and some industries are seeing the rise of global cooperation agreements with labor.
- Since labor relations' policies, laws and practices vary among countries and regions of the world, the OECD project should reinforce its focus on these markedly different approaches. (*)

B. Framework of industrial relations (adapting the legal framework)

- The new economy requires a more flexible, decentralized approach to "managing" the industrial relations legal framework. In today's varied workplaces, rigid regulations quickly become unworkable.
- Nonetheless, throughout OECD countries, there has been an increase in regulations in recent years, such as ergonomics, and discrimination.
- In 1998, the International Labor Organization adopted with no dissenting votes a precedent setting ILO Declaration on Fundamental Principles and Rights at Work applicable to all 174 ILO member nations. The Declaration commits all ILO members to "respect, to promote and to realize...the principles concerning fundamental rights" that is the subject of seven fundamental ILO conventions. The Declaration represents a solemn commitment of the 174 ILO member nations to seek to achieve the goals and objectives, but not the detailed legal requirements, of the fundamental ILO conventions.

(*) N.B. With regard to related sections in the OECD paper on "Knowledge, Work Organization and Economic Growth", we suggest that the OECD expand the scope and give more emphasis to the following issues so as to ensure a useful balanced picture is provided: Highlight the vast differences among approaches in the world, such as between the EU and U.S.; expand on the theme that "there is no one way" by giving more emphasis to situations where there is no employee representative system, as well as where one exists; expand on different approaches to involving employees as a factor in achieving innovations in the work place; reinforce the theme in the paper that "new ways of working" have sustained impact where the innovative approaches are tied directly to company operating matters linked to and affecting productivity. More exploration is needed regarding points made in paragraph 78, extracts of which appear in the summary. For example, there is sound research that differs from the statement that new methods are more likely to be initiated if an employee representative system and collective agreement are in place.

3. MAXIMIZING BENEFITS OF THE NEW ECONOMY

A. Improve life-long learning

- The emergence of the knowledge economy poses new challenges for our education systems. Public authorities have the main responsibility for offering a high-quality initial education that prepares individuals for lifelong learning throughout their career. Motivating students to continue learning throughout life should be expressed as a basic curriculum principle. Early and continued familiarisation with ICT is essential for students, employees and teachers.
- Training for lifelong learning has become increasingly important. It is integral to employability that individuals are provided with a solid basis of primary, secondary and university level education. Educational institutions are behind in their attempt to keep pace with the change in business needs. The solid base of education should be supported through a dialogue between business, labor and governments to guarantee that educational systems take into account the realities and needs of the new economy workplace.
- Since the bulk of training goes to those who already have finished formal education, it is ever more important that employees are provided with a solid basis of education before entering the workforce to prepare them for lifelong learning in the workplace, and avoid a continued widening of the gap between the training haves and have nots.
- Training is one of the keys to economic growth, business competitiveness and employability. Lifelong learning is the responsibility of government, employers and employees/individuals. Employees need to take initiative to develop transferable skills and to be ready for learning throughout life, which is not exclusively job- or firm-specific. Employers can provide development opportunities at the workplace as well as firm- and job-specific training. In addition to initial education, Government can encourage further training by offering incentives for investment while, at the same time, accepting a special responsibility for those who never reached the first level of vocational qualification in the initial education system. Public strategies in adult training must above all be targeted at those at risk.
- There is a myriad of ways to deliver training: corporate universities, partnerships with community colleges, ICT-delivered training or informal workplace training. The diversity of training methods and delivery systems indicates that there is no one-size-fits-all form of training or method of investment in training.
- New economy jobs will require continuously renewed skill sets. Research demonstrates that people learn continuously – as much as 70 percent of what employees know about their jobs they learned informally. Informal learning may be impossible to define as a line item on a budget spreadsheet, but it promises to return considerable value in the quest to develop productive employees.
- Increased training investments help attract and retain valuable information employees. About 80 percent of U.S. employees polled said training is a very or somewhat important factor in deciding whether to remain in a job or take a new one.

B. Maximizing employment and income stability

- One of the great benefits of the new economy is that it holds the promise of higher economic growth and employment. In the new economy, the employer/employee employment relationship has been turned upside down. Employees no longer stay with a single company for their entire career. People entering the workforce today will work for ten different organizations and change careers at least twice. A key to guaranteeing employment and income security for new economy employees is to ensure that they are equipped with the skill base to easily move from one job to

the next. Firms can provide high-quality work experience and set an energising context for social development.

- Companies are shifting to a smaller core workforce, which is supplemented with a contingent workforce that has the skills needed at that moment. There needs to be a move from the old model that relied on individual employers to provide employment and income security. Cross firm, community-based institutions are promoting mobility, lifelong learning and other services. The modern workforce needs such things if it is to prosper in the new economy.

C. Avoiding digital and knowledge divides

- Avoiding the “digital divide” is an essential work program for both business and governments. To that end, business has been working hard through independent projects to provide assistance to developing countries in transforming the digital divide into a digital opportunity. However, these assistance programs will become a digital opportunity only if governments adopt a policy framework that ensures that access to the Internet and the World Wide Web as a viable option for the citizenry at large. The policy framework should be one that promotes open markets, competition and private sector investment.
- Developing countries can reap these benefits resulting from the technological innovations that have led to the application of technological innovation to the business model and the commercialization of the Internet—they can leapfrog technologies and become active participants in the online global economy. This obviates the need for developing countries to reinvent the wheel and can lead to economic growth and access to the global marketplace. However, to seize the benefits of technological advances, governments must accept and encourage new business models and new markets necessitating that some more traditional ways of doing business be modified or abandoned.
- The benefits of technological change will only be fully realized if traditional sectors are able to operate more freely and flexibly by responding to and confronting new markets that are the result of innovation and digital opportunities. While trade and investment liberalization is key to avoiding digital divides, it is important that individuals falling into the divide be supplied with the skill sets to take advantage of the digital opportunities provided by this trade and investment liberalization.