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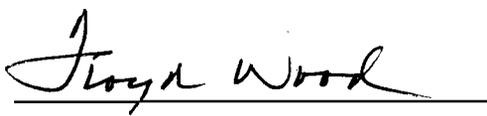
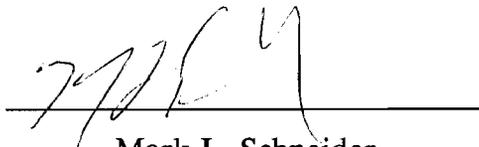
INTERAGENCY AGREEMENT

BETWEEN

THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

AND

THE U.S. FEDERAL MEDIATION AND CONCILIATION SERVICE

1. Project Title Improved Labor/Management Practices in Latin America		Project Number: <b>598-0822</b> Hemispheric Free Trade Expansion Project	
3. Appropriation Symbol 725/61021.1	4. Budget Plan Code LDV595-35598-KG12		
5. Funds Control Number 598-0822-3-5652049	6. Initial Fiscal Year 1995		
7. Completion Date September 30, 1996	8. Original <input checked="" type="checkbox"/> or Amendment No.		
9A. Prior Funding <b>\$0</b>	9B. Funding Obligated this Document <b>\$160,000</b>	9C. New Total Funding <b>\$160,000</b>	
10. Authority Section 632(b) of the Foreign Assistance Act of 1961, as amended, 22 U.S.C. Sec. 2392(b).			
11. Brief Program Description: The primary purpose of this Inter-Agency Agreement is to introduce improved labor and management relations practices and processes in the LAC region.			
12. Liaison Offices/Additional Representatives			
A. Recipient Agency Federal Mediation and Conciliation Service 2100 K St., N.W. Washington, D.C. 20427 DATE: <u>9/29/95</u> INITIALED: <u>MZ</u>		B. Agency for International Development RSD/BBEG Room 2242 NS Washington, D.C. 20523	
13A. Signature by Authorized Representative FEDERAL MEDIATION AND CONCILIATION SERVICE  Floyd Wood Deputy Director DATE <u>9/29/95</u>		13B. Signature by Authorized Representative U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  Mark L. Schneider Assistant Administrator Bureau for Latin America and the Caribbean DATE <u>9/29/95</u>	
14. Document Number: 180-0048-			
15. This Interagency Agreement consists of this face sheet and the following items (if checked): <input checked="" type="checkbox"/> Schedule <input checked="" type="checkbox"/> Annex A - Program Description <input checked="" type="checkbox"/> Annex B - Financial Plan and Budget <input checked="" type="checkbox"/> Annex C - Standard Provisions			

## SCHEDULE

### A. Purpose of Agreement

This Agreement between the Recipient Agency and the United States Agency for International Development (USAID) is entered into under the authority of Section 632(b) of the Foreign Assistance Act of 1961, as amended, 22 U.S.C. Sec. 2392(b). The Agreement defines the procedures under which USAID will reimburse the Recipient Agency to implement the Program in the Latin America and the Caribbean region.

### B. Purpose of Program

The Program, further described in Annex A, consists of technical assistance to countries and organizations in the Latin America and the Caribbean region to provide training in advanced industrial relations practices in selected Latin American countries. Initial FMCS project activities will be limited to Ecuador. In signing this Agreement to assist USAID to carry out the purposes of the Foreign Assistance Act, the Recipient Agency represents and agrees that the activities and the program described in Annex A are in furtherance of purposes which are different than and additional to the purposes of its domestic programs and activities, and are therefore not funded by the regular appropriations available to the Recipient Agency for its programs and activities.

### C. Fiscal Terms

1. Execution of this Agreement by USAID constitutes an obligation of the funds specified in Block 9B of the face sheet of this Agreement.
2. USAID funding for the Program is limited to the amount obligated above. If the Recipient Agency chooses to continue Program activities after USAID funding has been exhausted, the Recipient Agency agrees to use its own fund for that purpose.
3. The financial plan in Annex B sets forth the budget for implementation of the Program. Within the total budget amount for the Program, the Recipient Agency may adjust individual line items, provided that (1) any adjusted line item does not change by more than 15 percent of the amount shown for that line item in the financial plan and (2) the Recipient Agency gives USAID written notice of the adjustments. Adjustments to the budget that exceed 15 percent for any one line item shall require prior written approval of USAID.

### D. Billing, Financial and Other Reports

1. The Recipient Agency will bill USAID through Online Payment and Claims procedures or by submitting a Standard Form 1081 (SF-1081) to the address below.

Agency for International Development  
M/FM/CARD  
Inter-Agency Billing Unit  
SA-2, Room 603  
Washington, D.C. 20523-0208

2. The original and two (2) copies of the quarterly financial report required under Section B.2 of the Standard Provisions (Annex C) of this Agreement shall be furnished to the above address.
3. Two (2) copies of all financial and other reports required under the terms of this Agreement, along with one diskette of each report (other than financial reports) formatted in Word Perfect 5.1, or such other data processing format as USAID may agree to in writing, shall be furnished to the following address:

Bureau for Latin America and the Caribbean  
Office of Regional Sustainable Development, Broad-Based Economic Growth  
Room 2242 NS  
Washington, D.C. 20523-0069

E. Special Provisions

1. The Recipient Agency shall comply with USAID environmental regulations (22 CFR Section 216, "Regulation 16") with respect to the activities to be undertaken under this Agreement. The Program qualifies for a categorical exclusion under the terms of Regulation 16, and a categorical exclusion has been executed by USAID. Unless activities other than those described in the categorical exclusion are undertaken by the Recipient Agency under this Agreement, no further action under Regulation 16 is required. However, if further action becomes necessary, USAID will provide further guidance to assist the Recipient Agency at the request of the Recipient Agency in complying with Regulation 16.

2. **Cooperating Country Eligibility:** All countries in the Latin America and the Caribbean region, with the exception of Cuba, will be eligible to receive assistance under this Agreement. However, the Recipient Agency will comply with USAID's policies on assistance in countries in which USAID has no assistance program or is closing out its assistance programs.

3. a. The Recipient Agency may authorize procurement from a country in A.I.D. Geographic Code 935 other than as specified in Standard Provisions, Clause D only if

(1) the procurement is of commodities or services of a type that are not produced in and available for purchase in any cooperating country specified in Standard Provisions, Clause D; or

(2) the authorized representative of the Recipient Agency determines in writing on a case-by-case basis that procurement from such other country is necessary (a) to meet unforeseen circumstances, such as emergency situations, or (b) to promote efficiency in the use of United States foreign assistance resources, including to avoid impairment of foreign assistance objectives.

b. The authorization for procurement in accordance with the preceding paragraph shall be in writing, and a copy of the authorization shall be furnished to USAID.

4. **International Travel:** International travel by United States direct-hire employees of the Recipient Agency may be financed under this Agreement provided the travel complies with the Clause J of the Standard Provisions (Annex C) of this Agreement. All international travel is to be undertaken to design, implement and monitor technical assistance programs financed under this Agreement. In addition, funds available under this Agreement may be used to finance the travel of officials and nongovernmental representatives from the Latin America and Caribbean region (but not from Cuba) to the United States or to third countries other than Cuba for study tours, general consultations, workshops, and training, provided such travel is undertaken to further the objectives of this Agreement.

5. Recipient agency personnel will not work previously in USAID offices or on USAID project sites.

F. **Program Performance Planning and Reporting**

1. Reporting

A. **Periodic Progress Reports:** The Recipient Agency shall provide to USAID, in form and substance satisfactory to USAID, quarterly reports on progress made in achieving Program objectives. These reports shall also include, but are not limited to, the following information: status of achieving goals, objectives and benchmarks; progress or completion of components, elements or activities against planned targets; description of overall program status, other accomplishments and major highlights of program implementation; identification and explanation of significant problems or

delays related to achievement of objectives or activities; a brief summary of significant corrective actions and major activities planned for the subsequent reporting period. The Recipient Agency shall also submit to USAID on a quarterly basis a financial report that includes budget information on accrued expenditures, commitments, and disbursements of funds provided under this Agreement.

B. Final Report: The Recipient Agency shall provide USAID, in form and substance satisfactory to USAID, a final report, not later than sixty (60) days following the completion date of the Program financed under this Agreement. This final report shall provide a chronological summary of the information required generally for the periodic progress reports; and an assessment by the Recipient Agency of the program impacts, to the extent feasible.

2. Consultation

The Recipient Agency and USAID will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Recipient Agency and USAID, at the request of either, will exchange views on the progress of the Program, the performance of obligations under this Agreement, and the performance of any consultants, contractors, or suppliers engaged in the Program, and other matters relating to the Program.

3. Coordination

The Recipient Agency shall make best efforts to coordinate its activities with those of other U.S. Government financed programs and other donors providing assistance substantially similar to that of the Recipient Agency in the Cooperating Country(ies).

4. Compliance with USAID Policy Guidance

a. The cognizant USAID Representative or Director in each Cooperating Country shall be responsible for coordinating the implementation in the field of the overall activities of all United States Government agencies in Latin America and the Caribbean region carrying out assistance programs and projects. The Recipient Agency shall ensure its employees, contractors, and grantees comply fully with this provision.

b. From time to time, USAID may issue additional guidance which provide policy or operational guidance regarding the implementation of the program. The Recipient Agency hereby agrees to comply with all such guidance, as USAID may convey to the Recipient Agency in writing.

5. Notification

The Recipient Agency shall notify USAID promptly in writing of any audits of activities financed by this Agreement initiated by or at the request of the Recipient Agency, its Inspector General, the Office of Management and Budget, or the General Accounting Office.

6. Information Requirements

a. Under Standard Provisions, Clause F, Implementation and Monitoring, quarterly reports will include a breakdown, by gender, of the number of individuals trained to date.

b. Recipient Agency will also provide USAID on a quarterly basis, the standardized Participant Data Form (PDF) to be supplied by USAID, which details biographical data, programmatic information as well as administrative/logistical arrangements for each participant funded under this IAA. This information will provide the basis for USAID reporting requirements to Congress.

G. Resolution of Internal Inconsistencies in the Agreement

Where there is a conflict between the Schedule and the Annexes of this Agreement, the

Schedule shall govern, unless otherwise agreed to in writing by USAID. Where there is a conflict between the face sheet and the Schedule of this Agreement, the face sheet shall govern, unless otherwise agreed to in writing by USAID.

Clearances:

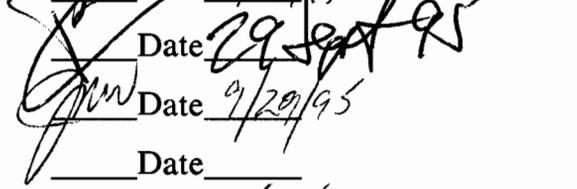
LAC/RSD/BBEG: JBecker

 Date 8/29/95

LAC/RSD: TJohnson

 Date 9/29/95

LAC/DPB-B: RMeehan

 Date 29 Sept 95

✓ LAC/SPM: JWeber

 Date 9/29/95

FM:

\_\_\_\_\_ Date \_\_\_\_\_

GC/LAC: SAllen

SA Date 9/29/95

AA/LAC: RDaubon

\_\_\_\_\_ Date \_\_\_\_\_

Drafted: 8/21/95, JMann, LAC/RSD/BBEG  
U:\DRPUB/HFTE/IAAS/USGS.AGR

Fiscal Data:

Project Number: 598-0822  
Appropriation Symbol: 725/61021.1  
Budget Plan Code: LDV595-35598-KG12  
Obligation Code: 598-0822-G-005049-00  
Fidc  
Fiscal Year: 1995  
Amount: \$160,000  
Funds Control No.: 598-0822-3-5652049

## **Annex A**

### **PROPOSAL TO INTRODUCE SOUND INDUSTRIAL RELATIONS PRACTICES AND LABOR MANAGEMENT COOPERATIVE PROCESSES IN SEVERAL LATIN AMERICAN COUNTRIES**

#### **BACKGROUND**

##### **Industrial Relations and Economic Growth and Integration in Latin America**

The elected Heads of State and Government of the Americas, at their Summit Meeting in Miami, Florida, December 9 - 11, 1994, identified a number of principles and commitments needed to advance their partnership for sustainable economic development, prosperity, democracy, and free trade in the hemisphere.

At this "Summit of the Americas", they recognized that "free trade and increased economic integration are key factors for raising standards of living, improving the working conditions of people in the Americas and protecting the environment". In pursuing their goal of establishing "The Free Trade Area of the Americas" (FTAA), they specifically recognized the need to provide technical assistance to facilitate the integration of the smaller economies and to increase their level of development.

The United States Agency for International Development has had, as one of its purposes, the advancement of free trade in the Latin American and Caribbean region. Currently, USAID is focusing assistance in selected countries of the region to address basic trade and integration issues as means of their full participation in FTAA. Through U.S. assistance, these regional economies will be better able to achieve sustainable economic growth within an increasingly competitive and interdependent global economy.

Among the objectives identified by both the Summit of the Americas and USAID to achieve sustainable economic growth in the nations of the region is the increased adoption of sound industrial relations practices and the adoption of improved labor management relations processes.

##### **Cooperative Labor Management Relations and Economic Integration and Growth**

Improved labor management relations and practices are essential conditions to achieve free trade, economic integration and sustained economic growth in the nations of the hemisphere. Any effort to resolve trade expansion and integration issues in the region will require, among other measures, the introduction and development of sound contemporary labor management relations practices and participative processes in the labor sectors of these countries. The adaption and use of these proven processes will serve to advance stable and equitable economic growth in the nations of the region and in the region itself.

Current experience of labor management practitioners in the United States demonstrates that the use of positive and cooperative labor management relations is a major factor in improving the competitiveness of the firm and the nation through increased

productivity, greater efficiency, improved quality and increased satisfaction and involvement of the work force. These same results have been achieved when these processes have been introduced in other countries, including those in Latin America.

### **Objectives of the Proposal**

The aim of the proposed program is to provide skills training in sound and advanced industrial relations practices in selected nations of the Latin America and the Caribbean region (LAC). These practices would include responsible collective bargaining negotiations and administration of agreements as well as participative forms of labor management relations at the enterprise and other levels of industrial relations.

An additional objective of the program is to utilize these activities as examples of sound practices for other labor management relationships in the project countries and for practitioners of other countries of the region.

As the initial means of introducing these new processes, the current proposal calls for a series of sub-programs in each country including the creation of:

- a) A National or Regional Labor Management Committee to oversee and identify with the effort to introduce sound industrial relations practices and cooperative processes.
- b) The creation of a cadre of trained facilitators/mediators who will be trained in the use of these processes and accompany FMCS mediators in introducing these processes at demonstration sites.

**Note:** An important feature of each of these two sub-programs, a) and b), is to insure integration of generalized processes into the local legal, cultural and industrial relations climate, to gain acceptability of the program and the processes it intends to introduce among labor management practitioners and others and to provide the means of endurance of the new processes on completion of the program through the understanding and commitment of the members of the regional or national labor management committee and the available skills of the facilitator/mediator cadre. (See Appendix A).

- c) A series of labor management conferences conducted under local sponsorship to:
  - 1) Introduce and
  - 2) Report on the successful introduction and success of advanced labor management processes.
- d) Three on-site training and implementation programs at select company-union locations by the FMCS mediators, accompanied by members of the indigenous facilitator/mediator teams.

## **Orientation to Workplace and Enterprise Levels**

The orientation of the proposal is to provide industrial relations skill training to labor and management practitioners at the work place and enterprise levels. While the program in each country would include a national seminar to introduce these processes, the heart of the program will reside at the several company - union sites where skills training will be provided to negotiators and administrators of specific labor management relationships. Implementation and advancement of these processes will require the creation of national or regional labor management committees and the establishment of a cadre of facilitators/mediators.

The on-site programs would include extensive internal reporting features designed to inform both management and rank and file members of the labor organizations of the nature and progress of the new labor management relationships. The sharing of this information has proven vital to achieving extended participation and commitment of the members of an enterprise workforce.

This program is intended to improve labor management relations in the full spectrum of these relations by addressing fundamental bargaining skills, bargaining structures, the functions and responsibilities of both labor and management in their relationships as well as their responsible administration of agreements. This stabilization, strengthening and advancement of normal relations between the parties is necessary as a basis on which to build cooperative and participative relations.

An important premise of this approach at the enterprise and shop floor levels of labor management relations is that any cooperative relationship at these levels requires a foundation of sound industrial relations practice. Responsible approaches to collective bargaining relations must include the development of communication, trust, understanding and acceptance of the fundamental roles of the parties. Thus, the program at each demonstration site would include pre-training meetings to determine the quality and level of labor management relations in order that on-site programs would commence at the level of need and 'readiness' of each set of relationships.

### **Purposes Addressed by Proposal**

Specifically, the proposed program is intended to address the following areas:

#### **a) Bargaining Structures**

Improve collective bargaining structures by providing both knowledge and skills to negotiators at the enterprise levels. The program will aid these parties in negotiations and subsequent administration of agreements in using basic industrial relations processes to successfully address issues as they appear and in demonstrating the value of responsible and positive relations. FMCS

believes that it is essential to advance labor and management relationships by assisting the parties in strengthening their current structures and processes as a foundation to advance their relations. Thus, processes like Interest Based Bargaining require a beginning level of mutual understanding and elemental cooperation to be successfully introduced. Advanced processes will fail without a firm basis in fundamentally sound industrial relations practices.

b) Union and Worker Involvement

Strengthen union organizations through increased recognition and acceptance by employers, improved ability to address issues of concerns to members, increased success in representing the needs of workers in labor management exchanges and greater participation of the rank and file membership of the labor organizations in newly structured relationships with employers. Most importantly, unions will be strengthened when they obtain a share in the economic benefits for their members as a result of their participation in the new labor management partnerships.

c) Employer Participation and Commitment

Demonstrate the benefits of stable and participative relationships to employers who previously had relied on suppression of worker influence in the workplace. Employers will be initially more aware of the importance of increased ability to compete in the global work place, they will become more open to the possibility of improved labor management relations when they understand the value of these approaches as vital measures in improving their competitive position. These same employers will most likely be conscious of the role which improved labor management relations is playing in the success of firms in other countries.

d) Mutual Benefits

Provide participants with an appreciation of the mutual benefits of stable and positive relations whereby they will be able to improve the economic outlook of the company with consequent benefits to employers, workers and the nation. With both labor and management increasingly aware of the need to improve productive processes in the interest of competitiveness, and with the means of jointly addressing the means necessary to accomplish that competitiveness, they will be motivated by mutual self interest to seek continuing improvement in their relationships.

e) Dispute Resolution

Familiarize labor and management with dispute resolution processes which can assist them in addressing issues which might interfere with their larger goals. In the normal course of events, differences between labor and management will arise even under the most advanced forms of relationships. An understanding of various forms of dispute resolution processes will become more essential in anticipation of unresolved differences, motivating both sides to understand and support the creation of methods designed to resolve those differences.

To that end, a cadre of facilitators/mediators would be trained in each country to: 1) Assist labor and management through the use of dispute resolution skills and 2) To build an existing relationships through the introduction of cooperative processes.

f) Governmental Understanding and Support

Create a new awareness among governmental institutions such as Ministries of Labor that the use of these processes are in the national interest, thereby gaining government recognition and support of the use of advance labor management practices. Further, newly trained ministry staffs and other experience officials involved with labor management relations can support sound industrial relations practices and cooperative relationships in their various roles with employers, unions and workers. This can be achieved through their training in the use of alternative dispute resolution, collective bargaining and participative labor management relations.

## PROGRAM

It is proposed that the Federal Mediation and Conciliation Service (FMCS),<sup>1</sup> undertake a program of approximately **one year in duration in one Latin American country**, to introduce the use of responsible labor management relations at the enterprise or firm level. **Because work in a second country apparently is precluded by USAID's limited funding in FY '95, FMCS will withhold that request until FY '96.** The program will be a means of introducing improved labor management relations, increasing the level of worker participation in both the activities of the enterprise and the benefits derived from improved processes and profitability while achieving increased competitiveness in the integrated new economies. These new capabilities are intended to contribute toward

<sup>1</sup> An independent agency of the United States government dedicated to assisting U.S. labor and management in the successful resolution of their disputes and in improving their relationships

improved competitiveness of the enterprise as well as increase stable national economic growth and greater participation of these nations in the interdependent global and regional marketplace.

### **Program Format and Content**

The program would consist of a one day national conference on goals and objectives of the programs, presentations on the value and means of improved labor management relations, and creation of a National or Regional Labor Management Committee to oversee and advise on the programs to be conducted at the enterprise levels.

With the advice of the National Labor Management Committee and U.S. officials, (USAID, U.S. Labor Attache, etc.) FMCS would identify no more than three labor management sites in each country where programs of hands-on-training would be conducted.

### **Demonstration Site Training**

Demonstration site programs would include:

- 1) On-site diagnosis of structure and process of labor and management for bargaining to determine initial level of training,
- 2) Identification of issues and preparation for bargaining,
- 3) Negotiations skills and considerations,
- 4) Administration of agreements,
- 5) Introduction to cooperative relations through use of FMCS' Relations by Objectives program to initiate constructive and participative relations,
- 6) Creation of labor management committees at each site to address areas of mutual concern through regular meetings and implementation of resolutions with reporting to constituencies,
- 7) Introduction of advance labor and management partnerships,
- 8) Advanced training of labor management committees, (committee effectiveness programs),
- 9) Introduction of interest based negotiations,

Members of the national labor management committee would be invited to observe these various phases of the programs conducted to improve work place and firm level negotiations.

10) Follow-up consultations.

FMCS experience in assisting labor and management at the enterprise level in developing any new approaches in industrial relations and improvement in their relationships requires more than a single training experience. In every training the Service has ever provided, whether in domestic cases or overseas, (as in the current program in Ecuador), follow-up consultations are needed in the interest of bringing about permanent changes.

This proposal has been expanded to include optional provisions for follow-up activities by the FMCS mediators and local facilitators/mediators.

### **FMCS QUALIFICATIONS**

The Federal Mediation and Conciliation Service has 195 mediators<sup>2</sup> currently involved in providing the types of training described above to labor management practitioners in the United States. The Service now uses these specific training elements as means of assisting American labor management practitioners in improving their relationships.

### **FMCS Overseas Experience**

Many of the mediators have successfully conducted similar programs in other countries in Asia, Africa, Europe and Latin America as part of the Service's international technical assistance activities. Examples of this overseas training activity have taken place in such countries as South Africa, Guatemala, El Salvador, Taiwan, Argentina, Ecuador, Poland and Russia. In these and other countries, FMCS mediators have assisted local labor and management groups in adapting these advanced processes to local conditions and cultures.

In addition, FMCS has gained an international reputation by conducting training and participating in workshops and conferences such as those sponsored by the European Union, the recent series of Latin American regional conferences on labor management cooperation sponsored by USAID and the U.S. Department of Labor, a Korean workshop series on sound practice in industrial relations, a series of USIA programs in Latin America, a series of labor management training programs in Russia funded by the Eurasian Foundation, etc.

<sup>2</sup> An initial hiring qualification for the position of an FMCS mediator is a minimum of eight years experience as a union or management negotiator of collective bargaining agreements.

Recently, the Service has been directly asked to provide these services in Argentina, Chile, El Salvador and Ecuador in Latin America. FMCS has similarly inquiries and activities elsewhere in the world.

### **Domestic Preventive Mediation Experience**

In addition to its extensive dispute mediation activity (22,500 cases in Fiscal Year '94), FMCS experience in the areas of this proposal is exemplified in the 2,400 programs conducted by staff mediators in 1994 in response to the growing domestic interest among American labor management practitioners in labor management cooperation, joint decision making, employee involvement processes as well as organizational and quality improvement. In response to those interests, the mediators provided programs in more effective techniques and skills in bargaining, communications, collaborative labor management processes for improved labor management relations, economic competitiveness, work place performance and governance and job security, benefit sharing, participative decision making, interest based negotiations and conflict resolution.

Under the current administration of FMCS, a Mediator Task Force has charted a more intensive role for the Service in improving and advancing labor management relations in the United States. Since then, a series of task groups have been improving and advancing these processes for use under the Service's new initiatives documented in a recent publication, "Forces for Change." The results of these improvements would be incorporated in Service activities in this hemisphere under this proposal.

### **ANTICIPATED PROGRAM RESULTS**

In implementing this program, the mediator teams would expect to enlist the participation and involvement of Chambers of Commerce and Industry, Trade Union Federations, the regional and local operations of the American Institute for Free Labor Development, universities and other organizations working in the area of labor management relations. As one example of a current program in Ecuador, the Service would involve the leaders of CEOSL and FETLIG (Guayaquil), the Chambers of Industry and Commerce of Guayaquil, Quito and Cuenca and the democratic trade union leaders from these areas.

Through the national and regional labor management committees which would be formed and trained to support and continue these efforts, it would be expected that labor management relations at the various enterprises would improve with resulting effects on competitiveness of the firms and increased recognition and development of partnerships between labor and management. Further, it is expected that the motivation to participate in increased economic growth will serve to dampen traditional hostilities between labor and management and serve to increase their joint participation in the advancement of their relations in the interest of mutual improvement.

## **Specifically Anticipated Results**

- A) Creation of a National or Regional Labor Management Committee which would continue efforts of advancing the quality of labor management relations on the completion of the USAID/FMCS program
- B) Develop a cadre of local facilitators/mediators who will continue to provide dispute resolution and relationship building services to the labor management community as a locally supported continuation of the USAID/FMCS program.
- C) Establish functional examples of advanced labor management relationships in three companies to serve as models in the use of sound labor management processes and cooperative relationships.
- D) Commit the larger labor management community including governmental agencies, employer organizations, unions, academics and others to the use of these processes, leading to the transformation of the industrial relations system to improve enterprise and national competitiveness through innovative and flexible participative processes, and increase the participation of workers in decision making and gain sharing.
- E) Increase national capability to participate effectively in the larger integrated economy of the region.
- F) Prepare lessons learned from this work in the form of a case study for dissemination as a model for the LAC region.

The benchmarks in measuring progress toward these goals are:

- 1) The successful establishment of a National Labor Management Committee committed to the improvement of labor management relations,
- 2) The lessening of existing labor management tensions by providing the possibility of new models of relationships with both local and national implications,
- 3) Increased understanding of the need for change from traditional, adversarial relations and limited bureaucratic guidelines by government, employers and unions,
- 4) Creation of several examples of improved labor management relations and creation of interest in other labor management relations in the use of the advanced processes,
- 5) Establishment of a cadre of facilitators/mediators who are recognized and used as agents of change and improved relationships.

## **Strategy for Achieving Results**

Based on FMCS experience in other countries where FMCS has provided technical assistance, the strategy we have chosen would provide technical assistance to specific local companies and unions in the improvement in their labor management relations to increase their participation in the economy and to serve as examples of the usefulness of improved approaches to their relationships.

While this program will involve conferences and seminars at the regional and national levels to gain understanding and commitment to these processes, the proposed program is not centered solely on national level training programs since these do not provide for continuity of implementation and long range commitment. FMCS experience indicates that stand alone training conferences have limited and often non-lasting effects.

## **Institution Building and Regulatory Implementation Reform**

This program is viewed by FMCS as the first step in the development or transformation of the local industrial relations system. The demonstration effect of a successful introduction of sound and cooperative relations at the firm level should lead to re-consideration of current institutional commitments and existing labor code provisions. It would be expected that, with success of new relationships clearly demonstrated at the firm level, the National Labor Management Committee would look to the creation of supportive institutions and changes in regulatory provisions to support these new directions.

Note that the recommendation of a National Labor Management Committee includes participation by existing institutional and governmental representatives to provide them first hand experience with the introduction and implementation of new industrial relations approaches.

## **Promotion of Labor Management Cooperative Strategies e.g. Interest Based Negotiations**

Within the limits of the proposed program, the further promotion of sound labor management relations and cooperative processes, adapted to local usage, would follow from the observation of the success of the introduction of these processes by members of the labor management committee and their constituencies. Thus, government representatives on the National Labor Management Committee would report to the Ministry on the value of these processes and suggest revision of their Labor Code in support and encouragement of these processes, university members on the Labor Management Committee would recognize the usefulness of these approaches and recommend the creation of academic programs, institutes and research on the use of these programs, etc.

One element of the current proposal is to begin the national program with a labor management conference, hopefully sponsored by the National Labor Management Committee, to inform the full national labor management community consisting of labor, management, governmental and academic entities of the purpose and content of the program. In addition, the program provides for an additional Conference on completion of the program, again sponsored by the National Labor Management Committee to report on the success of these efforts and provide representatives of these constituencies (government, academic, labor and management) to address initiatives they would undertake to promulgate and advance these processes.

It should be noted that Interest Based Negotiations, as successful as these have been in the U.S. and elsewhere, are not the only form of advanced labor management cooperation. While this proposal includes introduction of Interest Based Negotiations at the level of the firm in the three demonstration projects, Interest Based Negotiations is but one of several approaches in the larger framework of cooperative labor management relations which will be introduced. While Interest Based Negotiations are an important and effective ingredient, it is not necessarily the first step or even a 'sine qua non' of labor management cooperation.

### **Permanent/Sustainable Solutions**

In choosing the strategies of establishing a broadly representative national or regional labor management committee, recommending the creation of a cadre of facilitators/mediators and the series of demonstration sites, together with the introductory labor management conference and the post-program conference, FMCS' purpose is to create a basis of perpetuation of the programs.

By providing specific training for the members of the National Labor Management Committee and creating a cadre of experienced facilitators/mediators, the first elements of understanding and resources will have been provided. Unlike stand alone training programs and/or conferences which do not have the elements of continuity, this program is designed to provide demonstrated success, commitment and resolution by the labor management committee both as an entity and in its members and their constituencies and in the availability of a skills ready cadre of facilitators/mediators.

Essentially, the program would provide the understanding, the initial structure and the technical ability to institute new directions within a given industrial relations system. The hinge of converting the lessons of this program to larger policy directions is the conviction of the institutional observers of the value of these approaches.

### **Appropriate Role of Industrial Relations Entities.**

As provided in this program description, it is our intent to include as many of these labor relations entities in a given country in the membership and activities of the labor management committee, the conferences, etc, as might be supportive of these new

approaches. It is our expectation that labor unions will take a positive position on these new approaches, together with their management counterparts and to provide internal support in the form of training, advice to members, etc. In the same vein, we would expect bar associations, employer associations and professional groups to foster the development of these approaches in their own organizations. Realistically, Ministries of Labor will probably be slower to change legislative provisions for industrial relations but, again, faced with the realities of new and useful directions, the governments will have to address these issues and their role in achieving the larger national goals identified at the "Summit of the Americas".

Universities, as mentioned above, already committed to human resources development in their programs, will view these developments as new areas for research and for delivery of services to their various communities.

### **Contribution of Management and Labor**

With the expectation that the introduction of these processes will be successful and properly understood, labor unions may be expected to provide policy and program support, training and guidance to its members and their representatives. Management organizations can provide technical support to their member organizations, urge for supportive legislation and provide member training in the use of these new processes. Again, much of these results are further down the line and must await the initial success of the programs being recommended in this proposal.

### **Selection of Countries**

Since this proposal is intended to provide a demonstration of the usefulness of improved labor management relations as a factor in sustained economic development, the countries selected as the original demonstration site(s) should possess:

- a) A heightened awareness of the importance of successful participation in the Free Trade Areas of the Americas (FTAA) and a potential awareness of the importance of labor management relations to that participation;
- b) Existing trade relations agreements with other countries in the region as was described in "Reports on Work Underway" in the Joint Declaration of the Summit of the Americas Trade Ministerial, (Denver, CO. June 30, 1995);
- c) Presence of a sophisticated labor and management community with supporting constituencies at national and local levels;
- d) Constituent interest in expanded trade relations;

- e) Availability of at least three demonstration sites which are strategically placed in the national economy to insure national attention on successful improvement of labor management relations;
- f) Expressed desire to gain assistance in the improvement of labor management relations and use of cooperative processes.

It is our recommendation that Ecuador be the first choice and Argentina the second choice in accordance with the following reasons:

1) **Ecuador:** Given the fact that FMCS has been instrumental in raising an awareness among influential labor leaders in Ecuador of the need for industrial relations system reform and the value of cooperative relations between labor and management in that country, the subsequent approach by labor to their management counterparts with the recommendation that they reform their relationships, and the series of three separate programs involving FMCS mediators, Ecuador is a prime candidate for this program activity.

The programs conducted by FMCS there in the last year have resulted in the formation of a regional labor management committee in the Guayaquil area, the success of several labor management training conferences, the expressed interest for similar programs in the Quito and Cuenca areas, the evident diminution of labor management tensions resulting directly from these initiatives and the central role of Ecuador in the Andean region, argue for the inclusion of this program as part of this proposal initiative. Too, these efforts, which have raised national expectations in the improvement and advancement of labor management relations have already committed the attention and interest of the labor and management communities of Peru and Columbia.

Given FMCS' inability to continue its current efforts in Ecuador because of limited financial support (all efforts thus far have been substantially supported financially by the local labor and management communities), it is our recommendation that Ecuador be included as one of the two countries to involved under this proposal

2) **Argentina:** FMCS has recently received a letter from a Sub-Secretary for Labor Relations of the Ministry of Labor of Argentina citing the history of cooperation they have received from FMCS including a program conducted earlier this year, and indicating the need to increased cooperation between companies and unions in that country resulting from changes they are experiencing in their system of industrial relations. The Ministry is asking FMCS to discuss ways in which FMCS can provide technical assistance, e.g. in the form of programs for their officials and for labor and management constituencies.

Given the level of sophistication of that country in its labor and management sectors, and the potential value of other institutions in Argentina and the expressed interest of the Labor Ministry, and given existing relations and existing acceptability of FMCS among labor and management organizations in that country, we believe Argentina would be a likely site for this program.

## OUTLINE OF BUDGET REQUIREMENTS

Each country program will require:

### 1. Initial trip by two FMCS mediators of one week duration to:

- a) Meet with U.S. and local leaders to determine labor management climate and explain purpose of the program,
- b) Identify, recruit, meet and initiate training with members of the national or regional Labor Management Committee,
- c) Initiate identification and selection of candidates for facilitator/mediator cadre (initially limited to six people),
- d) Identify candidate organizations for labor management demonstration sites,
- e) Conduct two day labor management conference on Improvement of Labor Management Relations.

(FMCS would initiate these activities prior to this first visit through the cooperation of in-country organizations.)

### 2. Two week visit:

- a) Continue Training of Members of Labor Management Committee (two days)
- b) Initiate training program for Facilitators/Mediators identified and selected by the Labor Management Committee with the advice of FMCS mediators (five days)
- c) Provide initial group training of labor and management representatives of selected demonstration sites (three days)
- d) Consultation with various supporting organizations

**3. Two week visit:**

- a) Final training of Labor Management Committee (one day)
- b) Continuing training of Facilitator/Mediator Cadre (three days)
- c) Initiate Program at First Demonstration Site in company with two members of the Facilitator/Mediator Cadre (three days)
- d) Initiate Program at Second Demonstration Site in company with two other members of the Facilitator/Mediator Cadre (three days)
- e) Review meeting of Demonstration Site experience with cadre of Facilitators/Mediators

**4. One week visit:**

- a) Continuing Training of Facilitator/Mediator Cadre (Post demonstration site activity)
- b) Continuation of Training at First Demonstration Site (one day)
- c) Continuation of training at Second Demonstration Site (one day)
- d) Initiation of training at Third Demonstration Site (three days)
- e) Consultation with Labor Management Committee and other support groups

**5. One week visit:**

- a) Continuing Training, Review of Demonstration Site Experience at Demonstration Sites with Cadre (one day)
- b) Continuation at First demonstration site (one day)
- c) Continuation at second demonstration site (one day)
- d) Continuation at third demonstration site (one day)

**6. Two week visit:**

- a) Training with Cadre (one day)
- b) Continuation of demonstration site training, as needed (six days)
- c) Labor Management Conference sponsored by Labor Management Committee with speakers from the Committee, the demonstration sites, reporting on the program
- d) Final round of meetings with various authorities to report on progress, plan for future development and implementation of advanced labor management relations and cooperative processes.

## APPENDIX A

### **ESTABLISHMENT OF NATIONAL OR REGIONAL LABOR MANAGEMENT COMMITTEES AND CREATION OF A LOCAL CADRES OF FACILITATORS/MEDIATORS**

#### **National or Regional Labor Management Committees**

It is recommended that, preliminary to the on-site training of labor and management representatives involved in specific relationships, attention be given to the creation of a national or regional labor management committee composed of recognized and respected labor and management practitioners, nominees of representative organizations and representative(s) of government agencies.

The purpose of this labor management committee would be to gain acceptance and attention to these efforts to introduce improved labor management relationships, to advise on the training to be provided, to participate in the selection of members of the facilitator/mediator cadre, to assist in the selection of the three local labor management sites, to oversee and endorse the training being provided and to provide leadership in the later utilization of the facilitators/mediators to introduce these processes at other locations.

This labor management committee would itself receive training and orientation from the FMCS mediator team, receive regular reports from the FMCS team on the progress of on-site training as well as consultation on future use of these processes.

#### **Local Facilitators/Mediators**

It is recommended that a team of acceptable, experienced facilitators/mediators be given initial training prior to the on-site programs.

The purpose of the cadre facilitators/mediators would be:

- 1) To assist the FMCS mediators in the introduction of sound labor management relations and innovative and cooperative processes in the on-site programs,
- 2) To be available and assist in advancing these on-site efforts during the absence of the FMCS mediators,
- 3) To continue efforts to introduce and advance the improvement of relationships at other enterprises on completion of the USAID/FMCS programs,
- 4) Dispute resolution assistance (labor dispute mediation) to demonstration sites negotiators and others.

**NOTE:** Concerning item 4, it is FMCS experience that mediator assistance to labor and management negotiators in resolving negotiations differences often present opportunities to suggest that the parties review their fundamental relationships and utilize the mediator to develop improved cooperative relations. Thus, the availability of local mediators to assist in resolving disputes provides a significant, continuing opportunity to introduce labor management cooperation after completion of the FMCS program.

Depending on local circumstances, these facilitators/mediators either would function independently, as part of an independent organization or as a function of the Ministry of Labor or other local organization.

Training of the Cadre of Facilitators/Mediators, selected in cooperation with the National Labor Management Committee and others, as required, would include:

- A) Acceptability, neutrality, experience, confidentiality, ethics,
- B) Basic understanding of labor management relations including provisions of local industrial relations systems and practices, the role of labor and management in contractual relationships, preparation for collective bargaining, collective bargaining negotiations, reaching agreements, administration of agreements, characteristics of sound labor management relationships,
- C) Forms and use of dispute resolution, mediator skills,
- D) Introduction of cooperative labor management relationships, use of programs such as Relations by Objectives, Partners in Change, Committee Effectiveness Training, creation and use of labor management committees, Introduction to Interest Based Negotiations, etc.
- E) The use of the facilitator/mediator as neutral adviser and consultant, promoter of sound labor management relations and cooperative processes, etc.

FMCS will provide on-going, post program consultation to this function as part of an informal network of dispute resolution activities.

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## Annex B

### ESTIMATED BUDGET

#### COOPERATIVE LABOR MANAGEMENT RELATIONS IN LATIN AMERICA

International Airfare	\$2,000 x 2 mediators x 6 trips	\$ 24,000
Per Diem	\$200 x 2 mediators x 63 days	\$ 25,200
Other	\$200 x 2 mediators x 6 trips	\$ 2,400
Materials Translations		\$ 5,000
Interpreters	\$275 x 2 interpreters x 45 program days	\$ 24,750
In-Country Travel		\$ 4,000
Conference Sites, Luncheon for participants		\$ 8,000
Salaries and benefits	\$400 x 2 mediators x 45 days	\$ 36,000
National Office Support	\$500 x 5 days	\$ 2,500
& Coordination	\$200 x 5 days	<u>\$ 1,000</u>
		\$132,850
Overhead		<u>\$ 26,570</u>
		\$159,420
Estimated budget per program		\$160,000